

GLOBAL MOVEMENT

2011 POSCO Report

Key Figures 2011

FINANCIAL PERFORMANCE

(1,000 ton, million KRW)

Category	2011	2010	2009
Production (Crude Steel)	37,325	33,716	29,530
Production (Finished Products)	35,108	32,129	28,243
Sales Volume (Finished Production)	34,493	31,465	28,437
Sales	39,171,703	32,582,036	26,953,945
Operating Profit	4,196,028	4,784,518	3,147,998
Net Income for the year	3,188,845	3,784,361	3,172,264
Assets	52,717,876	49,086,227	39,992,765
Liabilities	15,129,860	13,062,731	9,041,474
Shareholders’ Equity	37,598,017	36,023,496	30,951,291

NON-FINANCIAL PERFORMANCE

Category		2011	2010	2009
Number of employees		17,553	16,898	16,458
Ratio of female employees (%)		3.6	3.4	3.0
Lost-time Injury Frequency Rate		0.23	0.19	0.21
Employee average volunteering time (hours)		35	33	30
Customer satisfaction (points)	(domestic)	91	80	83
	(overseas)	81	72	72
Benefit sharing (bil., accumulation)		82.6	40.2	32.5
Water usage (m³/t-S)		3.63	3.85	3.86
Amount of byproducts recycled (10,000 ton)		2,666	2,219	1,837
CO₂ Emissions Intensity (t-CO₂/t-S)		2.10	2.13	2.14

About This Report

In 2011, POSCO continued its efforts to grow together with its stakeholders. To this end, we tried to make the 2011 POSCO Sustainability Report (“The 2011 Report”) as easily accessible as possible. Based on the principle, some highlights of the 2011 Report include:

First, this report is published as an integrated report, containing both the financial and non-financial performance of the company. Until the year 2010, POSCO released financial and non-financial performance in its Annual Report and Sustainability Report respectively. The unification of the two reports enabled stakeholders to gain information they needed more easily. We intend to deliver a unified set of values, both financial and non-financial, through the report and to present the social responsibilities of the company in the economy, society, and environment.

Second, this report is designed to be reader-friendly by organizing its contents into each group of stakeholders; society, business partners, shareholders and investors, customers, employees, and environment. Previous reports classified stakeholders into just three categories of the economy, the environment, and society, which made it difficult for readers to find the information they wanted. This has been improved to give stakeholders faster and easier access to the needed information.

Third, this report expanded stakeholder involvement in its creation process. We increased the number of outside experts from five, the previous year, to ten to ensure opinions from a more diverse group of stakeholders. In addition, a panel of university students has been formed to reflect the creative ideas and suggestions from the next-generation of leaders about the report and sustainable management in general. To make the materiality test more relevant, the issue pool has been supplemented to reflect the latest trends through two rounds of media survey, analysis of issues addressed at the company's operational meetings, and research of the KPIs of our competitors.

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CEO Message



The Report reflects POSCO’s aspiration and dedication to realizing the vision of “making a better world with dreams and hope, materials and energy” and to become a “Firm of Endearment” by all the stakeholders.

POSCO set forth the vision of becoming a firm of endearment despite a challenging business environment due to the global financial crisis in 2011 and has been working diligently to realize it.

The “Firm of Endearment” POSCO is striving for is not just a global leader with high profits and high growth, but a company committed to making the world a better place by creating values for and sharing them with all stakeholders, who the company was born and grew with; society, partners, shareholders and investors, customers, employees, and the environment. This Report examines POSCO's efforts to become a “Firm of Endearment” and the direction it should be going.

POSCO has worked on a variety of social contribution initiatives to fulfill its responsibilities as a corporate citizen; social enterprise benefiting minorities, multi-cultural family support, and the POSCO Family one-percent sharing campaign. Also, we extended the scope of social contribution activities globally, including Africa and Mongolia.

At the same time, POSCO expanded the compliance program for fair trade to our second-tier partners in addition to our first-tier partners to help establish a fair trade practice in the market. We also have been operating 67 programs including the Benefit Sharing and financial support for SMEs to grow together.

Not only that, POSCO is dedicated to raising the values of shareholders and investors. Despite a deep recession, POSCO achieved 39.2 trillion KRW in sales and 4.2 trillion KRW in operating profits, through cost-cutting, technological innovation for creating high-added values, global investment and group management to enhance future growth potential.

We are dedicated to providing customer-oriented services such as EVI(Early Vendor Involvement) and CRM as we firmly believe the growth of a company lies in the growth of its customers. Also, we declared quality management to deliver differentiated value through quality improvement.

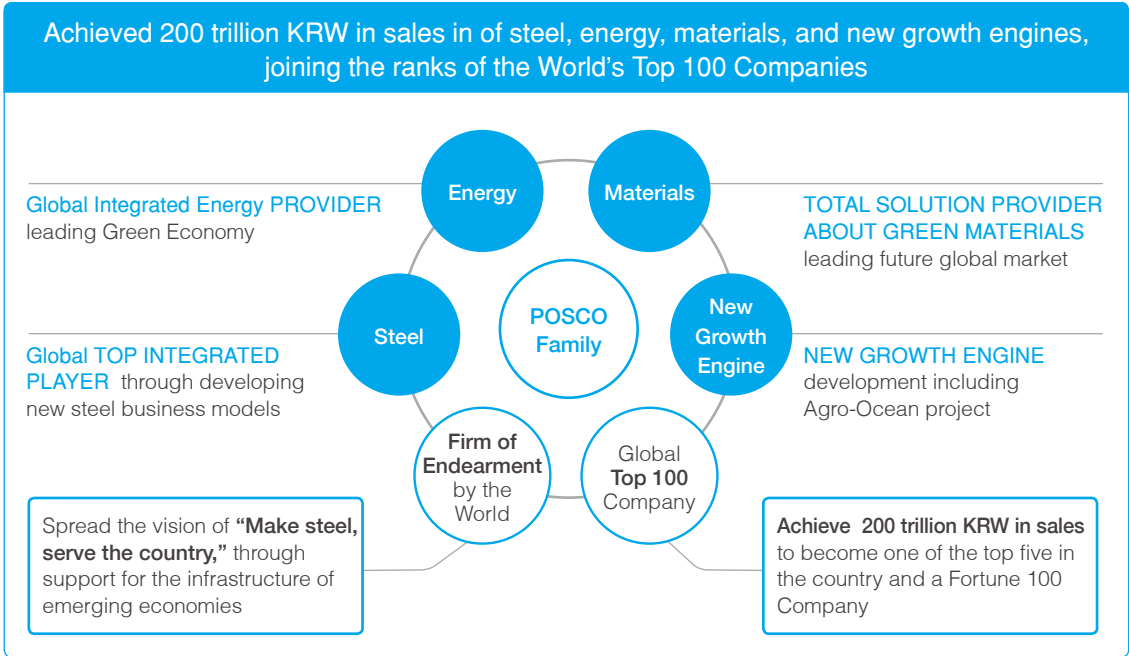
For our employees, we aim to create a “happy workplace,” which is safe, healthy, and improves the quality of life for those working there. POSCO established a Global Safety Center and introduced a 4 teams, 2 shift system and flexible work hours to help strike a balance between life and work. Also, we are committed to supporting our employees by enhancing their capabilities on their way to becoming global talents.

The environment is another important stakeholder. POSCO has been working very hard to hand down a fresh green planet to the next generation through byproduct management, biodiversity conservation, and proper response to climate change. Such multi-faceted efforts earned POSCO the honor of ranking 30th in the Global 100 Most Sustainable Corporations in the World announced by the World Economic Forum in Davos. Also, POSCO was selected as the leading company in sustainable management by SAM (Sustainability Asset Management) Research Inc. of Switzerland, and the Dow Jones of the United States for the seventh year in a row.

Working with the vision of “making a better world with dreams and hope, materials and energy,” POSCO will continue its pursuit of sustainable management to create a healthy and vibrant market, win-win relationship in the corporate ecosystem, and, finally to make the world a better place. We hope for your continued interest and support in our efforts in sustainability management.

Thank you.

June 2012 CEO Joon-Yang Chung



The Board of Directors

Outside Directors



Han, Joon-Ho

- CEO & Chair of Samchully
- Former CEO of KEPCO
- Former Administrator of the Small and Medium Business Administration
-
- Seoul National University, Bachelor of Science in Law
- Seoul National University, Masters in Public Administration
- Kyung Hee University, PhD. in Public Administration
-
- Member of Director Candidate Recommendation Committee
- Member of Evaluation and Compensation Committee



Lee, Young-Sun

- Former President of Hallym University
- Former Dean of Yonsei University Graduate School of International Studies
- Professor at Yonsei University Department of Economics
-
- Seoul National University, Bachelor of Science in Economics
- University of Maryland, Masters & PhD. in Economics,
-
- Director of Candidate Recommendation Committee
- Member of Internal Transactions Committee
- Member of Audit Committee



Lee, Chang-Hee

- Professor at Seoul University Department of Law
- International Director of Korea Tax Law Society
- Professor at Harvard Law School
-
- Seoul National University, Bachelor of Science in Law
- Harvard University, MA &PhD. in International Law
-
- Chair of Internal Transactions Committee
- Member of Audit Committee
- Member of Director Candidate Recommendation Committee



Nam, Yong

- Former CEO of LG Electronics
- CEO of LG Telecom
-
- Seoul National University, Bachelor of Science in Economics
-
- Chair of Finance and Operations Committee
- Member of Evaluation & Compensation Committee



Park, Sang-Kil

- Lawyer at Kim&Chang Law Firm
- Former Chief Public Prosecutor, Busan High Public Prosecutors Office
-
- Seoul National University, Bachelor of Science in Law
- Harvard University, Masters in Criminal Law
-
- Member of Evaluation & Compensation Committee
- Member of Internal Transactions Committee
- Member of Audit Committee



Byun, Dae-Gyu

- CEO of Humax Holdings
- Official Member of National Academy of Engineering Korea
-
- Seoul National University, PhD. in Control and Instrumentation Engineering
-
- Chair of Evaluation & Compensation Committee
- Member of Finance & Management Committee



James B. Bemowski

- Doosan Vice Chairman
- Former Senior Executive Vice President of Southern Bank Berhad of Malaysia
- Country Head of McKinsey Korea
-
- McKenna College, Bachelor of Science in Economics
- Harvard Business School, MBA
-
- Chair of Internal Transactions Committee
- Member of Audit Committee
- Member of Director Candidate Recommendation Committee

Standing Directors



Chung, Joon-Yang

- Chair & CEO
- Former President & CEO
-
- Seoul National University, Bachelor of Science in Industrial Education
- Suncheon National University, Masters in Metallurgical Engineering



Park, Han-Yong

- President & CSO
- Former Executive Vice-president
- President of POSCO ICT Co
-
- Korea University, Bachelor of Science in Statistics



Cho, Noi-Ha

- Vice President
- Former Senior Director
-
- Korea University, Bachelor of Science in Metallurgical Engineering
-
- Member of Finance & Management Committee



Park, Ki-Hong

- Vice President
- Former Senior Director
- President of POSCO Research Institute
-
- Seoul National University, Bachelor of Science in Economics
- Seoul National University, Masters in Economics
- New York State University, PhD. in Economics
-
- Member of Finance & Management Committee



Kim, Joon-Sik

- Vice President
- Former Senior Director
-
- Seoul National University, Bachelor of Science in Metallurgical Engineering
- KAIST, MBA
-
- Member of Director Candidate Recommendation Committee

Executive Interviews

INTERVIEW

Choi Jeongwoo, Executive Vice President, Corporate Ethics Practice Bureau • POSCO has placed an emphasis on ethics management since its foundation. We are continually looking for ways to make ethics management part of our corporate culture and have our employees put its principles into action in their daily work to create fair and transparent relationships where all stakeholders happily coexist. In the future, we will expand the scope of ethics management to embrace our 50,000 POSCO family members to foster an even healthier business atmosphere.

Yae Jaehen, Senior Vice President, Labor and Outsourcing Department • POSCO strives to make labor-management relations more stable through trust and communication based on respect for humanity. Sticking to our management principles of respect for human rights, transparency in management, and open organization, we will continue to pursue a sustainable labor policy by implementing the POSCO's unique "Smart Labor Culture," to improve the working conditions and quality of life of the employees. POSCO will become a firm of endearment by its employees through a win-win labor-management partnership

Kim Kwanyoung, Senior Vice President, Human Resources Innovation Department • POSCO's innovative activities and its employees, along with management have always valued trust and communication. Based on those values, POSCO is maximizing the synergy effect of communication, collaboration, and creativity through open recruitment. Our project, "Smart Work" – is about changing the way we do business, and our systematic support for employees. POSCO endeavors to create a "Great Work Place," where our employees can perform their duties efficiently and happily.

Sung Geewoong, Senior Vice President, Environment and Energy Planning Department • For POSCO employees, sustainability management is not an unfamiliar expression any more. Now it's time to take another step forward. Environmental investment may not create wealth directly but it cuts cost and also is an investment for the future. We double our effort to reach consensus on the necessity of environmental management. All the POSCO employees will listen to stakeholders to make POSCO a global leading corporation.

Cho Yongdoo, Senior Vice President, Management Evaluation Department • Based on its corporate vision of becoming a "Firm of Endearment" POSCO continuously monitors political and social changes that could pose image and/or financial risks. We work tirelessly to make sustainable development for all the POSCO Family a reality by proactively responding to risks related to global changes as we expand our business scope from steel-making to new growth engines and embrace the global POSCO Family in implementing its vision.

Lee Myungho, Senior Vice President, Social Contribution Department • Since its inception, POSCO has valued contributing to the nation and society more than profit making, considering social contribution as an important mission. POSCO employees have a firm belief that fulfilling responsibilities as a corporate citizen leads to the long-term growth of the company. We are actively involved in global social contribution activities to help those in need overseas stand firm, and finally to create a society where everyone can grow together.

Ha Youngsul, Senior Vice President, Purchase Support Center • POSCO is committed to helping its partner companies maximize their competence and create synergy to "increase the size of the pie." We continue to look for ways to grow together by establishing the fair trade order and building mutual trust through various initiatives such as the Win-win growth program. POSCO strives to become a firm of endearment by its partners, one of the major stakeholders of the company, based on the interdependent relationship with its suppliers.

2011 Operational Performance

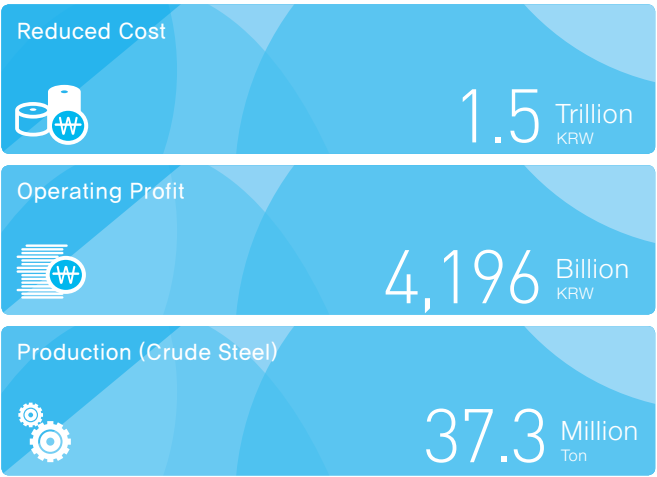
Economic Performance

In 2011, the world steel industry suffered more than ever before due to lowered demand in the wake of the recession at home and abroad and the resulting price slump and heightened competition in the market along with high raw material cost reflecting the lag effect. Despite these difficult business conditions, POSCO strived to enhance future competitiveness by cutting cost, expanding high value-added product technologies and services, increasing global investment and raising the synergy effect of the corporation. As a result, POSCO achieved 39.2 trillion KRW in sales and 4.2 trillion KRW in operating income.

Our cost reduction actions saved us 1.5 trillion KRW. The domestic production capacity of crude steel has been expanded to 37 million tons with the completion of the No. 3 Steel Making Plant in Pohang Works, the No. 5 Coke Plant and No. 5 Sinter Plant in Gwangyang. POSCO developed and began mass production of “POSCOTE-UV,” POSCO Smart Coating Technology-Ultraviolet, for the first time in the world, and an ultra-light eco-friendly future steel vehicle, the FSV. POSCO also secured a contract from the multi-national oil company Shell, which makes it the sole provider of steel plates for Shell offshore projects through 2016 in an effort to increase its market share.

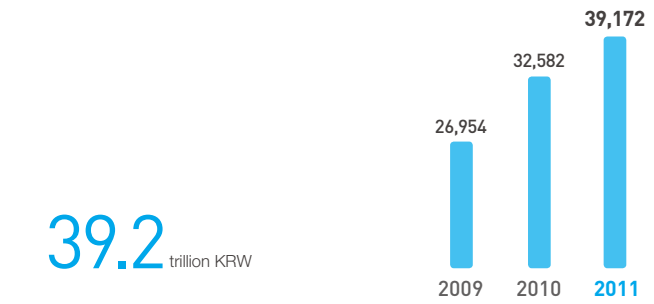
POSCO started the construction of an integrated steel mill with an annual capacity of 3 million tons in Indonesia, an emerging economy with great growth potential, and has been carrying out similar projects in India and Brazil as well. POSCO is able to produce one million tons of crude stainless steel a year with the completion of the NO. 4 plant at ZPSS (Zhangjiagang Pohang Stainless Steel), POSCO's Chinese joint venture. Also, its first overseas steel plate processing center was completed in Dalian.

Other projects include an electrical still mill in India, a cold-rolled stainless steel plant in Turkey, and an automobile steel plate factory in Guangdong, China. In addition, POSCO laid the groundwork for overseas investment, closely linked with the region, by buying out 95% shares of Thainox, the largest stainless steel maker in Turkey. For stable procurement, POSCO acquired shares of coal mines in Mt. Klappan, Canada and NCR in the United States to raise its self-sufficiency rate of raw materials.



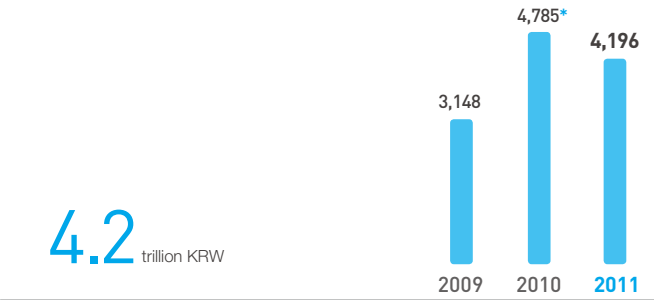
Sales

(Unit : billion KRW)



Operating Profit

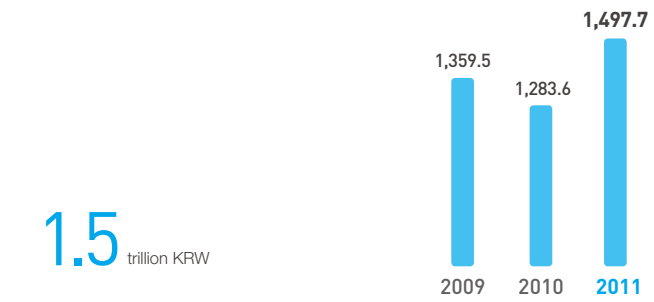
(Unit : billion KRW)



* This figure has adjusted as operating profit according to the current auditing standards.

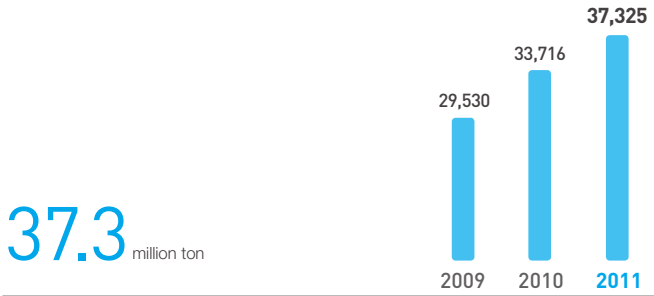
Reduced Cost

(Unit : billion KRW)



Production(Crude Steel)

(Unit : thousand tons)



Social Performance

POSCO has declared its vision of becoming a firm of endearment by all the stakeholders. We strive to grow together with SMEs through financial support, technological cooperation, and consulting. POSCO compensated a total of 82.6 billion KRW for 459 SMEs from 2004 through 2011 through its Benefit Sharing initiative.

The Amount Compensated Through Benefit Sharing

(Unit : billion KRW, Accumulation since 2004)



Multi-cultural support and social enterprises are just part of POSCO's diverse CSR efforts. Also, POSCO fulfills its social responsibilities as a global leader in overseas operations being actively involved in social contribution initiatives. In 2011, an average POSCO employee provided 35 hours of their time to volunteering activities.

Average Hours of Volunteering Per Employee

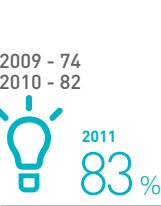
(Unit : hours)



The 4-team, 2-shift schedule and flexible work hours helped raise the quality of life for employees. With increased days off, employees have more time to spend on leisure and self-development, keeping their professional and personal lives in balance. “Smart Work,” an initiative to change the ways of working, enabled POSCO employees to work more efficiently and safely using their smart phones, receiving facility maintenance and safety information regularly. We made strides toward our goal of Smart Office, and Paper-Free Office, for employees to concentrate on their job by eliminating redundant work. Recently, POSCO opened a U-campus, a smart-phone based learning system, through which every member of the POSCO Family can view educational programs anytime, anywhere, becoming knowledge workers.

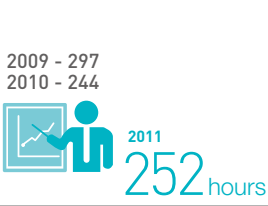
Employee Engagement

(Unit : %)



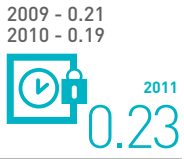
POSCO Training Hours Per Capita

(Unit : hours)



Lost Time injury Frequency Rate*

(Number of lost-time injury cases/yearly working hours)x1 million hours



Environmental Performance

POSCO is on a journey to help improve the health of the planet by developing a range of green production technologies and products. In 2012, POSCO poured a total of 482.8 billion KRW into environmental facilities. As a manufacturer with high water usage, we have been working on more effective water management; conducting a research project to complete a desalination pilot plant in December 2012 and establishing a system to stop the discharge of waste water. We have worked diligently to minimize the pollutant emissions by recycling 98% of byproduct gases and slag generated from steel making process.

Investment in Environmental Facilities



The Ratio of Environmental Investment to Total Capital Investment



POSCO is at the forefront in preserving biological diversity. We created an ecological habitat on the Seongang Waterway for all sea life. Steel slag, a byproduct of steelmaking has been used to build marine structures for algae, fish and shellfish in many parts of the country. We have launched marine pollution control vessels in the waters around our business sites to remove pollutants and prevent red tide. Also, we are eliminating risks by proactively responding to climate change. Working diligently to cut CO₂ emissions by improving energy efficiency, POSCO recently submitted a GHG emission reduction plan in accordance with the Korean government's GHG & Energy Target Management Scheme. We are planning to invest roughly 1.5 trillion KRW in developing innovative CO₂ technologies of the future with the goal of reducing CO₂ intensity to about 1.98 t-CO₂ /t-S till 2020. POSCO is also carrying out next-generation environmental projects in collaboration with POSCO subsidiaries; fuel cells for power generation, wind power generation , SNG, smart grid, and LEDs.

CO₂ Emissions Intensity

■ Indirect emission ■ Direct emission (Unit : t-CO₂/t-S)



2012 Management Goals

With more uncertainties surrounding the economic environment and the steel business in 2012, POSCO plans a flexible approach to each situation through proactive scenario planning. We will enhance productivity by making newly added facilities fully operational and improving work processes while developing “World Best World First” high added-value products. POSCO will pursue customer-oriented marketing strategies to focus on our core customers and is creating new demand to strengthen our marketing capabilities. Internationally, we will continue our investment in global steel projects while at the same time raising our self-sufficiency rate by developing new sources of raw materials.

Management Goals

POSCO will increase the synergy among POSCO Family members by optimizing its business models at the enterprise level. While expanding our capabilities accumulated in the steel industry to those of new future materials, we will pursue an integrated POSCO Family business model consisting of the four big divisions including steel, materials, energy, and new growth engines by connecting businesses of E&C, energy, and ICT.

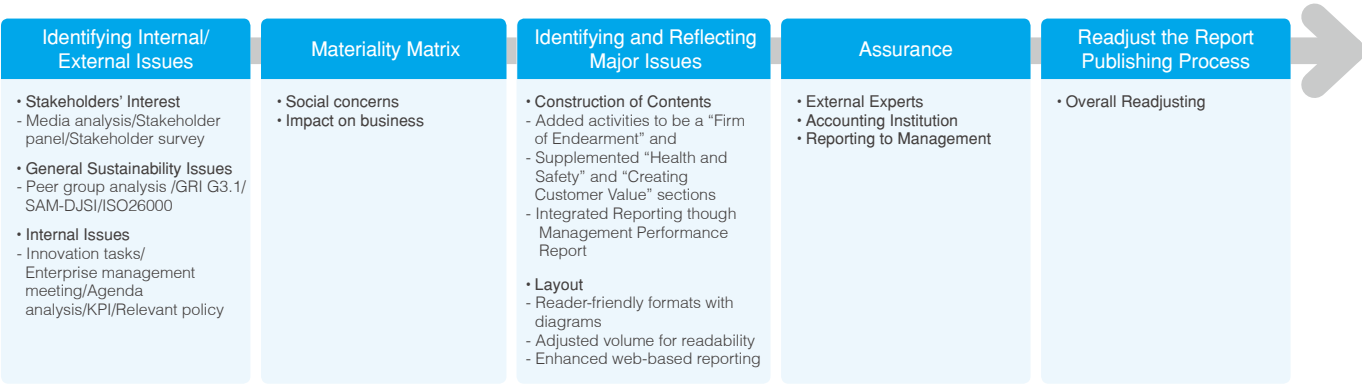
POSCO will promote a commitment to become a firm of endearment through better communication based on mutual respect and consideration as well as win-win growth. We will build trust with all the stakeholders including customers, suppliers, and outsourcing partners as well as between management and employees of the company. POSCO will make its best effort to become a firm of endearment which meets its social responsibilities by expanding activities for mutual growth and social contribution, and responding to climate change responsibly.



Identifying Major Issues

Materiality Test

POSCO identifies material concerns of the stakeholders and the impact they have on corporate management, which is reflected in the Sustainability Report. In 2008, POSCO devised its own materiality test process, which is updated every year by reflecting improvements and feedback. POSCO has used the materiality test scheme to identify issues of common interest to its stakeholders and those issues with a high potential impact on its business activities, and has prepared this Report based on these findings. An issue pool was formed with three main categories; general sustainability management issues such as international regulations, guidelines, SRI evaluation criteria, and peer group analysis; issues of interest to stakeholders identified through media analysis and Stakeholder e-mail surveys; and POSCO business issues such as management strategy, KPI, innovation tasks, and issues addressed at the company’s operational meetings. POSCO selected 33 issues from the pool and conducted an analysis of social concerns and impact on its business in accordance with POSCO’s materiality test framework. The materiality test process is as follows.



Top10 Issues in 2010 and 2011 Identified Through the Materiality Test

Ranking	2011 Report	Changed	2010 Report
1	Business Performance	—	Business Performance/ Sales/ Production/ Market Share
2	Health & Safety	6 ↓	Climate Change/ Global Warming/ GHG/ CO ₂ / Energy
3	Pollutants Management	10 ↑	R&D/ Investment
4	R&D	1 ↓	Customers/ Quality/ CRM
5	Response to Climate Change	3 ↓	Education/ Talent nurturing/ Career Management
6	Promote Local Economy	New	Social Contribution/ Volunteering/ Mecenat
7	Resource Management	New	Sustainable Management/ Corporate Responsibility /CSM/ CSR
8	Innovation Activities	9 ↑	Safety/ Health/ Disaster/ Accident
9	Ethics Management	6 ↓	Corporate Governance/ Board of Director
10	Stakeholders	9 ↑	Risk Management

Materiality Matrix



Global POSCO Way

In April 2007, POSCO established the Global POSCO Way to ensure POSCO's cultural strengths were passed down, and to acquire and expand elements required of leaders in the global era. The Global POSCO Way was revised in December 2010, reflecting Vision 2020 and its management principles. The Global POSCO Way is the spiritual model and code of conduct that all POSCO Family members must follow, and is comprised of visions and core values, and action principles that everyone should practice in everyday life to realize those core values. The Global POSCO Way, representing the ways of working and corporate culture befitting a world-class corporation, plays a pivotal role in uniting POSCO members in a rapidly changing management environment and enhancing the inter-connection between various management activities.



Visions and Core Values

POSCO's vision of "making a better world with dreams and hope, materials and energy" represents its future dream, management principles, and the efforts of the POSCO Family. "Dreams and hope" stands for our enthusiasm and positive energy toward the goal of becoming a "Firm of Endearment", "materials and energy" for the way we contribute to the well-being of mankind in the future, and "a better world" for the results of our efforts. The POSCO Family will expand its business scope to materials and energy around steel, and pursue integrated business including infrastructure, trade, and resource development in addition to manufacturing. We will retain our competitive edge by concentrating resources and competence on steel, materials, and energy and realize our vision of becoming a firm of endearment by the world through sustainable management with profits and growth in balance.

Core values are the standards of judgment and behavior for every employee to comply with in the process of turning tomorrow's vision into today's reality. POSCO summed up the directions the company and employees should be going as five core values; Customer, Challenge, Execution, People, and Integrity. The core values represents our determination to grow together with our customers by inheriting the traditional values of POSCO passed down for the past 40 years and implementing the principles of human respect and business ethics. Also, we have formulated the spiritual assets which made POSCO what it is today so that the global POSCO Family can share them as the company globally expands.

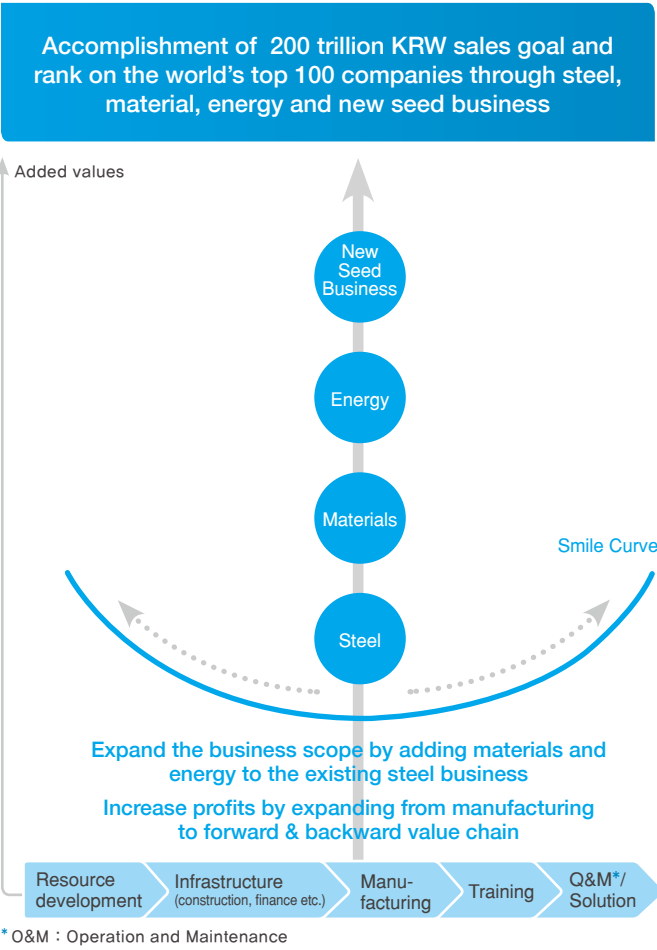
Core Values Practice Principle

To create another success story, POSCO set the Core Values Practice Principle which is designed to help employees put them into action in their everyday work beyond simply understanding the concept. We picked out keywords related to each core value after listening to employees opinion, formulated them into 12 principles and announced in December 2009. The principles reflect general ideas of management policy and innovation activities and can serve as the guide for decision making while performing tasks.

Vision 2020

The global environment is expressing three trends; growth led by emerging nations amid a slow economy, the advent of Green Convergence, and the emergence of an open and collaborative business ecosystem. With increasing uncertainties due to various risks – economic, political, and natural disasters, prices of oil and other raw materials are soaring and natural resources are running out as newly emerging economies grow and spend more. In addition, global cooperation for protecting the environment positions the green industry in the limelight. Extensive technological innovation has increased the convergence between technology, industry, knowledge, and culture, ushering in a new era where a business model emphasizing openness and collaboration is gaining ground. Considering such a business environment in the future and internal competence, POSCO has chosen "integrated materials" and "infrastructure" as its primary business domain.

Vision 2020



POSCO will expand its operations into the integrated materials sector based on its world-class competence in the steel industry, and explore new markets in emerging economies in the infrastructure sector by commercializing operational know-how of steel infrastructure. In the future, POSCO will follow an integrated business model of the extended steel - materials - energy value chain. We will establish a high profit-making business model with increased added values, and accumulate competence for the new business in preparation for the future after 2020-2030 period.

Also, POSCO is going to continue its investment in overseas steel projects – construction and operation of steel mills – using our

eco-friendly steelmaking process including its original technology, FINEX, to absorb growing demand around emerging economies such as India and China. This is expected to push up our global production capacity to 70 million tons and our market share to 6% by 2020. Building on those achievements, we aim to become the world's top steel company in infrastructure (including steel plant construction) as well as steel making.

POSCO's materials sector has accumulated know-how in material technology for a long time as it has recycled byproducts to produce carbon materials such as anode material for secondary batteries and grapheme. In addition, POSCO boasts top researchers in RIST and Pohang University of Science and Technology as well as R&D experience of over 20 years and infrastructure. Building on this, POSCO will nurture strategically our eco-friendly material sector such as Lithium and Magnesium as well as steel-based materials. POSCO has its own original technology to shorten the time of lithium mass production. Magnesium, a green material harmless to the human body, can be procured utilizing the steelmaking process with materials procured domestically. POSCO aims to become a major global player in the materials industry by focusing its energy on nurturing steel-based and environment-friendly materials by 2020.

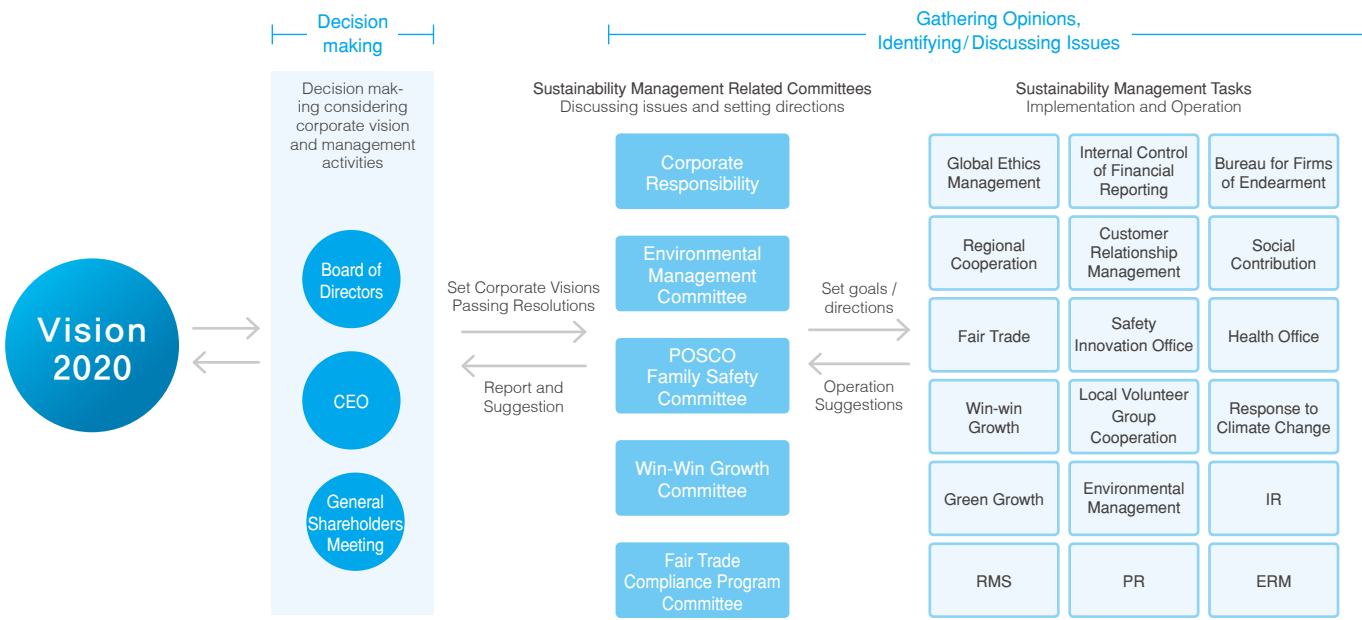
POSCO's energy sector is running its own plant to supply energy using by-product gases from its steel works. As the demand of emerging countries for fossil fuels, finite energy source, is increasing, POSCO is at the forefront of developing renewable energy sources through green industries such as fuel cells as well as continuing its effort to develop the existing natural resources, including a gas project in Myanmar. At the same time, POSCO is advancing with the world's energy industry based on its knowledge and experience built from construction and operation and maintenance of the energy plants in Chile and Peru.

Our goal is to become a global top steel producer with the capacity of 70 million ton and one of the global leaders in materials industry around green materials as well as steel-based materials. In the energy sector as well, POSCO will become a global general energy corporation through nurturing global Independent Power Producers (IPP) and new renewable energy sources with an aim of Asia's Number one energy provider. Ultimately, POSCO will become a loved company and join the rank of the world's top 100 companies, realizing the sales of 200 trillion KRW until 2020.

POSCO's Sustainability Management System

Consuming a vast amount of resources and energy in the process, steelmaking inevitably has a significant economic, social and environmental impact. Keenly aware of this implication, POSCO has persistently strived to incorporate environmental and human integrity into its management philosophy since its inception. In 2003, we announced our sustainability commitment that integrates economic viability, environmental soundness, and social responsibility into our overall management activities, and set up the CSM (Corporate Sustainability Management) Team for a more systematic and responsible approach to corporate management.

Sustainability Management System



Sustainability Management Related Committees

Category	Meeting Interval	Chairperson	Participants	Issues Addressed
Environmental Management Committee	Once a Year	CEO	POSCO subsidiaries CEOs	Established mid-term environment and energy strategy at the POSCO Family level
Environmental Management Steering Committee	Quarterly	Chief of Environment & Energy Planning Dept.	Executives in charge of environmental management at subsequent subsidiaries	Established implementation plan for each environmental management task, Environmental Risk Management
Win-Win Growth Committee	Twice a year	CEO/Presidents of SMEs	POSCO executives, CEOs from subsidiaries and SMEs	Establish win-win growth strategies, Review and Share results
CSR Committee	Once a year	CSO	POSCO Executives and outside experts	Discuss ways to improve CSR programs (Strategic CSR, Communication between stakeholders, CSR of the Affiliates)
Family Safety Committee	Twice a year	Head of Carbon Steel Business Division	POSCO executives, CEOs of subsidiaries	Establish strategies and plans for Zero Safety / Facility Accident
Green Growth Committee	Twice a Year	CEO	POSCO executives, CEOs of subsidiaries	Review and establish the master plan for POSCO Family green growth
Fair Trade Corporate Compliance Program Committee	Twice a Year	Head of External Relations Department	12 department heads related to fair trade	Share fair trade trends and establish plans Evaluate activities of fair trade practice leader

Assessment of POSCO Family's Sustainability Management

POSCO seeks sustainable development for all POSCO Family members. We are enhancing sustainability competence of these companies and developing sustainability management models to nurture a sound corporate environment for all on its value chain as well as subsidiaries. To this end, POSCO performed an evaluation of the Subsidiaries competence and is looking for ways to help each company practice sustainability management themselves.

Assessment Results and Future Plans

Since 2011 POSCO has performed sustainability competence assessments of Subsidiaries in collaboration with the POSCO Research Institute to establish a company-side sustainability management system and enhance subsidiaries competence. We developed a sustainability assessment model, based on domestic and international standards and indicators for sustainability management including the SAM-DJSI criteria and GRI guideline. The model contains 69 indicators in 11 domains such as stakeholders, environmental management, climate change, human rights, and social contribution and gives a sustainability figure, between 0 and 10, for the indicators with weight values pre-determined through expert interviews.

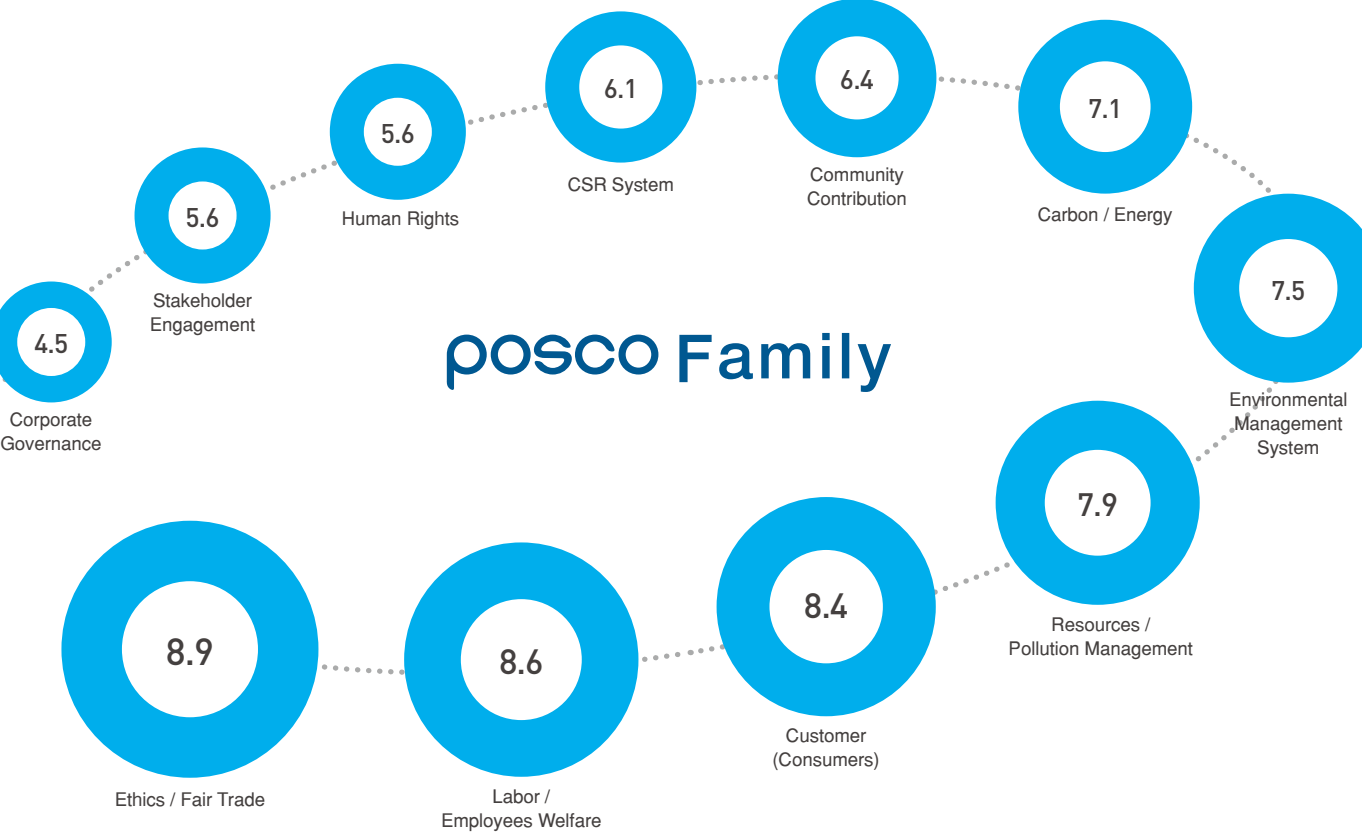
In 2011, we performed an assessment of eight Subsidiaries; POSCO E&C, POSCO SS, POSCO ENERGY, POSCO ICT, POSCO C&C, POSCO CHEMTECH, POSCO M-TECH, and POSCO plantEC. We evaluated the current status of each company through self-evaluation, assessment visits, and interviews of

employees and suggested ways to improve sustainability competence according to each company's current situation, size, and business sector. As a result of the assessment, we were able to recognize weaknesses in the category of stakeholder participation and human rights, shared by all POSCO Subsidiaries.

Against this backdrop, POSCO is going to promote stakeholder participation and management by spreading the corporate vision of a "Firm of Endearment" throughout its Family and prepare action principles for respecting human rights to be applied in subsidiaries. In 2012, POSCO will expand the assessment list to include a total of 10 companies, sophisticate the assessment indicators, and prepare measures to address common issues. Also, we will continue to support subsidiaries to enhance their sustainability competence by providing counseling and education on a regular basis.

Assessment Results of Sustainability Competence of POSCO Subsidiaries

(Average Score of Subsidiaries)



Corporate Governance

POSCO continues to refine its corporate governance to protect the independence of its board of directors (BOD) and the rights of its shareholders under the “Corporate Governance Charter”. As part of the efforts to enhance its transparency, POSCO has established a BOD operational structure that centers on outside directors who act as the chair of the BOD or BOD’s expert committees. In addition, outside directors convene exclusive meetings on a regular basis, which institutionally secures the opportunity to make independent decisions on important issues of the BOD. Also, POSCO has adopted cumulative and absentee voting system to significantly enhance the rights of shareholders, and operates the Internal Transactions Committee to ensure transparent and fair transactions with those parties who hold a special relationship with POSCO, such as its affiliates.

In 2006 the CEO position was separated from the Board’s chairmanship in order to secure the independence of the BOD and its audit function over the company’s management. The CEO Candidate Recommendation Committee was organized in 2007 and its operating principles were designed to ensure a transparent procedure for electing the CEO.

In 2010, the BOD and Expert Committee Activity Evaluation System (BOD Self-Evaluation System) was introduced to enhance external credibility, and announced the Outside Director Code of Ethics to ensure responsible and transparent activities of outside directors. In 2011, the operating rules of the Director Candidate Recommendation Committee were established for fair and transparent operation and the BOD operating rules were revised for more than one Expert Committee to review matters related to inside transaction to secure expertise and fairness, ultimately, to strengthen the roles and rights of outside directors as well as expert committees.

Board Composition

POSCO's Board of Directors is comprised of 5 standing directors and 7 independent outside directors. Standing director candidates recommended by the company are screened by the Director Candidate Recommendation Committee, which recommends the final candidates to the General Shareholders’ Meeting for appointment decision. As for outside directors, the Outside Director Selection Consulting Group comprised of 5 reputable experts from various fields select a threefold of candidates, the Director Candidate Recommendation Committee evaluates them, and the final decision is made at the General Shareholders’ Meeting. In 2011, a total of 9 board meetings were held and the attendance rate of standing and outside directors was 100%. Major issues addressed include the 2012 management plan, mid-term strategic planning for the year 2014, purchase of additional stake in Brazilian iron ore miner Namisa, a joint venture between Brazil's Vale SA, contribution to the POSCO Educational Foundation, and other charity donations.









Major activities of the BOD (January ~ December 2011)

Time	Date	Agenda	
1	01.13	• Approval of the 43rd financial statements and convening of the Annual General Meeting (AGM) of shareholders	• Acquisition of stake in KB Financial Group and disposal of treasury stock
2	02.01	• Decision of the 43rd AGM agenda items • Funding plan for the first half of 2011	• New investment in non-oriented electrical steel production facilities of India • Recommendation for standing director candidates
3	02.22	• Suggestions for improving the BOD operation	
4	02.25	• Appointment of the BOD Chair • Appointment of the members of Subcommittees	• Appointment of the CEO and assignment of standing director • Approval of appointment of the Executive Officers
5	03.25	• Zirconium/ Titanium mine joint venture project	
6	05.13	• Joint venture between Brazil's Vale SA • Capital increase and payment guarantees for the extension of POSCO-MEXICO galvanized steel plant. • Investment plan for facility improvements for POSCO AST	• Issuance of exchangeable bond (using SKT ADR) • Contribution plan to the POSCO Educational Foundation • Revision of the remuneration standard for the directors
7	08.11	• Purchase plan of additional stake in Namisa • Funding plan for the second half of 2011 • Interim dividends for 2011 plan • 2011 transaction plan of POSCO P&S	• 2011 Transaction Plan of Daewoo International • Improvement suggestions for long-term incentive system • Donation for flood victims
8	11.04	• Disposal plan of stake in POSCO E&E • Change in rental agreement with POSCO Chemtech for limestone calcination facility in Pohang and Gwangyang	• Adjustment of the Director Candidate Recommendation Committee members
9	12.16	• Mid-term management strategy for 2014 • 2012 Management plan • Disposal of shares to enhance financial soundness • Disposal of stake in Macarthur Coal, Australia	• Year-end charity donations • Operation (plan) of the CEO Candidate Recommendation Committee

Subcommittees

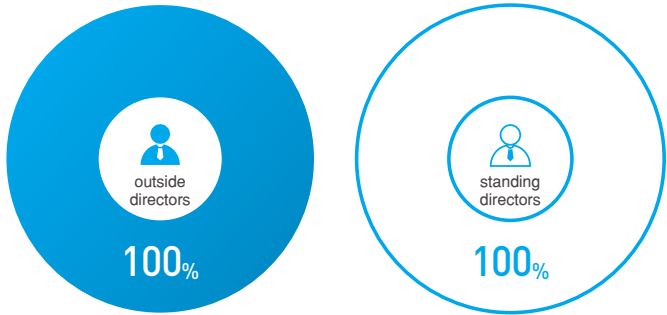
POSCO BOD has 6 subcommittees and 5 of these, excluding the Management Committee, are chaired by outside directors. The Management Committee is in charge of the review and discussion for steel investment decisions and chaired by standing directors. The Audit Committee, Evaluation & Compensation Committee and Internal Transactions Committee are comprised solely of outside directors to ensure independent decision-making.

Composition and Responsibilities of Subcommittees (As of Mar. 16, 2012, Major Issues Addressed as of the end of 2011)

		 Standing directors	 Outside directors
Director Candidate Recommendation Committee			
Chairman : Lee Youngsun			
2011 meetings : ●●●●●●(6 times)			
–			
Major Issues Addressed : Qualification evaluation of standing director candidates, Selection of subcommittee members, Operation plan of outside director candidate advisory group			
Director Candidate Recommendation Committee			
Chairman : Lee Changhee			
2011 meetings : ●●●●●●●●(8 times)			
–			
Major Issues Addressed : Performance Evaluation of the activities of the Audit Committee and 2011 internal audit results			
Internal Transactions Committee			
Chairman : Lee Changhee			
2011 meetings : ●●●●●●(6 times)			
–			
Major Issues Addressed : Contribution to the POSCO Educational Foundation, Sale of POSCO E&E shares			
Evaluation and Compensation Committee			
Chairman : Byun Daegyuu			
2011 meetings : ●●●(3 times)			
–			
Major Issues Addressed : Evaluation of the corporation's business results, Revision of criteria for director remuneration			
Director Candidate Recommendation Committee			
Chairman : Nam Yong			
2011 meetings : ●●●●●●●●●●(6 times)			
–			
Major Issues Addressed: Qualification evaluation of standing director candidates, Selection of subcommittee members, Operation plan of outside director candidate advisory group			
Director Candidate Recommendation Committee			
Chairman : Chung Joonyang			
2011 meetings : ●●●●●●●●●●●●●●(14 times)			
–			
Major Issues Addressed : Plan of the 303th issuance of the public offering bond, Increase of dust collecting capacity of stainless steel 2/3 steel making, New investment in non-oriented electrical steel production facilities of India, Fe Powder Project, and the Construction of Gwangyang Family Center.			

Attendance & Compensation

Attendance Rate



Compensation

Remuneration Limit	7.0 billion KRW
Amount paid	5.1 billion KRW
• Director remuneration: basic salary + performance salary + incentive, details are decided at the BOD Meeting after being deliberated by the Evaluation and Compensation Committee	
• CEO performance salary: qualitative and quantitative appraisals of the corporation's business results.	
• Standing directors and executive officers performance salary: company's business results and their individual performance evaluation by the CEO.	

Business Ethics

POSCO implements various activities for the POSCO Family that includes subsidiaries and overseas business sites. These activities include continued education and campaigns, and building effective infrastructure so that employees can adhere to the basics and principles of corporate ethics in their day-to-day work.

Education and Campaigns for Employees

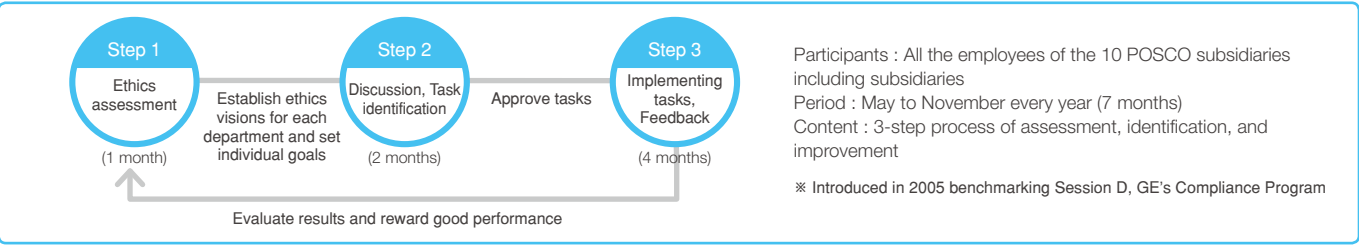
We believe it is the first priority to offer employee education to help them establish a strong set of values to make the business ethics part of our corporate culture. The Ethical Leadership Education is provided yearly for the leader group, Visiting Ethics Class is targeted at the employees working in the departments such as operation, purchase, and outsourcing who directly interact with stakeholders, and “the Ethics Education with the Executives” is a program where executives themselves teach corporate ethics to employees.

Not only that, we provide ethics classes for those newly hired and promoted and Corporate Ethics e-Learning course for all the POSCO employees, which is a mandatory 5-hour course a year. Corporate ethics webzine “Olbareumi” is published monthly for all the POSCO Family employees including outsourcing partners. Other than that, POSCO is utilizing various channels including pop-up window campaign, in-house journal and broadcasting system to enhance ethical awareness in the workplace.

Building and spreading Ethics Infrastructure

Ethics Infrastructure	
Pledge to honor the Code of Conduct	• Conducted on-line by all the POSCO Family employees around the world at the beginning of each year
Publication of CEO Message about Ethics Management	• Determination about ethical management delivered at the beginning of each year and on June 2, when the Code of conduct was declared.
Enhanced Responsibilities for Disciplinary Action against Non-ethical Behaviors	• Non-ethical behaviors should be reported to executives not just to senior managers, starting from 2011. • Reflecting the results of ethics program in the evaluation for selecting heads of departments, adding ethical practice category to the criteria for appointing employees • Bribery is reported to the police and disciplinary measures are published on the company's intranet. • Executives and title holders are held accountable for non-ethical behaviors of an employee and disciplinary measures are taken for their failure of proper management when necessary. • Achievements in 2011: 286 employees and 18 executives of POSCO and its subsidiary companies were submitted to disciplinary action.
Reward for reporting non-ethical behaviors (2004~)	• Reports for ethical violations to the Ethical Counseling Center or the Cyber Ombudsman Center on POSCO's website, by phone/fax/mail/internet • Achievements in 2011: upward adjustment of compensation up to 1 billion KRW
Gift Return Center (2003~)	• Gifts received during the traditional holidays that weren't returned are donated to charities, and those that cannot be donated are sold through internal on-line auctions and the proceeds are used for social contribution funds • Achievements in 2011: 232 gifts were returned the proceeds of the internal auction totaled 12 million KRW .
Wreath sent to congratulate promotion were auctioned as well (2009~)	• All proceeds were donated to charity • Achievements in 2011: Total proceeds stood roughly at 5.4million KRW
Donation of the Gift Money and Lecture Fees	• The gift money from stakeholders or fees from lectures outside the company were donated to charities. • Achievements in 2011: 141 cases (6 cases of gift money/ 135 cases of lecture fees) were received and the total amount was over 70 million KRW.
Corporate Ethics Practice Leader Program	• 1 leader for each division (total 123 persons) is appointed to act as ethics ombudsman.

Process of the Ethics Practice Program



Ethics Management, Growth with POSCO Family

POSCO builds ethics infrastructure to spread ethical management throughout the POSCO Family including its subsidiaries, outsourcing partners, and suppliers. Under the “POSCO Family Ethics Practice Program,” all the employees participate in identifying and improving ethical risks under the supervision of the division head. In 2011, POSCO and its 9 major subsidiaries joined the program. The departments and subsidiaries with outstanding results are rewarded and the results are also reflected in the employee evaluation.

POSCO encourages ethical management to outsourcing partners as well, spreading the values of ethical management and providing support. Since 2010, POSCO has provided guidelines for the basic system and infrastructure of ethical management to those outsourcing companies that do not have an internal auditing system yet. Presentations on ethics management have been delivered to suppliers as well as outsourcing partners, including the 2011's regional presentation for 1000 major suppliers and their management to promote POSCO's determination about ethics management and its system. In addition, a special clause on ethics is included when a contract is signed between POSCO and an outsourcing partner, under its consent. The clause institutes corresponding sanctions in case of unethical actions, such as bribery, that occur in the course of transactions.

Risk Prevention at the Global Business Level

Ethical management is an essential element in becoming a true global leader. POSCO supports overseas branches and offices to prevent ethical risks while offering ethics education tailored to the needs of the expatriate employees. The directors of overseas branches and employees to be dispatched overseas were called in to receive education on eight occasions in 2011. Also, programs to foster ethical management have been available for expatriates and locally hired employees. In 2011, staff from the Ethics Committee visited 26 overseas branches in Myanmar, Vietnam, and China, and performed ethics practice diagnosis and education as well as ethics coaching to 180 expatriate employees and local employees.

Moreover, POSCO established and started to execute the “Foreign Corrupt Practices Act Guideline” in 2011 in order to respond proactively to the FCPA (Foreign Corrupt Practices Act). The FCPA is a United States federal law to prohibit corruption and fraudulent accounting for the companies listed on a U.S. stock exchange and its enforcement scope is being expanded. The guideline consists of 11 articles covering compliance procedure and method, prohibited actions, internal control, and education, including prohibition of bribery in any form to local or foreign officials. Related details have been included in the 2011 Code of Conduct and the Employee's Pledge to honor the Code of Conduct. Exclusive FCPA line is in operation for reporting alleged cases of violation and counseling. In order to ensure FCPA compliance of domestic and overseas branches, intensive courses are provided for expatriates and locally hired employees, soon-to-be-dispatched employees, and subsidiaries and the Family FCPA Compliance Committee was established to review and monitor the results at its quarterly meetings.

Foreign Corrupt Practices Act Guideline (summary)	
<div>• Abiding by the FCPAPA</div> <div>POSCO employees and executives will abide by the laws and regulations including the Foreign Corrupt Practices Act. In case of violations, complete immunity will not be granted even if the action at issue was acceptable as customary and generally accepted business practice.</div>	<div>• Education</div> <div>Employees and executives who meet officials on a regular basis must receive education on the basic regulations of the FCPA and/or the FCPA Guideline such as legal and ethical restrictions accompanied when doing transactions with an official.</div>
<div>• Prohibitions and Exceptions</div> <div>No money or anything of value shall be given to an official, which benefits the official, except when convenience was offered to facilitate business proceedings that are commonly accepted as customary.</div>	<div>• Reporting and Protection of Internal Whistleblowers</div> <div>When a person has become aware of violations or has suspicions of possible violation, he/she must report to his/her superior, Compliance Committee, or Corporate Ethics Team. The whistleblower who reported an act of violation or possible act of violation must be completely protected as not to be put at any disadvantage in relation to employment or any other matter.</div>
<div>• Third Party Agent and Joint Investment</div> <div>Even in the cases where POSCO makes transactions with an official through a third party, the FCPA must be observed.</div>	
<div>• Internal Control and Audit</div> <div>Books and records should be kept accurately and fairly to reflect business transactions. Any expenditures and/or asset dispositions not recorded in the books is strictly prohibited.</div>	<div>• Penalties</div> <div>POSCO employees or executives who have violated the FCPA in their course of duties may be subject to penalties in accordance to employment regulations and award/penalty regulations, as can an employee or an executive who has not cooperated with the execution of the FCPA or Guideline. In case an employee or executive has been fined for a civil or criminal offense, he/she will not be reimbursed from the company.</div>

Human Rights Management

POSCO is committed to protecting human rights based on its principle of respecting humanity. Our goals are to create work environment where no employees are discriminated against and to grow with all communities we belong to.

“Human rights” Provisions, the Code of Conduct

(As of May 2012)

Our commitment to our employees

- We will respect the creativity of each individual and provide equal work opportunities to create an environment where they can achieve their full potential.
- We will not discriminate on the basis of alma mater, birthplace, gender, age, religion, or any other criteria unrelated to job qualifications.
- We will foster a win-win corporate culture built on mutual trust and understanding.

Our commitment to local, national and global communities

- We will abide by all national laws and regulations as a socially responsible corporate citizen.
- We will respect the traditions and culture of local communities as we work to prosper and grow with them.
- We will comply with international conventions on human rights, the environment, culture, and trade as well as local laws and accounting standards in every country we operate in.

Human Rights Management based on the Code of Conduct

POSCO upholds its principle of protecting human rights through ethical practices. In compliance with its Code of Conduct, POSCO is trying to eliminate discrimination on the basis of alma mater, birthplace, gender, age, or religion and to create a competitive corporate culture where diversity is embraced. POSCO complies with international regulations and local laws and respect cultures and customs of different countries.

Protecting Human Rights through Ethical Practices

To prevent it from being a mere ideological declaration, POSCO implements the philosophy of respecting human rights through practical systems and campaigns in order to have it embedded in daily activities. The Ethics Counseling Center receives cases where human rights were violated and takes appropriate measures. In 2011, the Ethical Dilemma Casebook was published as well, which introduces possible solutions when faced with ethical dilemmas to help employees to practice ethics at work. POSCO is also actively involved in preventing sexual harassment by developing an e-learning education course and operating a Sexual Harassment Helpline. POSCO's Code of Conduct states, “The company shall not discriminate based on sex in the treatment of the employees including employment, assignment, promotion, compensation, education, and retirement.”

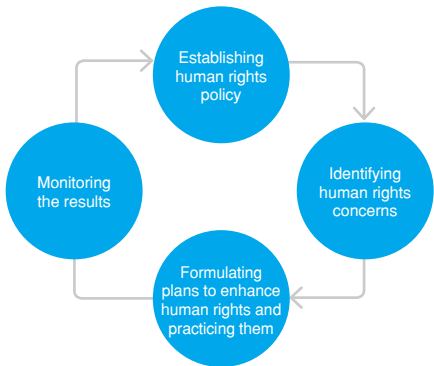
POSCO abides by the Standards of Child and Compulsory Labor and Discrimination Convention of ILO in all its business activities. Freedom of association is guaranteed at all workplaces. In order to promote the employment of the disabled and members of other social minority groups, POSCO runs four social corporations; POS Eco Housing Co., POSPLATE, and SongdoSE as well as POSWITH, the first government-certified standard workplace for the disabled in the form of a subsidiary.

Human Rights among POSCO Family

POSCO Family employees around the world are at the forefront of realizing the values of respecting human rights in the workplace. POSCO included the aspect of “human rights” into the “Assessment of the POSCO Family's Sustainability Management Competence,” implemented since 2011 to raise awareness on international human rights standards among POSCO Family employees and help them better understand the major human rights issues, domestic and overseas.

Major indicators were developed to assess human rights compliance; human rights policy, understanding of the present condition, human rights management of business partners, and the cases of human rights violation. The indicators were organized in a way to help promote human rights protection and evaluate the performance by establishing human rights policy, identifying human rights concerns, formulating plans to enhance human rights and practicing them, and monitoring the results, finally to integrate human rights into business management. POSCO supports subsidiaries through programs where they can share improvements and best practices at home and abroad to raise the overall human rights compliance of the POSCO Family. At the same time, the assessment results will be reflected in creating the POSCO Family Human Rights Code based on the international standards. In 2012, the application of performance indicators will be expanded to include more POSCO Family employees.

Human Rights Compliance Model



1 CASE STUDY

Orissa Project

Prior to starting an overseas business, POSCO strives to identify the environmental, social and economic impacts it could have on the region and to communicate with the local community to minimize negative impact. After signing an MOU with the Orissa state government for the construction of a 12 million ton integrated steel mill in 2005, POSCO conducted their-party evaluation of the environmental, social and economic impacts prior to the launch of the project. POSCO acquired environmental approval from the Minister of Environment and Forests of India after submitting a comprehensive evaluation report of environmental impact on the infrastructure including port with capacity for 12 million tons and roads, which was more extensive than legally required. Also, we had the National Council of Applied Economic Research of India perform evaluation of social and economic impact on the region.

POSCO strives to grow together with the local community by actively investing in the state of Orissa, which has a great growth potential but economically disadvantaged. POSCO invited the local residents to brief how the state would look like with the project and listen to what they had to say. While making efforts to ease their groundless anxiety POSCO asked the state government for help to keep security for the development project to benefit the local residents most. Also, POSCO organized RPDAC (Rehabilitation and Periphery Development Advisory Committee comprised of the residents, politicians, NGOs, government officials, and POSCO-India on the basis of the state policy of resettlement.

POSCO finalized the R&R (Rehabilitation & Resettlement) through the resolution of the committee. POSCO's R&R Package is agreed upon by stakeholders of the project and considered offering far better terms than the guideline the Orissa state government suggested in its standard and scope of compensation. In January 2011, the Indian Government carried out reinvestigation and environmental re-approval was made under three conditions- invest 2% of profit in social contribution, avoid possible areas of coastal erosion and dedicate 25% of the steel sites to green lands. POSCO has conducted an inspection to get a clear understanding about human rights, social and environmental issues around the project in collaboration with POSCO Research Institute in 2012. Based on its results, POSCO will continuously communicate with the stakeholders to carry out the project more effectively with the focus on mutual growth with the community by supporting the economic independence of local residents.

* R&R Package: Compensation Package for Displaced Residents

Table of Progress

2005~2009	2010	2011
2005 Jun. MOU with the Orissa Gov.	2010 Jul. Compensation price decided at the Compensation Advisory Committee	2010 Aug.~ 2011 Jan. Indian Gov. reinvestigates and conditionally re-approves Environmental approval
2007 May. Port environmental approval /cancellation for coastal preservation	* Socio-Economic Assessment carried out prior to establishment of the committee	• Conditions of Approval 1) Environmental Approval - Dedicate 25% of the steel sites to green lands - Invest 2% of profit into CSR activities 2) Port Construction Approval - Take measures to prevent coastal erosion - Should further acquire approval for fishing boat Jetty and the use of coastlines for wastewater discharge pipelines 3) Converting forests - The Orissa state government should submit official report confirming that no person has lived in the forest area for 75 years and nobody is dependent on the forest or forest land for livelihood.
2007 Jul. Environmental approval for mill construction		2011.May Indian Gov. approves to the Orissa Gov. for forest conversion (under the assurance of no person living in the forest area)
2009 Dec. Cancellation for forests preservation from the Indian Gov.		11.4.13 Orissa Gov. submits report on confirmation of Forest Regulations Implementation to the Central Ministry of Environment and Forest Orissa Gov. submits opinion to Indian Gov. about the two petitions (2011.4.14) from the local opposition group.

2 CASE STUDY

Family-Friendly Management (Creating Work Environment for Women)

In 2011, POSCO was authenticated as a family friendly corporation by from the Ministry of the Gender Equality & Family. POSCO, as a family-friendly company, is trying its best to create a favorable work environment for female workers and to support for their growth. POSCO believes it will bring out the fullest potential of female workers contributing to the competitiveness of the company as well as ensuring diversity of the organization. In particular, POSCO helps relieve some of the childcare burden of its employees through childcare centers, and contributes to increasing the birthrate.



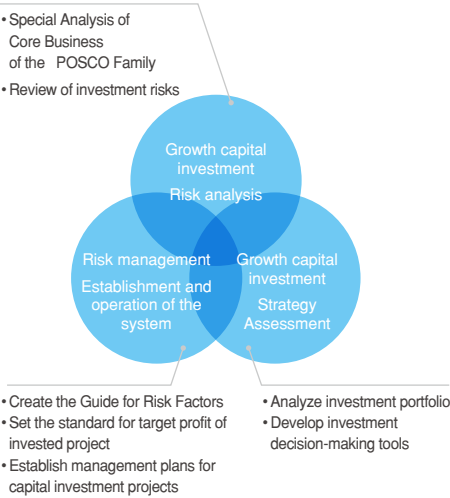
- 4 teams - 2 shifts per day : balancing work and life (Refer to page 70 "Employees" section)
- Create work atmosphere for women : embracing diversity and enhancing competitiveness.

Providing Childcare	<ul style="list-style-type: none">• Childcare centers – The daycare centers in Pohang, Gwangyang, and Seoul accommodate up to 100, 100, and 60 children respectively. They help relieve the childcare burden, expand female employment, and contribute to increasing the birthrate.• Resting room for female workers – Especially for mothers and expectant mothers can take a rest and breastfeed their babies.• Maternity Leave – Offers maternity leave of up to 2 years, twice the time legally guaranteed.• Monthly leave for infant diagnosis – Offers a monthly day-off for diagnosis for the health of mother and infant
Support for Female Workforce Growth	<ul style="list-style-type: none">• Mentoring Day for Women – Female employees meet their role models and learn about leadership from them in Pohang, Gwangyang, and Seoul.• Leadership Programs outside the company – Supports for female workers to join forums and workshops to encourage networking with others and motivate for further growth• Communication channel among female employees: Operates "Women Leadership," an in-house on-line study group, where female employees share information and concerns.

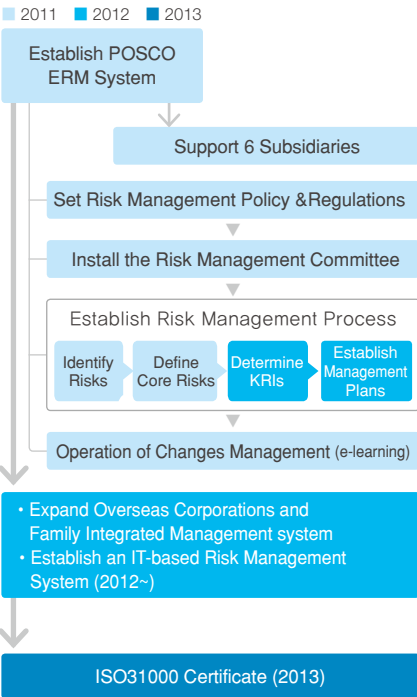
Risk Management System

Amidst increasing uncertainties in the business environment, POSCO focuses on identifying potential risk factors and preventing them with the belief that managing risks is as important as gaining competitiveness. Through these efforts, POSCO will maintain a friendly relationship with stakeholders and secure the engine for sustainable growth as well as preventing risks in advance.

Improving Growth Capital Investment Risk Management System



Establish an Integrated Family Risks Management Sytem



ERM

Introducing Enterprise Risk Management System

POSCO has been establishing the Enterprise Risk Management system (ERM) to integrate risk management activities conducted separately by each department since 2010. An ERM team was launched under the Strategic Planning Division in 2010 to be in charge of establishing an enterprise-wide risk management system. The ERM group will play a role as the control tower when it comes to risk management and its responsibilities include planning of risk management activities, identifying core risks and major risk indicators, and operating the risk management committee.

Directions of the ERM System

POSCO built a system to manage growth capital investment-related risks in 2010 and plans to gradually phase in the ERM process to complete an integrated risk management system on the Family level till 2013. Firstly, we enhanced the deliberation process for the new investment to establish growth investment risk management system. Also a set of preventive measures were prepared including the Guide on Risk Factor, especially for investment. At the same time, risk monitoring and responses have been improved through in-depth analysis of the on-going projects and portfolio analysis. Secondly, we established risk management policy and instituted risk management regulations as the primary reference for compliance to set the direction of the 2011 ERM system and express the determination about risk management. Based on that, POSCO is currently establishing a risk management process to proactively responding to core risks.

Risk Management Organization

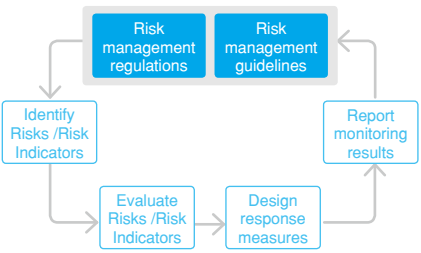
POSCO is operating the Risk Management Committee, ERM Group, and other departments to help manage risks of subsidiaries to ensure smooth operation and effective monitoring of risk management. The Risk Management Committee is a general consultative body in charge of managing entire business risks, whose responsibilities include deliberation of general directions, policy and regulations, limit and overall planning of risk management and other related issues. The ERM Group establishes an integrated monitor and response system to meet the ISO31000 standards, helps subsidiaries establish their own ERM system on a regular basis, and evaluates risk management activities on the Family level. Risk management organizations of related departments and subsidiaries are responsible for managing core risks unique to their own fields.

Risk Management Process

Focus on Core Risks

POSCO is enhancing its risk prevention by identifying core risk factors and create plans to manage those risks in connection with management strategies and yearly goals. We select core risk of the enterprise through risk pooling and evaluation, derive Key Risk Indicators from the causal analysis of selected risks, and minimize the occurrence of risks through monitoring and improvement efforts.

Risk Management Policy



Organization Chart of Risk Management



Core Risk Monitoring and Management

POSCO categorized core risks into investment, financial, and operational risks, to establish a system where KRIs by each category are identified and reported to the management in a timely manner. At the same time, the evaluation results of risk management is reported to the Risk Management Committee, which can monitor the implementation of the risk management activities in compliance with the company's policy and regulations.

Change Management to Spread Risk Management

POSCO runs e-learning courses and other educational programs to help employees understand the importance of the risk management and actively promotes ERM via various internal and external media and meetings, where employees can exchange information on ERM. All our efforts are to spread atmosphere to manage risks in advance among the POSCO Family.

RMS

Establish Risk Self-Controlling System

POSCO built the RMS, a company-wide risk management system in 2004 for efficient management of risks. The system classifies the work process systematically, determines risks by process, and evaluates them according to their grade. Well aware that risk management should start at the site, POSCO is putting the Risk Self-Controlling System in place so that each department can manage their own risks.

RSS helps prevent risks from expanding by immediately sending an e-mail notice as soon as a potential risk is detected. For two years from 2008, RSS reported a total of 110 risk signals in the fields of purchase, sales, investment, service, and operation, and in 2011, more than 40 risk signals in raw materials and outsourcing were reported.

Enhancing Risk Preventive Measures

POSCO accumulates auditing know-how through the audit management system and make systematic efforts to prevent the same risks from recurring. In 2011, POSCO assessed the management of 14 subsidiaries at home and abroad and took administrative measures for the 654 problem cases, worth 2.1billion KRW. Also, we were able to reduce management risks by assessing and improving the process of new subsidiaries including Daewoo International. In 2012, POSCO plans to expand the management assessment of new subsidiaries and strengthen the prevention of the violation risk of the international anti-corrupt regulations for more effective risk management as it strives to accomplish its vision in 2020.

Internal Control of Financial Report

POSCO has been conducting self-evaluation of internal control since 2004 after establishing an evaluation system of financial reporting process including CEO/CFO approval procedure on internal control, and the operation of the Public Announcement Committee in December 2003.

Internal Control Evaluation System

Internal control and its effectiveness are to be evaluated by the third party to help the management make approval decisions. The management report on the operation of the internal control system every year to the BOD and the Audit Committee in accordance with the law on Corporations and External Audit revised in 2008.

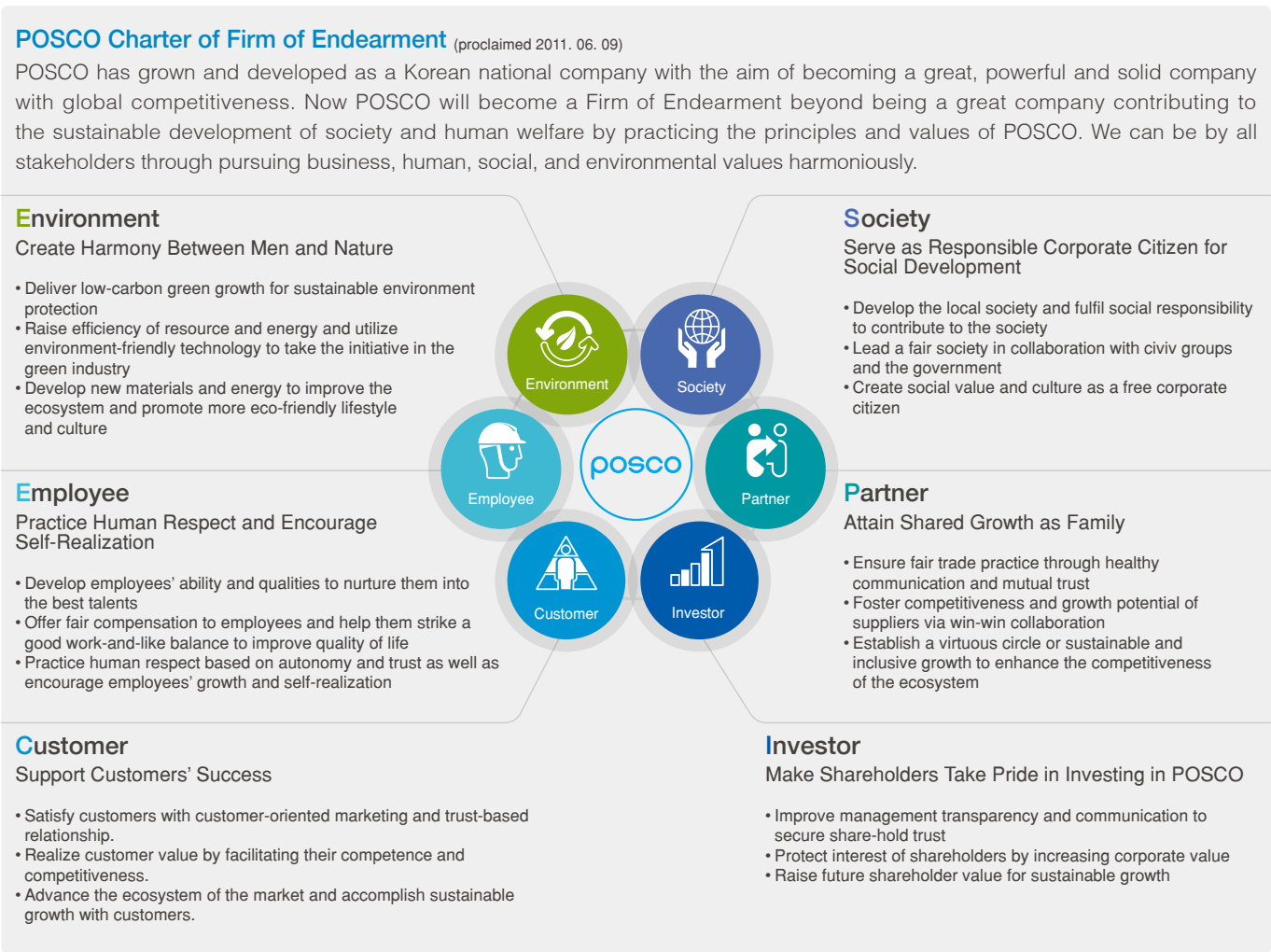
Stakeholder Engagement

POSCO continuously communicates with our stakeholders the belief that corporate management starts with stakeholders. In 2011, POSCO announced its goal of becoming a “Firm of Endearment” to set forth its management principle from the stakeholder’s perspective. Based on this principle, POSCO will strive to achieve sustainable development growing together with all stakeholders of the company.

Firms of Endearment

In June 2011, POSCO expressed its determination to become a “Firm of Endearment”, going beyond being a great company to its stakeholders in and outside the company. To this end, POSCO divides stakeholders into six categories of society, partner, investor, customer, employee, and environment based on the “SPICEE” model and looks for ways to be loved from each group. We identify action principles by each stakeholder group and practice them to become a firm of endearment.

* Firms of Endearment : A corporate model first advocated by Professor Rajendra Sisodia, who theorized that companies trying to meet the needs of their various stakeholders – community, society, suppliers, partners, customers, employees, and environment – rather than just shareholders would thrive more and called them “Firms of Endearment,” or companies that people love.



Media Analysis

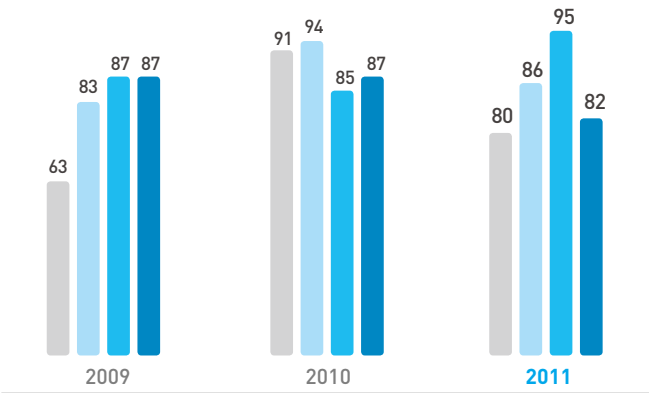
POSCO has conducted media analysis annually since 2005 in order to identify issues of interest to our stakeholders and sustainability management trends. In 2012, among the news articles reported by the domestic and international media from January 2011 to December 2011, 644 Korean articles and 185 foreign articles related to the company were the subject of analysis. They were classified again into four categories of general, economy, environment, and society for time series analysis for the three consecutive years.

After the analysis of the reports with sustainability management key words, we have found that news coverage related to general issues comprised 10%, economic performance 49%, environmental performance 12%, and social performance was at 29%. The company had a bigger exposure in the economic and social news than other sections. In particular, there was a lot of coverage in the economy section as sagging market, M&A, and slump in the stocks. Overall, 85% of the news coverage was positive. Positive coverage dealt with expanding to non-steel business as a new growth engine, environment-friendly technologies, benefit sharing for win-win growth, expectations on the M&A, declaration of the vision of "Firm of Endearment," resource development to raise the self-sufficiency rate of raw materials. On the other hand, the delayed construction of the steel mill in India, POSCO being the heaviest energy consumer and lack of consideration of human rights of local residents, were the negative coverage POSCO received. POSCO is looking to take measures to address its weaknesses and minimize stakeholder's concerns based on the findings.

Results of Media Analysis

Positivity* Level Trends

■ General ■ Economic ■ Environmental ■ Social (Unit : %)



* Positivity Level = The number of positive articles/ Total number of articles

Exposure for Each Sector

(Unit : %)



Major Reports by Sector

Sector	No. of Articles (positive/ negative)	Positive Coverage	Negative Coverage
General	95(79/16)	<ul style="list-style-type: none">Firm of Endearment DeclarationFocus on Ethics ManagementExcellent Corporate Governance	<ul style="list-style-type: none">Not listening to local residents about steel mill construction in IndiaResident complaints about new steelmaking factory
Economic	411(354/57)	<ul style="list-style-type: none">Raise self-sufficiency of raw materials by securing resourcesReorganize business portfolio by launching new businessDevelop overseas marketSynergy from M&A	<ul style="list-style-type: none">Unstable stock pricesReckless M&AQuestions raised on social and economic contribution to communities related to the Indian steel mill projectLower credit rating
Environmental	97(92/5)	<ul style="list-style-type: none">Develop new technologiesStart green business (new renewable energy sources)	<ul style="list-style-type: none">Heavy consumer of electricityEnvironmental conditions for the steel mill construction in India
Social	242(199/43)	<ul style="list-style-type: none">CSR activitiesWin-win growth programEmployment & social enterprises	<ul style="list-style-type: none">Industrial accidentsConflicts with local residents in India about the steel mill projectAsking for compensation for the money received from Japan under the 1965 settlement

Stakeholder Survey

POSCO conducted a survey to identify major issues and stakeholders' needs. The survey was conducted with 2,500 persons including internal stakeholders – employees of POSCO and its subsidiaries – and our external stakeholders – customers, communities, business partners, shareholders, and the government. The survey consists of 14 questions including the overall satisfaction with the Report, POSCO's major issues for stakeholders, and improvement for POSCO's sustainability management. POSCO picked 32 keywords by analyzing media, peer group KPIs, issues at the company's operational and executive meetings prior to the survey to identify stakeholder's interests. The keywords are classified into general sustainability management, economy, environment, and society to create more relevant survey questions, which will be refined through continuous internal and external trend analysis and advice from experts.

The survey showed that in the general sustainability management sector, stakeholders are highly interested in stakeholder engagement as the CEO revealed his firm determination to protect stakeholder's interest shown in the Firm of Endearment Declaration and Charter. In the economy sector, they showed keen interest in business performance amid an unstable world economy and worsening market conditions, while eco-friendly technologies, as a potential growth engine in the future, attracted the most attention in the environmental sector. Stakeholders also show continuously high interest in CSR activities with labor-management relationship emerging as a major concern following the implementation of multiple labor union laws. When asked the ways to improve POSCO's sustainability management, one of the respondents suggested the company disclose honestly failures, accidents, and unfulfilled goals as well as successes. Other opinions include: publish how survey findings are reflected in management, and put substance before appearance in creating a report. POSCO will share the opinions gathered from the survey with related departments and be committed to making progress in sustainability management by reflecting every year's findings to the next year's report and promoting changes and improvement.

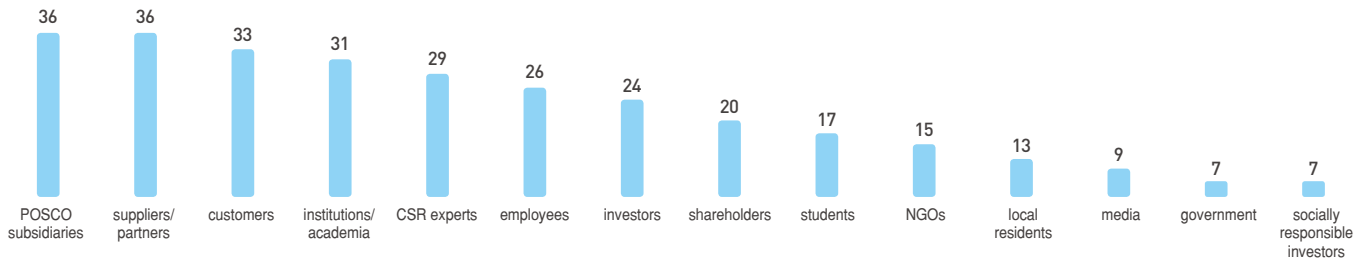
Issues of High Interest by Stakeholders

(Unit : persons)

Category	No. of Respondents			
General	Sustainability management	131	Results of external evaluation	84
	Stakeholder	113	Risk management system	54
	Corporate Ethics Management	108	Corporate Governance	43
Environmental	Eco-friendly technology	123	Energy	97
	Environmental management system	119	Pollutants Management	87
	Response to climate change	113	Environment improvement performance	57
	Resources Management	107		
Economic	Business performance	109	New business	88
	Innovation activities	102	Corporate value	7
	R&D	101	International projects	34
	Raw materials	92	Group Management	33
Social	Social contribution	128	Work environment	71
	Labor-management relations	104	Local economy	69
	Safety/health	95	Human rights of community	69
	Job creation	86	Compensation / welfare	65
	Fair Trade	78	Employee Education	57
	Supply chain management	75	Customer management	38

Survey Recipients

(Unit : persons)



Stakeholder Engagement Activity (Outside Experts Interviews)

As the voluntary International Standard, ISO 26000:2010, Guidance for social responsibility was published, stakeholder engagement is considered a core activity of sustainability management. POSCO conducted interviews with 10 expert representatives of different areas to understand our stakeholder's perspectives on major issues of the company and listen to the expert advice for improvement.



Angela Joo-Hyun Kang
CEO, Global Competitiveness
Empowerment Forum

POSCO, as a company with rich CSR activity experience and assets, needs communication with stakeholders through substantial reports.

POSCO has been involved in a wide range of CSR initiatives. In particular, it has set good examples for domestic and international corporations in the social contribution sector by carrying out programs to embrace ethnic, religious, and cultural diversities based on its principle of multicultural management. The current report will be an important indicator showing POSCO's efforts and activities.

However, I want to point out that it would be even better if POSCO can display its various activities in a more effective and systematic manner. POSCO's CSR activities are introduced around SPICEE but it is hard to grasp the point at a glance. Simply listing its activities is not enough. POSCO need to arrange activities and performance of each department more organically, and deliver a clear message through systematic framework and intuitive storytelling, and employ a more strategic and focused way of communication to be well received by each group of stakeholders.

What is most important is to present the possibility of creating new business opportunities beyond risk management in the social and environmental sector. It is ideal to contain the determination and strategies of the company toward sustainability management of the next generation. I sincerely hope POSCO complement these problems to enhance the internal and external strategies for CSR communication.



Kwon Youngsul
Hankyung Academy, Manag-
ing Director

It is time for changes and innovation for sustainability management through maximization of in-house resources with potential.

POSCO has a diversity of programs for stakeholders. However, it can be mistaken as those just for a region or the nation. In fact, a giant corporation like POSCO should have more things to give to the world through its R&D efforts. For example, how about developing a super-light folding wheel-chair as the population is aging fast? It would make more people's life easier. Or how about reducing the weight of plates for cars to cut CO₂ emission as a result? It would make the air we breathe cleaner. I believe these are true social responsibilities large corporations need to take seriously.

Now is the time to grab opportunities and prepare for risks. Companies need to be prudent but agile at the same time. In this era of rapid change, hesitate for a moment and POSCO is out of business. It is dangerous if POSCO does not optimize your potential resources. Maximizing profits and optimizing efficiency can not be achieved without thorough preparation.



**Professor
Kim Gyeongmook**
Duksung Women University,
Business Administration De-
partment

You need to turn the non-financial values of a Firm of Endearment fulfilling its social responsibility into financial ones.

First of all, the report offers excellent in-depth analysis in various fields. But I'd like to point out that the link between the company's vision, goals, and action principles with its business is rather weak. In particular, POSCO need to look for ways to connect CSR activities with business strategies. Simple donations or philanthropy is not enough to meet social responsibilities as a Firm of Endearment. Its CSR should be closely linked with business activities.

In this sense, it is critical to find CSR activities relevant to the company's business. One good example is POSCO's "benefit sharing." The system helps resolve negative images of Korean large conglomerates and establish Win-Win relationships with its partners. POSCO is able to present the system as a global standard.

In addition, there seems a lack of analysis on how POSCO's non-financial CSR activities are related to the company's profit-making. POSCO need to analyze how individual activities are linked to contribute to the ultimate financial performance. This is not an easy task. Still, I'd like POSCO to develop indicators which can quantify and objectify each activity. It is very significant to show the connection between a firm's social contribution and its stock price and financial statements.

CSR is a continued process, not completed. It is important to reach internal and external consensus around the vision.

POSCO's sustainability report is advanced as it is trying to look at changing social issues in a different perspective. However, you must not stop there. POSCO need to keep asking why the changes happened and how you would respond to them.

POSCO has released the Sustainability Report for 8 years and it is not enough to evaluate it by its contents only. What matters now is for whom POSCO create the report. It should be understood by the outside stakeholders while its findings are reflected to the company's policy and management decisions.

What penetrates all these is the corporate mission and vision. Corporate vision can vary depending on the business environment and policy changes. I believe the sympathy with internal and external stakeholders on a corporate mission and vision is the most important asset of a firm. This also is what CSR is all about. An organization can last in society through CSR activities based on a shared vision and mission with its stakeholders.



Professor Rho Hankyun
Kookmin University, Business
Administration Department

I want POSCO to reestablish itself as a company investors want it to be through multi-faceted efforts.

I'd like to talk about POSCO in several respects as an investor. First of all, in terms of corporate governance, POSCO is doing well. However, it seems that POSCO selected its outside directors mostly based on their names. I doubt that they can spend enough time to consider the BOD's agenda due to their busy schedule. Outside directors are key elements for investors to evaluate a company. Strategic arrangement of terms and a transparent payment system are also needed.

In the economic respect, POSCO has failed to predict market trends for many years. It is nothing more than a lame excuse to say one could not project the global recession. Stock prices slumping is not welcome news for shareholders. POSCO needs to respond more proactively. In the social respect, POSCO should adopt a new set of cultural values; non-authoritarian, flexible, soft, and transparent. Also, more efforts are needed for win-win growth. I think both fair trade and mutual cooperation are required to achieve win-win growth, and the former should come first. A successful business should be able to look 100 years ahead environmentally. POSCO also needs to cut CO₂ emissions during the production process by using the existing Finex technology as well as developing renewable energy sources and other eco-friendly technologies.



Ryu Youngjae
CEO, Sustinvest, Co., Ltd.

I ask POSCO to communicate with more precise facts and indicators for sustainability management.

POSCO's sustainability management activities have focused on the environment and CSR. However, POSCO should be able to make sustainable growth as a corporation in the market economy and create world-class products and services and gain market dominance and global competitiveness. These are key factors to determine a company's sustainability for which we need to prepare contents and indicators.

POSCO aims to become a 'Firm of Endearment' and make a commitment to achieve the goals set in each department. I'd like to see these in the report. Also, Firm of Endearment indicators need to be presented by each group of SPICEE. Sustainability management or CSR activities should not just meet legal and institutional standards but go further to match ethical and moral standards. And the relevant activities should be dealt with in the report as well.

When it comes to the transparency of corporate governance, it would be better to provide facts about the independence and transparency of the BOD in its composition and operation. I think the RMS section is better organized than most other companies. But the general tone of the report is rather advocacy. It should be more about giving facts. POSCO need to think about who will read the report and what they would want from it. If you think it is just some chore you need to deal with every year to submit, it would not be easy to communicate effectively with society through the report.



Professor Park Ohsoo
Seoul National University, Col-
lege of Business Administra-
tion



Professor Bae Johngseok
Koryo University, College of Business Administration

A company with its management principles based on human respect and its employees, has limitless potential.

Being a 'Firm of Endearment' starts with the employees. A company, not loved by its employees, cannot be loved by anyone else. Nor would it be sustainable. Employee happiness comes before anything else. POSCO need to respect employees to realize the corporate values. The following conditions need to be met to become a company which respects human rights.

First, POSCO needs to admit performance is measured in more than one dimension. Just like you cannot compare the values of profitability with those of a person's happiness, performance of each stakeholder cannot offset each other. We need to understand the difference of each group of stakeholders and come up with different criteria to evaluate them. Second, we need to create the kind of corporate culture where employees can reach their full potential as well as providing employee education to help enhance individual capability. Individuals can only seek happiness at work by getting involved in the process of achieving something meaningful. To help everybody demonstrate their abilities is the first step to practicing human respect. Third, based on the previous two conditions, POSCO need to establish a healthy organization where employees are willing to work hard.



Yu Jung
Center for Good Corporations, Manager

I wish POSCO to implement responsible human rights management through effective guidelines.

I think POSCO's sustainability management report is relatively substantial compared to that of other domestic corporations. It means that it is more than a promotional pamphlet. In the report published several years ago, POSCO briefly mentioned relevant facts such as human rights issues of the subsidiaries made news. I was impressed with POSCO's effort to do what a sustainability management report is supposed to do. In this year's report, the "Media Analysis" matrix was getting attention. Classifying various corporate issues into positive and negative, POSCO seems to be committed to delivering facts as it is.

In early March of this year, the center for good corporations sent an opinion letter regarding POSCO's Orissa project, which unfortunately was not reflected very well in the report. It certainly has been upgraded from the previous ones, still details – as the center recommended to include – were not covered enough. It would have been better if more controversial points had been reported in detail. Also, I wish POSCO to prevent non-financial risks of overseas investment through more effective guidelines.



Eun Jonghwan
Ecosian, CEO

POSCO needs a new environmental communication strategy, easy for non-professionals to sympathize with and more than just delivering information.

Most Korean corporation's sustainability management reports seem to have clear limits in communicating with stakeholders. In many cases, they look like no more than a pamphlet for advertising. POSCO apparently made efforts to go further than that. With expert interviews as well as substantial content, I think POSCO is doing pretty good with the content of the report and practice.

The environment section shows POSCO paying more attention to its partners than the previous year through various initiatives including Family environment management, which is well represented in the report. It is a remarkable progress even considering that POSCO has been creating sustainability management reports for many years. On the other hand, it tends to be difficult for non-professional readers to understand with all the technical terms and numbers. There are several ways to make environmental data more accessible; by using numbers average readers can relate to, or using story-telling to show improvement. For example, POSCO can describe the effect of greenhouse gas emissions in the number of trees POSCO'll save. Also, I suggest publishing a digest report of around 20 pages along with the main report.



Professor Chang Daeryun
Yonsei University, College of Business Administration

Media is as important as content. You need to communicate the quintessential POSCO spirit sincerely.

POSCO's sustainability management report is good in content but there is room for improvement in delivery. A good amount of information about the company has been presented in detail. I think you need to think harder about the format of the report to deliver the message more clearly. One of the important codes of the modern society is "sincerity." It is not working if stakeholders get an impression that its CSR is commercial. This is not about content, but about packaging. Some policies introduced in the report left something to be desired. In fact, Firm of Endearment or POSCO 3.0 is not a new concept, at all. It is popular concepts a group of scholars advocated before POSCO adopted them.

POSCO has its own "DNA" or slogans such as, "Right Turn spirit" and "Help the nation through steelmaking". The message is delivered more effectively when it is consistent. I think it should be applied to communication of its vision and policy directions. We are coming to the age of trans-media, via integrated media and cross media. I hope you will take a step closer to stakeholders, going beyond your CSR activities. Also, I recommend that POSCO keep looking for ways to promote sustainability management through SNS and other apps.

Stakeholder Engagement Activity (University Students Talks)

POSCO held stakeholder talks with university students to gather opinions from our next-generation leaders. We will take our sustainability management a step forward by incorporating some fresh ideas of college students. The 1st talks with university students was joined by the CRS Group of Seoul National University and mainly discussed feedback on POSCO's sustainability management report and ways to improve sustainability management activities.



SNUCSR

- 11th: College of Agriculture & Life Sciences, Dept. of Applied Biology Chemistry, Jo Munsung
- 11th: College of Agriculture & Life Sciences, Landscape Architecture, Lee Youngseon
- 10th: College of Agriculture & Life Sciences, Dept. of Applied Biology Chemistry, Oh Gyujin
- 11th: College of Human Ecology, Dept. of Consumer Science, Choi Jaeeun
- 10th: College of Human Ecology, Dept. of Clothing and Textiles, Sim Hyeoyoung
- 7th: College of Social Sciences, Dept. of International Relations, Cho Eunae
- 11th: College of Social Sciences, Dept. of Social Welfare, Yoon Yeoreum
- 10th: College of Natural Sciences, Dept. of Earth and Environmental Sciences, Ha Yujin
- 11th: College of Natural Sciences, Dept. of Earth and Environmental Sciences, Yoo Yeoni

Date : 2012. 4. 30 / Place : Seoul POSCO Center / Participants : Members of the CSR Group at Seoul National University

“Corporations aim to accumulate wealth. I think a business should add social values while making profits in order to accumulate wealth sustainably and effectively.”

Sim Hyeoyoung • As numerous outside evaluations show, POSCO has an excellent sustainability management system. However, POSCO does not seem to make enough effort to promote what it is doing. Will it reveal its strengths better if POSCO describes its advantages differentiated from other companies?

Yoon Yeoreum • In this sense, it is important what belief a company has when pursuing sustainability management. POSCO has many slogans such as Firm of Endearment or visions, but it is not enough to reveal its own characteristics. It just makes POSCO look like a stable company without any special feelings.

Lee Youngseon • Still, we cannot deny that its sustainability management report is more substantial than those of most other companies. I know that POSCO has many cases of best practices, but not all the programs can be successful. If POSCO is willing to share its failures as well, it will be able to truly join the ranks of global leaders.

Yoo Yeoni • One thing I'd like to point out is that the report needs to be easier to understand for better communication. POSCO's sustainability management report contains technical terms in steel and environment making it difficult to read.

Choi Jaeeun • It is hard to digest the environmental statistics to understand how it will impact our lives. Some numbers we can compare with will surely help.

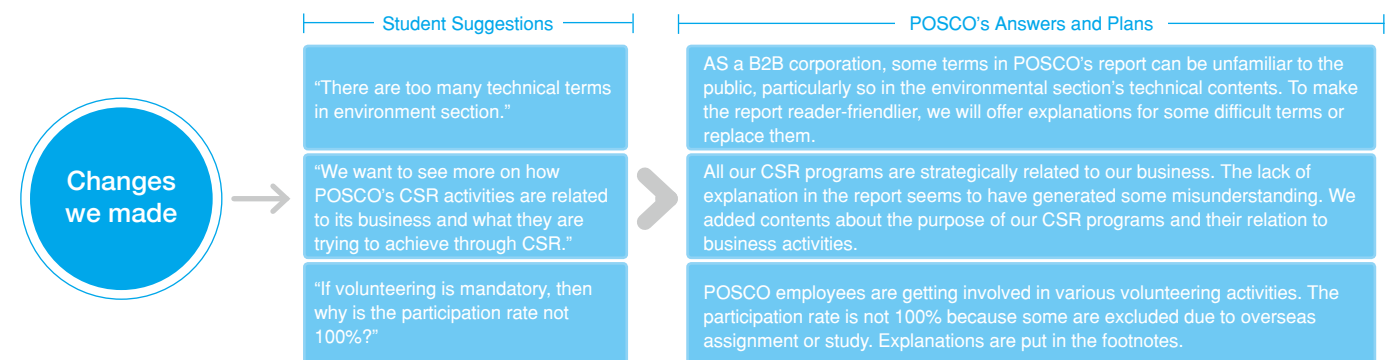
Jo Munsung • As for social contribution, various initiatives were introduced. POSCO seems active in CSR programs as it is recognized. However, some of the activities on the list do not look relevant to POSCO's business. For example, I cannot but wonder why POSCO is running multi-cultural programs. Just because it's trendy?

Lee Youngseon • I think POSCO can make the report more lively and trustworthy by adding case studies or interviews.

Cho Eunae • For a company with factories, like POSCO, local residents are a very important stakeholder group. In this respect, it is meaningful to have their voices heard in the report.

Ha Yujin • As a woman, I was impressed with a variety of programs for female workers. It helped break down my prejudice about POSCO, as "a male-centered" company. However, it is hard to know about the results of the programs. I'd like to suggest you include the satisfaction survey of female workers to announce its achievements.

Oh Gyujin • I know it is sensitive issue, but I wish the report covers more about irregular workers and employment of the disabled. This will make the report fully reflecting latest social issues and stakeholder concerns.



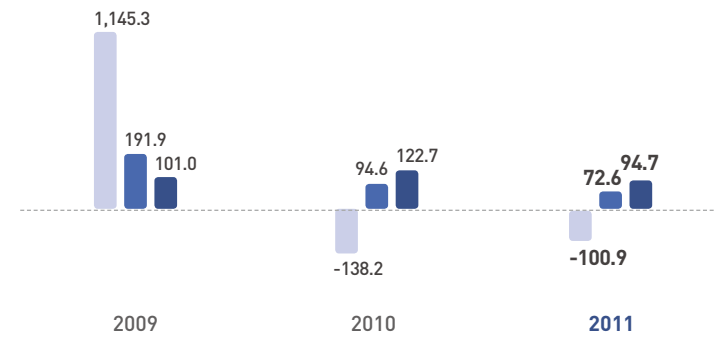
Activities and performances by Stakeholders (SPICEE)

Society

- CSR Committee
- Social Contribution Activities
- Pohang/Gwangyang Community Cooperation Team
- Community engagement
- POSCO Newspaper
- Corporate image research
- NGO Day
- Sustainability Experts Forum

Total Taxes Paid

■ National Taxes ■ Local Taxes ■ Custom duties (Unit : billion KRW)



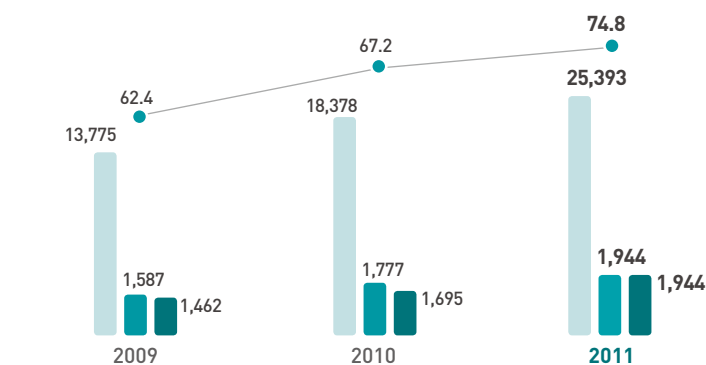
* Local taxes are based on the taxation standard.
* Inland tax has a negative value due to tax refund.

Partners

- Suppliers
 - Suppliers Relationship Management (SRM)
 - Win-Win Growth Committee Growth Committee
 - POSCO Family Suppliers' Management Exchange Meeting
- Outsourcing Partners
 - Inter-departmental face to face meetings
 - Management exchange meetings

Purchase Cost

■ Raw Materials Cost ■ Other Materials Costs ■ Outsourcing Costs (Unit : billion KRW)
● As % of revenue (Unit : %)



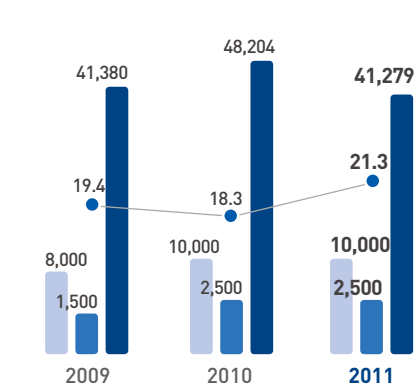
* Numbers are based on the 2011 Manufacturing Cost Report.

Investors

- CEO Forum (yearly)
- Earnings Release (quarterly)
- Disclosure (website)
- Face-to-Face Meeting
- Visiting Research for Credit Assessment

Dividend Payout

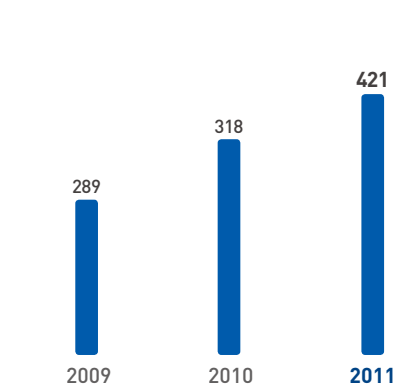
■ Dividend per share ■ Interim dividend per share ■ Earnings per share (Unit : KRW) ● Payout ratio (%)



* Numbers are based on the 2011 Audit Report.

Interest Expenses

(Unit : billion KRW)

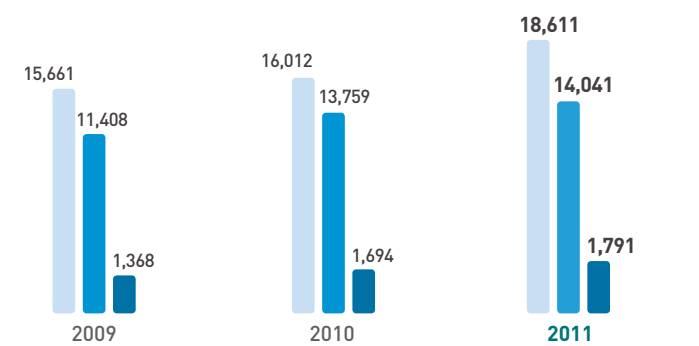


Customers

- Customer Relations Management System (CRM)
- Customer Satisfaction Research
- Joint Research (Early Vendor Involvement, EVI)
- EVI Forum
- Frequent Management Exchange Sessions

Sales Volumes by Products

■ hot-rolled steel ■ cold-rolled steel ■ stainless steel (Unit : tons)

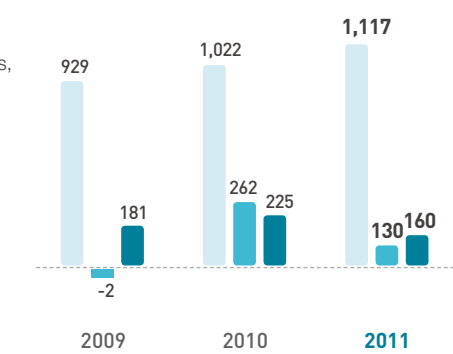


Employees

- Labor-Management Council
- Young Board, Junior Board: promote communication among employees
- Talk Channel TongTongTong (Suggestion Bulletins, POS-B, Policy Change& Improvements Notice Boards)
- PIRI (POSCO's internal SNS)
- Internal blogs
- Happiness Index
- Employee engagement trends
- Operation Meetings

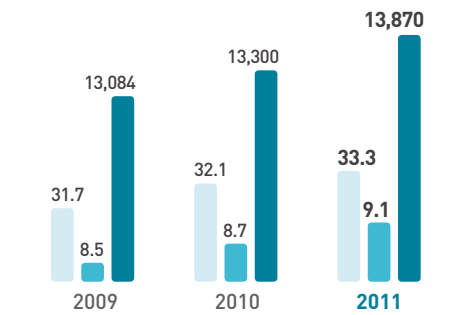
Wages

■ Fixed wages ■ Provisions for severance & retirement benefits ■ Variable wages (Unit : billion KRW)



Pensions

■ National Pension premiums ■ Subsidies to personal pensions (Unit : billion KRW)
■ Number of beneficiaries to the personal pension subsidies (persons)

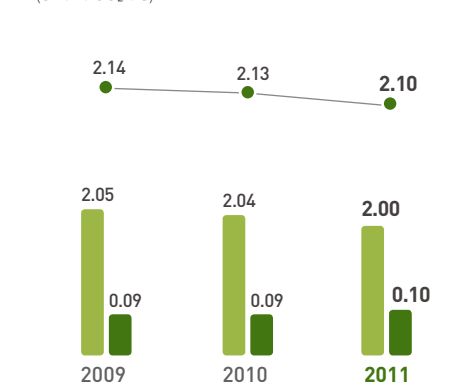


Environment

- Environmental Digital Monitoring System
- Environment Improvement Council (Gwangyang)
- Environmental Information System
- Steel Conference, Environmental Technology Forum
- POSCO Green School
- Carbon Report

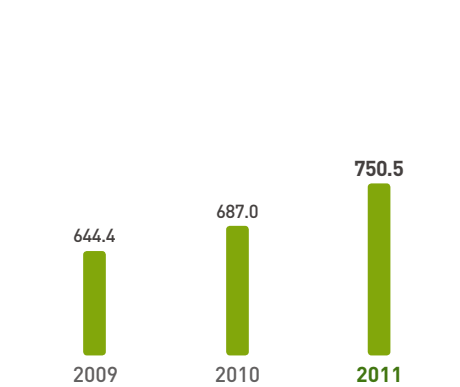
CO₂ Emissions Intensity

■ Direct emission ■ Indirect emission ● Total emissions (Unit : t-CO₂/t-S)



Environmental Cost

(Unit : billion KRW)



Sustainable Management

We create the world where we grow with society, communicate with people, and become one with the nature. POSCO strives to fulfill its social responsibilities paying close attention to the effects of the steel industry on the economy, society, and the environment. We are pursuing sustainability management as a corporation in the transparent and ethical corporate culture and practicing the principles of environmental protection and respect for human rights. POSCO has a dream to become a “Firm of Endearment” by all the stakeholders, leading the green age as a global leader of infrastructure around the steel industry and contributing to humanity. Our journey will continue with our dreams close in sight.



Green Movement



The environment is where people build a happy and beautiful world in harmony with nature. POSCO believes the greatest value for the future generation lies in preserving our planet earth. POSCO constantly seeks to internalize environmental goals in its daily management activities; we declared POSCO Family Environmental Management Directive in December 2010 and proclaimed “POSCO Charter of Firm of Endearment” in June 2011, spreading environmental management throughout the POSCO Family. We are creating the green future of the earth through various initiatives to minimize environmental impacts on community, preserve ecosystems, save energy and increase energy efficiency.

About Environment

	Environmental Management	Preserve Biological Diversity
Issue	<ul style="list-style-type: none"> Global POSCO Family Environmental Management 	<ul style="list-style-type: none"> Awareness raised on the importance of preserving biodiversity at home and abroad.
Performance	<p>Global POSCO Family Environmental Management Activities</p> <ul style="list-style-type: none"> Held the 1st environmental Management Committee in December 2011. 18 Domestic subsidiaries acquired the ISO 14001 certification. Held the 1st POSCO Family Green Management Award Ceremony Developing Financial Performance Indicators related to Environmental Management (to be applied after 2013) <p>Environmental Management Performance</p> <ul style="list-style-type: none"> Water Management : maximizing Reuse of Discharged Water (Recycled water : 9,000 tons per day at Pohang Works, 20,000 tons per day at Gwangyang Works) Air pollution : reduce fine dust emission at steelworks by 40%, those from the dust collector chimneys by 50% Resource Management <ul style="list-style-type: none"> Recycled 98.3% out of 26.83 tons of byproducts. Built a slag-powder factory, capacity 1mil. ton per year, at Gwangyang Works in July 2011 Exported 25,000 tons of granulated slag to Taiwan for the first time in July 2011 	<p>Preserve Marine Biological Diversity</p> <ul style="list-style-type: none"> Developed steel slag marine forest, Triton to restore marine ecosystem. Artificial fishing reefs made of steel. Restored coral reefs using steel slag. Restored mangrove forests. <p>Cleaning the Ocean</p> <ul style="list-style-type: none"> Retrieved polluted sediments using steelmaking slag. Launched the “POSCO Volunteers for Clean Ocean.”
	Response to Climate Change	Environmental Communication
Issue	<ul style="list-style-type: none"> GHG/Energy target management 	<ul style="list-style-type: none"> International cooperation and exchanges with the community
Performance	<p>Implement GHG/Energy Target Scheme</p> <ul style="list-style-type: none"> Submitted action plan to achieve the target, December 2011. <p>Green Steel</p> <ul style="list-style-type: none"> Offer incentives according to GHG emission reduction performance of the operational department at steelworks since January 2011. <p>Green Life</p> <ul style="list-style-type: none"> Staged Green Walk Campaign : participated by 5,562 families from 36 companies, 2011 <p>Green Business</p> <ul style="list-style-type: none"> POSCO Power completed a stack module plant, a core facility of the fuel cell production system (March 2011). POSCO CHEMTECH completed secondary battery anode material plant with annual production capacity of 2,400 tons. 	<p>Environmental Activities</p> <ul style="list-style-type: none"> Signed an MOU with SMEs to support environmental management and conducted programs (since April 2011). Resident environment Monitoring Group at Pohang Steelworks (2nd term) in action. External performance of the environmental management in 2011: <ul style="list-style-type: none"> Ranked 30th in the Global 100 Most Sustainable Corporations by the Davos Forum Selected as the leading company in sustainable management by SAMDJSI for the seven straight years. Named as a top Asia-Pacific company and the best Korean company in Carbon ranking by the Environmental Investment Organization (EIO)

Circulation of Resources throughout the process producing one ton of steel

Steel is an eco-friendly material, both safe and innovative and can play a key role in resource recycling in the upcoming age of green economy. In this respect, the steel industry will become a core engine of the world's green economy.

Steel Industry, Infrastructure for the World's Green Growth and Core Engine for the Future

The steel and related industries create a great number of jobs and contribute to the stable growth of the global economy .

- Core sustainable material in the green economy**
 Steel is the best green material that fits the new global paradigm of “low-carbon green growth” toward the economic growth with less pollution.
- Used everywhere in our daily lives**
 Steel is a basic material, versatile and convenient and its use is expected to expand even further with its eco-friendliness and usefulness in the green future.
- A Progressive Industry, safe and innovative**
 The steel industry is an innovative and progressive industry putting focus on the safety and health of its workers.
- Life Cycle Assessment, New solution for the green economy**
 In the green economy, life cycle assessment will determine the competitiveness of a material. Steel is an eco-friendly material throughout the life cycle including design, production, manufacturing, use & maintenance, recycling and discharge process.

Eco-Friendly Steel

Consumed over 1.3 billion tons a year throughout the world, steel is used in most industries including automobiles, ships, construction, semiconductors, home appliances, and various machinery and parts. Not only that, steel is used as basic material for the green environment such as high-efficient automotive steel sheets, renewable energy sources, smart grid, and high energy-efficient housing complexes. Steel is an eco-friendly material in which production cost is relatively low and can be fully recycled, and the recycling rate of steel products such as automobiles and cans is 76%.

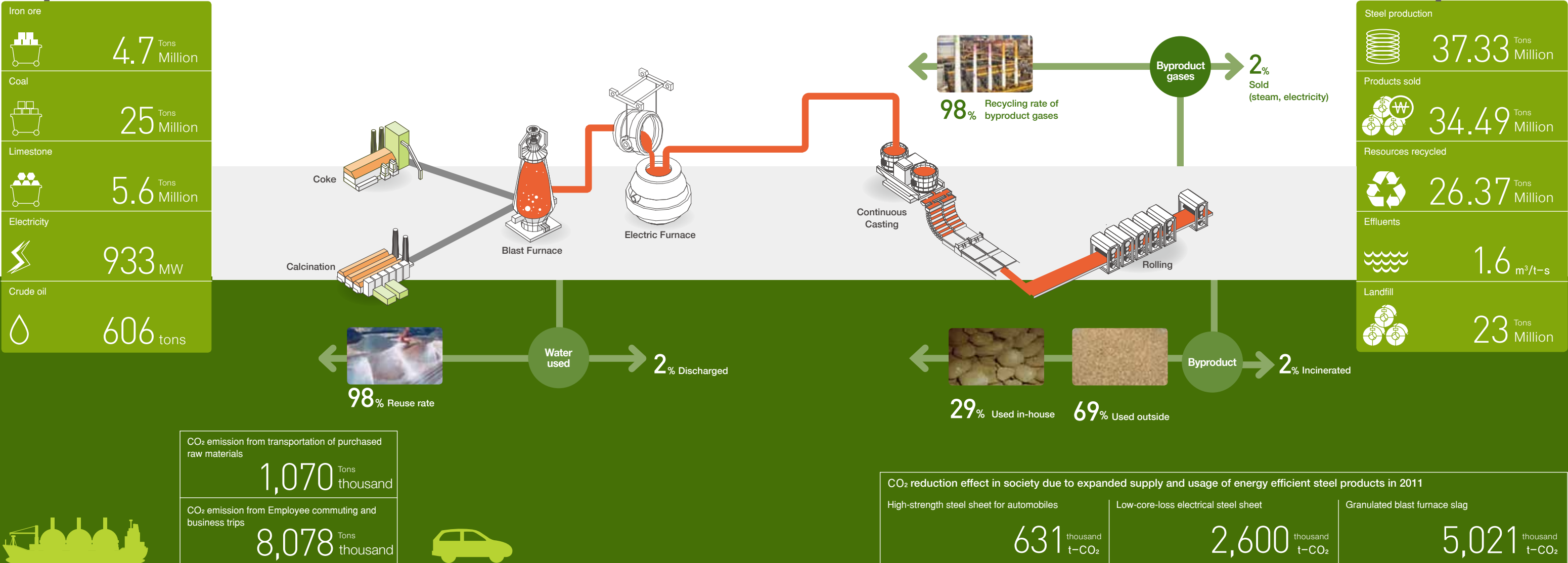
Energy efficiency	The reduction rate of energy used to produce one ton of crude steel for the past 30 years	50%	Use of by-products	Recycle by-products of steelmaking as materials for road and building construction
Recycling	The recycling rate of steel products such as automobiles and cans	76%	Use of finished steel	Utilized as green materials for new renewable energy sources and high-efficient buildings

Input

Iron ore	4.7 Tons Million
Coal	25 Tons Million
Limestone	5.6 Tons Million
Electricity	933 MW
Crude oil	606 tons

Output

Steel production	37.33 Tons Million
Products sold	34.49 Tons Million
Resources recycled	26.37 Tons Million
Effluents	1.6 m³/t-s
Landfill	23 Tons Million



What are POSCO's strategy and plan to practice environmental management?

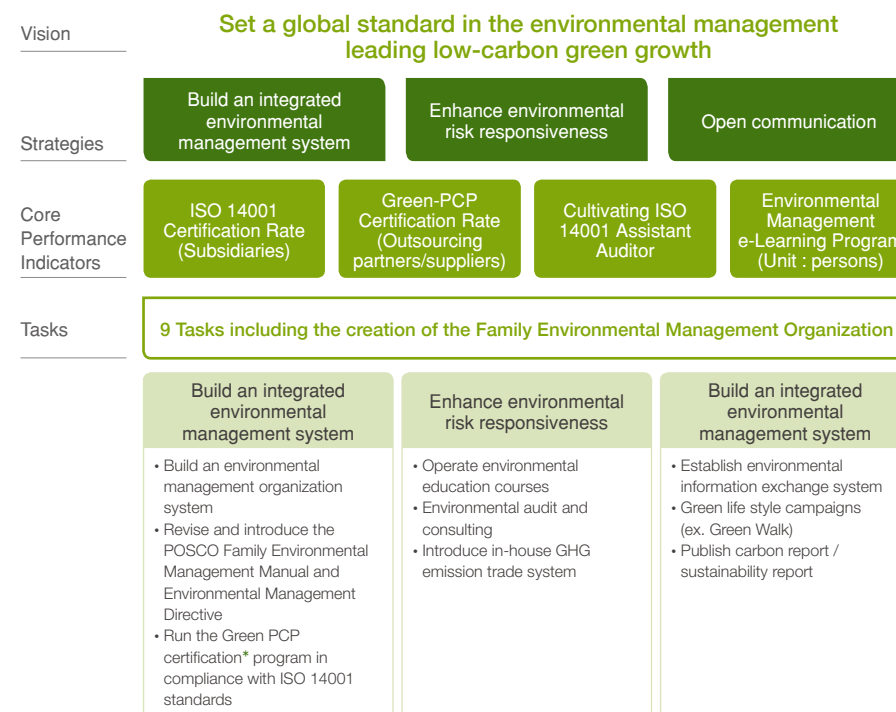
As POSCO's business expands, a comprehensive environmental management and environmental risk management at the POSCO Family level is increasingly important. In order to establish an environmental management system that includes subsidiaries, suppliers and outsourcing partners, the POSCO Family Environmental Management Directive was declared, with the CEO of POSCO and presidents of major Subsidiaries attending in December 2012. POSCO also established vision, strategy, and action plans to implement the directive. Recognizing environment as the core element of its management strategy, the POSCO Family established three key strategies (building an integrated environmental management system; environment risk management; and open communication) and nine implementation tasks including the establishment of the environmental management system at the Family level, continued environmental improvement, leading low-carbon green growth, and raising eco-efficiency.

POSCO Family Environmental Management Directive (Revised in December 2010)

Recognizing the environment as the core element of our management strategy, we will practice the following in order to spearhead low-carbon green growth, assuring environmental integrity based on technology development and open communication.

- Build a Family-wide environmental management system based on ISO14001 and secure global leadership.
- Comply with environmental regulations and continue to improve the entire process in consideration of the environment.
- Minimize the discharge of contaminants by adopting cleaner production methods and implementing the best available control technologies.
- Capitalize on natural resources and by-products efficiently to establish a resource-circulating society and improve ecological efficiency.
- Lead low-carbon green growth by using cleaner energy sources and implementing green technology.
- Disclose our environmental management performance to secure management transparency and sustainability.

POSCO Family Environmental Vision/Strategy/Action Plan



* Green POSCO Certified Partner: POSCO's voluntary certification program for outsourcing partners and suppliers for adopting the environmental management system.

Organization

Chaired by the CEO, POSCO operates the Environmental Management Committee, consisting of presidents and executives from domestic and overseas subsidiaries, outsourcing partners, and suppliers. The Environmental Management Committee holds regular annual meetings to analyze domestic and international environmental trends and discuss issues to establish mid-term environmental and energy strategies at the POSCO Family level. The Committee oversees the whole process and shares detailed action plans and results of the activities to establish a global environmental management system at the Family level.

The draft mid-term plans discussed at the Committee are evaluated and decided upon together with the mid-to-long-term business strategy at the Management Committee (expert committee under the Board of Directors). At the monthly Enterprise Management Meeting and Executives' Meeting chaired by POSCO's CEO, environmental performance is examined with other management issues.

Environmental Management Committee



Organization of Environmental Committees

Category	Environmental Management Committee	Environmental Management Steering Committee
Meetings held	Annually (December)	Quarterly
Organization	<ul style="list-style-type: none"> • Chairman : CEO • Members : CEO at Subsequent subsidiaries 	<ul style="list-style-type: none"> • Chairman : CEO's of subsidiaries • Members : Executives in charge of environmental management at subsequent subsidiaries
Main Functions	<ul style="list-style-type: none"> • Approve POSCO Family environmental management directive and manual • Approve POSCO Family environmental management strategies and goals • Discuss major environmental issues and establish response measures • Reporting of environmental management performance and present the Green Environmental Management Award throughout the Group 	<ul style="list-style-type: none"> • Establish implementation plan for each environmental management task • Organize and operate subcommittees for each issue such as environmental risks • Communication including audit, consulting, and government-related activities • Spread outstanding environmental technology and management system

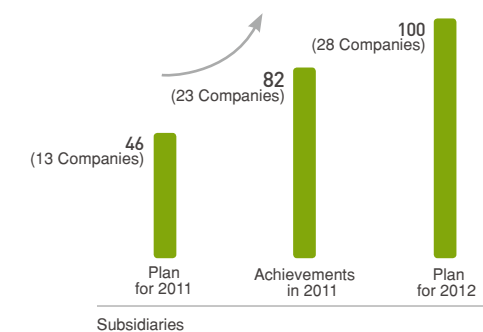
Environmental Management Achievements and Plans

In December 2011, POSCO held the 1st Environmental Management Committee, chaired by the CEO, to share our progress and the achievements of Environmental Management in POSCO Family. As 18 out of 28 major subsidiaries acquired ISO14001 certification by 2011, we plan 10 additional overseas operations to acquire certification until 2012. As for SMEs, POSCO developed Green POSCO Certified Partner (Green-PCP) program, a voluntary certification program, and 95 major outsourcing partners and suppliers are planning to acquire the certification until 2012. In order to enhance environmental risk responsiveness, POSCO supports subsidiaries with environmental education courses, training ISO14001 experts, and conducting environmental audit and consulting programs.

In December 2011, POSCO announced 'Green Environmental Management Awards' for subsidiaries with outstanding environmental management performance. We hope this annual award will motivate employees and share best practices of the awardees with the rest of the POSCO Family. With the goal of applying financial performance indicators related to the Family environmental management activities after 2013, we are in the process of developing indicators and conducting researches to validate its applicability.

POSCO Family KPI Performance and Targets

ISO 14001 Certification Rate
(Unit : %)



Green-PCP Certification Rate
(Unit : %)



Environmental Risk Management

POSCO has an internal management system in place to identify, analyze, and manage environmental risks and opportunities. We follow closely rapidly changing international trends including global environmental regulations and understand its impact on business management while conducting regular inspection of air, water, and ecosystems around our steelworks to learn the environmental impact on POSCO's business activities – addition of domestic and overseas operations, production – and managing environmental data through a real-time monitoring system.

The findings of the analysis are reported to the Environmental Management Committee, chaired to be reflected in the mid-and-long term business strategies and investment decisions. We will resolve the risks and share the results in connection with environmental technology consulting, environmental risk TFT, and the Family Environmental Management community activities.



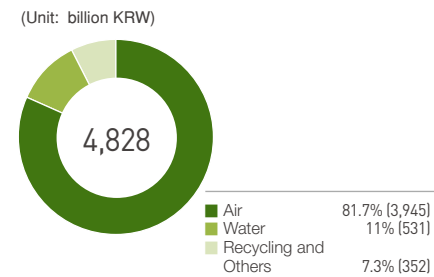
What are POSCO's environmental management activities and achievements?

POSCO is conducting a regular examination of the ecosystem-air, water, and other living environment-around Pohang and Gwangyang steelworks to preserve the surrounding environment. We commission professional agency to perform environmental impact assessment prior to the construction of overseas plants and national steelwork facilities and submit the findings to the government. In addition, POSCO checks the air pollution level around Gwangyang Steelworks on a regular basis using an environmental monitoring vehicle fitted with mobile inspection equipment. We also measure the pollution level of a specific area at the request of the residents and provide the results immediately to update them on the environmental conditions.

Procedure of Environmental Impact Assessment (EIA)



Environmental Facility Investment in 2011



Managing Environmental Performance

POSCO has been running an ERP-based environmental management system (POEMS: POSCO Environment Management System) for the systematic management of environmental data since 2001. The environmental data collected through the TMS at Pohang and Gwangyang Works is transmitted in real-time to the local government and the Ministry of Environment. Major environmental indicators are displayed on the electronic display located outside the plant so that local residents can see them as well. POSCO acquired the ISO 14001 certificate in 1996, and internal and external audits are taken annually. Environmental management as part of the POSPIA 3.0 campaign is restructuring inefficient parts of the system and integrating scattered elements.

Environmental Accounting

Since 2005, POSCO has been operating an environmental activity costing system based on the ABM (Activity Based Management) method to simultaneously analyze costs and environmental benefits in accounting. It is designed to simultaneously analyze costs and environmental benefits from energy recovery and turn by-products to resources and provide information to major stakeholders as well as each department. Investment in environmental facilities in 2011 was 482.8 billion KRW, taking up 12.9% of total equipment investment. 701.8 billion KRW was spent in maintenance and operation of the environmental facilities. As a result of our continued focus on improving the environment, POSCO invested a total of 5,077.7 billion KRW since its establishment. This amounts to 9.7% of total equipment investment.

Environmental Cost

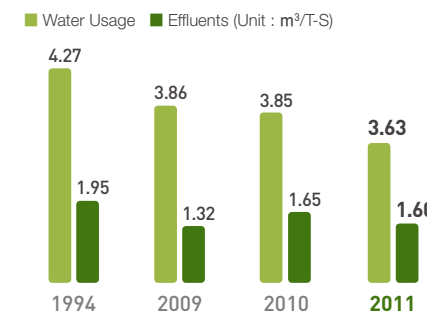
(Unit: billion KRW)

Category	Details	2009	2010	2011
Operation cost of environmental facilities	Operation cost of environmental facilities	2,371	2,683	2,851
Resource treatment expenses	Processing, transportation, incineration/landfill, outsourcing treatment of byproducts	2,158	2,208	2,253
Depreciation	Depreciation expense of environmental facilities	1,425	1,527	1,168
Depreciation expense of environmental facilities	Depreciation expense of environmental facilities	338	407	313
R&D on environment	Environmental R&D expenses	133	170	119
Energy collection expenses	Byproduct gas collection, Hot water, steam, and electricity collection	519	510	314
Total		6,944	7,505	7,018

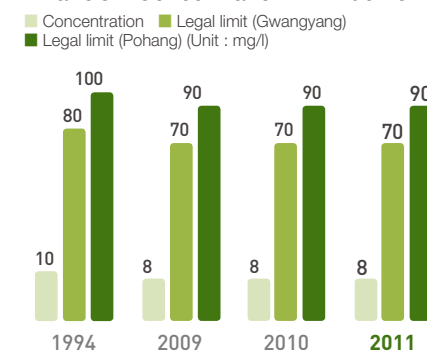


Water Treatment Facilities

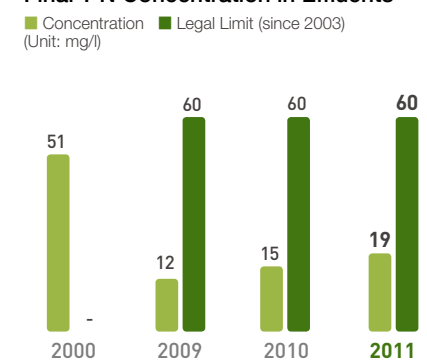
Water Intake for Operations and Effluents



Final COD Concentration in Effluents



Final T-N Concentration in Effluents



Water Management

Stakeholders are getting more interested in the potential impact of business activities, especially from water usage. Recognizing the importance of water resources, POSCO conducted an analysis on risk factors that water may have on business. As a result, POSCO established mid-to-long-term water management strategies and has been practicing them to reduce the risk of water shortages and secure the stable supply of water. POSCO participated in the Water Management Project by the WSA from 2007 to 2011 to have a better understanding about the world-wide water usage trend, risk and opportunity, and to benchmark waste water treatment technologies of the global steel makers. Also, POSCO has been active in the WBCSD sharing useful information such as guideline on SCM water management and WBCSD Water Tool. We have been participating in the Water Disclosure program of the Carbon Disclosure Project with an aim of helping investment organizations, corporations, and governments to realize related risks by providing information about corporate responses to climate change, for three years since it first started in 2010.

POSCO Mid-and-Long Term Strategy for Water Management



Reducing Water Usage

POSCO is committed to enhancing water saving awareness by various plant activities such as staging campaigns and sharing the best practices of leading steel mills. The water usage and discharge data for each plant is analyzed and assessed by specialists to identify areas that need improvement, and used as basic data in activities to reach optimal water efficiency. Gwangyang Works is committed to reducing more than 10% of its water usage by 2013 through water reclamation as well as decreasing water usage. We are looking for ideas and put them into practice to cut water consumption while improving the wastewater discharge process and installing a rainwater harvesting system.

Activities to Maximize the Reuse of Effluent

In order to increase the use of discharged water, Pohang Works plans to collect wastewater from rolling separately for low-chlorine and high-chlorine water, treat them separately, and then reuse 6,000 tons daily beginning from the latter half of 2011. Meanwhile, Gwangyang Works is recycling more than 20,000 tons daily after treating relatively clean wastewater including alkaline wastewater from cold rolled mills. With a goal of reusing more than 50,000 tons daily, the steelworks is committed to find ways to recycle water from Donghoan and discharged water from the sewage treatment plant through R/O treatment.

* R/O : Reverse Osmosis

Developing Substitute Water Source

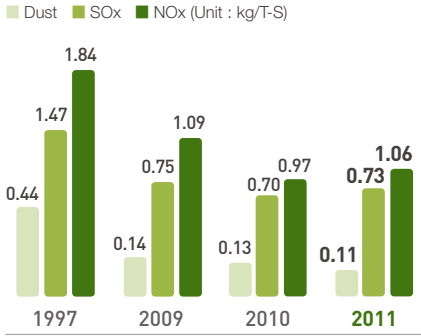
POSCO completed the desalinization pilot plant at Gwangyang Donghoan in December 2010. Studies on R/O technology that enable optimal facility operation are currently under way, which will be used in building the zero discharge system in the future. Also, we have a plan to recycle sewage from Pohang City for industrial use in collaboration with the government. Due to the lack of wastewater recycling facilities in the nation, most of our treated wastewater is currently used to clean sewage plants or for agricultural use and river flow management. All these efforts are expected to resolve the water shortage issue of the steelworks.

Promoting Ecological Behavior in the Seongang Waterway to Restore the Ecosystem

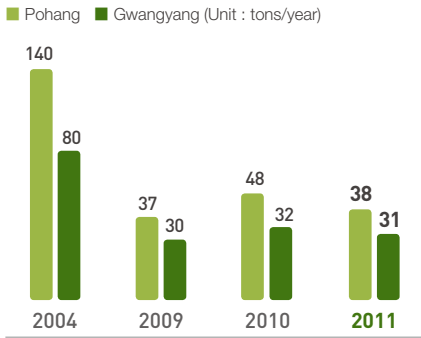
Pohang Steel Works formed an eco-friendly habitat for marine life on the Seongang waterway recycling heat energy. The ecological habitat, 1,800m in length, 10~15m in width, and placed in water 2~4m deep, is designed to restore fishery resources effectively. Construction began in October 2010 and finished in March 2011. In the habitat, two slag fish reefs and three slag bags, with transplanted marine plants, nurturing marine life and purifying water. As a result, now a growing variety of marine life such as the mullet and black porgy are living healthily.

Air

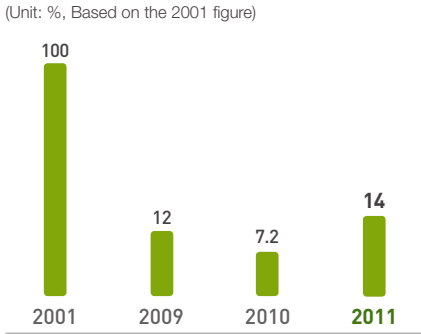
Air Pollutants Emission



Chemicals Emission



Reduction of Dioxin Compared to 2001



17 industrial sites in the Gwangyang Bay region, including Gwangyang Steel Works, have been involved in the 1st Voluntary Agreement for Air Pollution Reduction in the Gwangyang Bay Region along with the Jeollanam-do Office and the Ministry of the Environment. As aresult, POSCO has reduced air pollutants by 15% using the standard from 2003, surpassing the agreed reduction target of 13%.

* Vortex type windscreen : Provides better protection against wind by 10% than the existing polyethylene screen.
 * Dust : Particulate matter in diameter of 10μm or less

Stench/Odors

POSCO has established a system that monitors odor concentration in real-time to find the impact on the surrounding area of the steelworks emissions and climate change. When concentration goes up preventive measures are taken so that dust and odors do not leak out, impacting local residents. After thoroughly examining facilities and open locations that may emanate odors, facilities have been installed to eliminate odor generating substances and on-site departments are assigned with the task to closely monitor and take improvement measures. POSCO plans to invest approximately 310 billion KRW by 2013 in air quality control that includes stench and odors.

Chemicals/Dioxin

POSCO completed the 1st round of projects for the government and civic-group led “Voluntary Agreement to Reduce Chemicals Emissions” (2005~2011). The company has been working with other industries in various programs; information exchanges and application of emission reduction technology. POSCO’s consistent effort was rewarded with a significant reduction of chemicals discharge; by 69% in 2011 compared to the year 2004.

Also, POSCO concluded a voluntary agreement with the government to reduce Persistent Organic Pollutants (POPs). Through a series of efforts from the installation of a dioxin removal system and improvement of facilities and process, in 2011 POSCO was able to reduce dioxin levels by 14% less than 2001 levels, surpassing the reduction target by 40%.

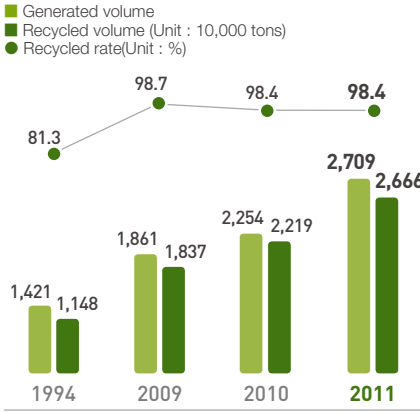
* Voluntary Agreement : (30/50 Program: the target is to reduce chemicals discharge by 30% within 3 years, and by 50% within 5 years).

Chemical Control Framework

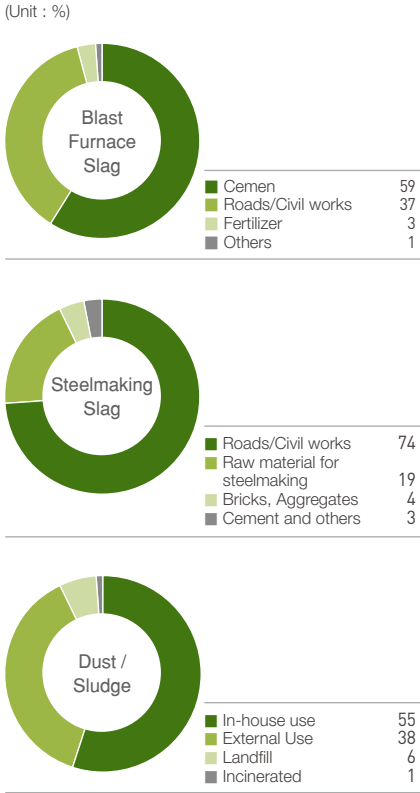
Chemical substances contained in products are increasingly controlled by strict regulations around the world. Against this backdrop, POSCO posted the results of the certified tests (ex. MSDS,* REACH,* RoHS,* PFOS*) by materials in reference to the EU RoHS and the latest candidate list of SVHC at POSCO’s e-business site (www.steel-n.com), available to the public. Packaging materials are considered finished products in the REACH framework and generally create no intentional discharge. However, POSCO M-TECH, responsible for packaging by materials, had an independent certifying organization to conduct an SVHC* investigation to confirm its safety to prevent accidental discharge of substances.

* SVHC (Substances of Very High Concern) : The producer or importer of the articles shall submit SVHC notifications to ECHA when the substance has been included on the candidate list as discussed above and the substance is present in the articles above a concentration of 0.1% weight by weight (w/w) and the total amount of the substance in the articles exceeds one ton per producer or importer per year.
 * MSDS : Material Safety Data Sheets
 * REACH : Registration, Evaluation and Authorization of Chemicals, the European Union Regulation on chemicals
 * RoHS (Restriction of Hazardous Substances) : regulations set by the EU on the restriction of uses for certain hazardous substances
 * PFOS (Perfluorooctane Sulfonate) : fluorosurfactant that contains persistent organic pollutants

Utilization Rate of by-Products



Details of Recycled by-Products in 2011



Resource Management

The total amount of by-products produced at Pohang and Gwangyang Steel Works in 2011 was 27.09 million tons. Among the by-products, slag* accounts for 63% (blast furnace slag 40%, steelmaking slag 23%), dust and sludge 13%, and others 24%. POSCO recycled 98.3% of the by-products and the rest was treated safely through either incineration or solidification for landfill. All the blast furnace slag and steelmaking slag are recycle as cement material, aggregate substitute, or others. POSCO found diverse ways to reuse its by-products to create high-additional value.

* Slag : A byproduct of the process of smelting ore. There is blast furnace slag, produced in the process of iron making and steelmaking slag, generated from the steelmaking process.

Eco-Friendly Use of Slag as Cement

Granulated blast furnace slag is obtained by quenching molten iron slag from a blast furnace with water spray, then dried and ground into a fine powder. It is used as cement clinker, saving exhaustive mineral resources and reducing CO₂ emissions. In 2011, POSCO substituted 6.39 million tons of slag for cement, which is estimated to reduce total emissions of GHG by 5.0 million tons.

POSCO developed a new cement material, PosMent, which is of better quality and eco-friendlier than the existing slag cement. PosMent, can help preserve natural resources such as limestone and reduce carbon emissions by roughly 70% compared to the conventional cement production process.

* Cement clinker : A nodular material made by heating ground limestone and clay at a high temperature. The nodules are ground up to a fine powder to produce cement.
 * Slag cement : A mixture of Portland cement and slag powder at a specific rate.

Slag Powder Production

In July 2011, POSCO completed a slag powder plant with an annual capacity of 1 million tons to produce greener slag cement (mixing 40% of slag powder and 60% of cement) at Gwangyang Works. Slag powder is a high-strength cement material, produced by cooling molten iron slag from a blast furnace with water spray, and then grinding at a roller mill into a fine powder. POSCO plans to nurture slag cement industry as a high-added value industry as it develops stronger cement substitutes and other new materials while contributing to the green growth by reducing fossil fuel consumption.

Export of Granulated Slag

POSCO made its first export of granulated slag based on an annual contract. Working together with Daewoo International, we successfully developed a new overseas market and exported 25,000 tons of granulated slag to Taiwan for the first time on 29 July 2011. We are going to expand our overseas market to Southeast Asia and build infrastructure for the stable export of slag. We will conduct research to diversify slag use and raise its added values and develop an eco-friendly cement material with the POSCO brand.

Developing Technology to Utilize Byproducts

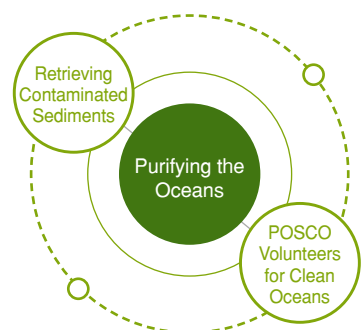
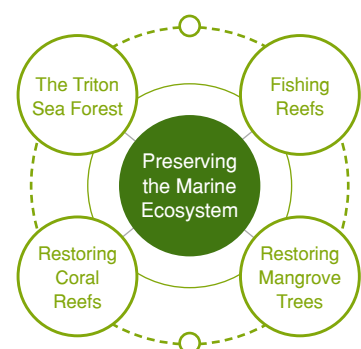
Considering byproducts of steel making process as valuable green resources, POSCO has been conducting the activities of “By-product Profitability Improvement Mega-Y” at the Family level. Economic benefits from improving by-product profitability increased by 164 billion KRW over the previous year, and the aggregate amount is 500 billion KRW.

POSCO processes and uses SNNC’s slag generated from the refining furnace, and nickel-containing by-products from outside companies as nickel substitute as part of its effort to foster collaboration between related industries as well as subsidiaries. POSCO will continue to expand the resource circulation within the Family; one example is expanding the sourcing network for non-steel materials in connection with the POSCO M-tech urban mining project.

What is POSCO doing to preserve biological diversity?

POSCO is keenly aware of the growing importance of protecting biodiversity. It has been high on the agenda of global environmental organizations including WBCSD and Rio+20 and the Korean government set related regulations. POSCO established a set of strategies, working together with domestic and overseas operations, the government and local residents to carry out diverse activities to preserve our ecosystem. With special focus on protecting the sea, we are involved in marine ecosystem restoration and ocean cleaning programs.

Ocean Preservation Activities

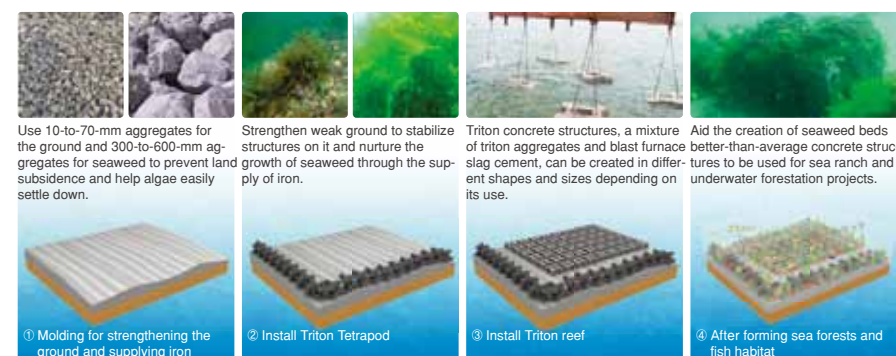


Preserving Marine Ecosystem

Triton Sea Forest

POSCO developed a steel slag marine structure, Triton, which is effective in restoring marine ecosystems. Triton can restore fishery resources such as algae, fish and shellfish within a short time period. Steel slag is richer in calcium and iron-beneficial to a marine ecosystem-than normal aggregates, which helps growth and photosynthesis of algae and purification of the seawater by eliminating contaminants. In addition, the underwater forests have the effect of capturing CO₂ through slag carbonation and algae photosynthesis. POSCO created Triton forest in an 8 to 13-meter-deep fishery in the waters off Yeosu's Geomun Island to help restore the crippled local marine ecosystem. Artificial forests were formed in the waters off Uljin and Tongyeong, as well. In particular, the slag sea forest in Pyeongsan, Namhae, in line with an MOU it signed with the Ministry for Food, Agriculture, Forestry and Fisheries, was inhabited by 10 times as many sea creatures than natural rock formations nearby. The success was realized after just 18 months, leading to a higher quality of life for residents.

* Triton : The god of the seas in Greek mythology. He blows into a twisted conch to call upon dolphins and fish, and has the ability to restore forests.



Artificial Fishing Reefs

As the first Korean company to develop artificial fishing reefs in 1988, POSCO has improved and supplied fishing reefs with outstanding performance of nurturing fishery resources. POSCO's new fishing reefs are in the shape of octagonal hemispheres in three sizes; small, medium and large for different types of seas. The new reefs can be plunged into the deep sea and are much more stable than conventional concrete structures. Also, they are light and easy to transport and install and can be placed on the seafloor. Sea creatures, food for fish and shells, can easily attach themselves to the steel surface of the reefs and the iron contained in the slag reefs nurtures phytoplankton. POSCO also created a sea ranch off Tongyoung placing a large number of fishing reefs, where one can see various fish such as black porgy and Korean rockfish swimming around. As such, fishing reefs are designed to suit the sea environment and provide optimum living conditions for marine creatures.



Creating an eco-friendly coral reefs

Restoring Coral Reefs

The technology POSCO used to restore coral reefs by forming eco-friendly reefs using steel slag is low-carbon technology adaptive to the ocean climate change. POSCO invested 4.5 billion KRW from 1998 to 2009 in R&D to commercialize the technology. Now the company is working on restoring coral reefs and the marine ecosystem in the waters off the POSCO steel mill in Indonesia.

Coral reefs attract diverse sea creatures and serve as natural breakwater protecting the coastal area from tidal waves due to tsunami and typhoons. However, they are gradually deteriorating due to rising water temperatures and discharged pollutants. Restoring coral reefs is one way in which POSCO preserves marine ecosystems.

Restoring Mangroves in Thailand

In April 2010, POSCO Thailand held a special event to plant 2,000 mangrove seedlings in a wetland in Chonburi Province, near Bangkok. This was an opportunity to communicate with the community as well as discuss ways to prevent the loss of oceanic soil, global warming and climate change including tsunamis. Mangrove trees, whose leaves are known to store and secret salts, grow in swamp areas between the land and sea and capture twice the amount of carbon dioxide rainforests do. In addition, they reduce the number of tsunami occurrences by 75% and create an important habitat for birds.

The mangrove has 54 varieties around the world occupying a quarter of the earth's coastline. Its importance as a natural coastal breakwater is growing but, unfortunately, reckless development has made a fifth of the mangrove forests since 1980, at a pace more than three times faster than average forests on land. POSCO will double its effort to recover biological species abroad.

Cleaning the Oceans

Recovering Contaminated Sediments

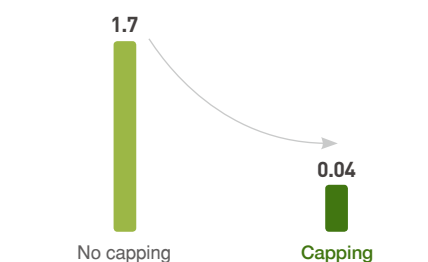
POSCO uses steelmaking slag as "sand capping" for seafloor sediment. The slag capping covers seafloor sediment to absorb the contaminants and prevent them from dissolving. This eco-friendly technology helps the marine ecosystem restore itself and nurture sea life living on the sediment without generating suspended particles by adjusting the size of slag particles. Heavily polluted shores or freshwater lakes often have more contaminants on the seafloor than in the water itself. This is because sea water does not circulate freely accumulating contaminants at the bottom. This increases nutrients in the marine system causing red tide, green tide, or blue tide, disturbing the growth of sea life.

Recovering polluted sediment is effective in such areas. POSCO put a layer of sand capping made of 1,300 tons of steelmaking slag in the oyster farm in Gosung Bay, Tongyoung. This reduced the amount of dissolved contaminants by more than 95% increasing the phytoplankton population and oyster production.

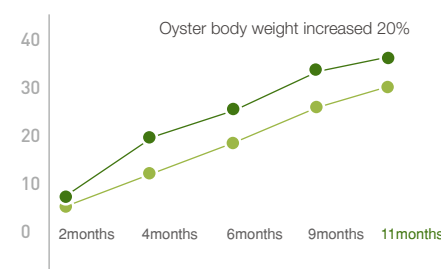
Test results of Tongyoung's Oyster Farm, Gyoungnam Province

● No capping ● Capping

(based on : the amount of hydrogen sulfide dissolved from sediments / Unit : ppm)



(Based on: wet weight at the bottom/ Unit: g)

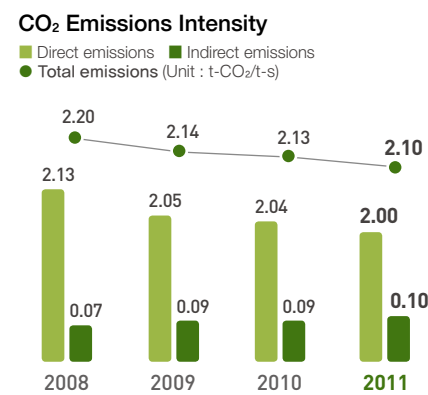
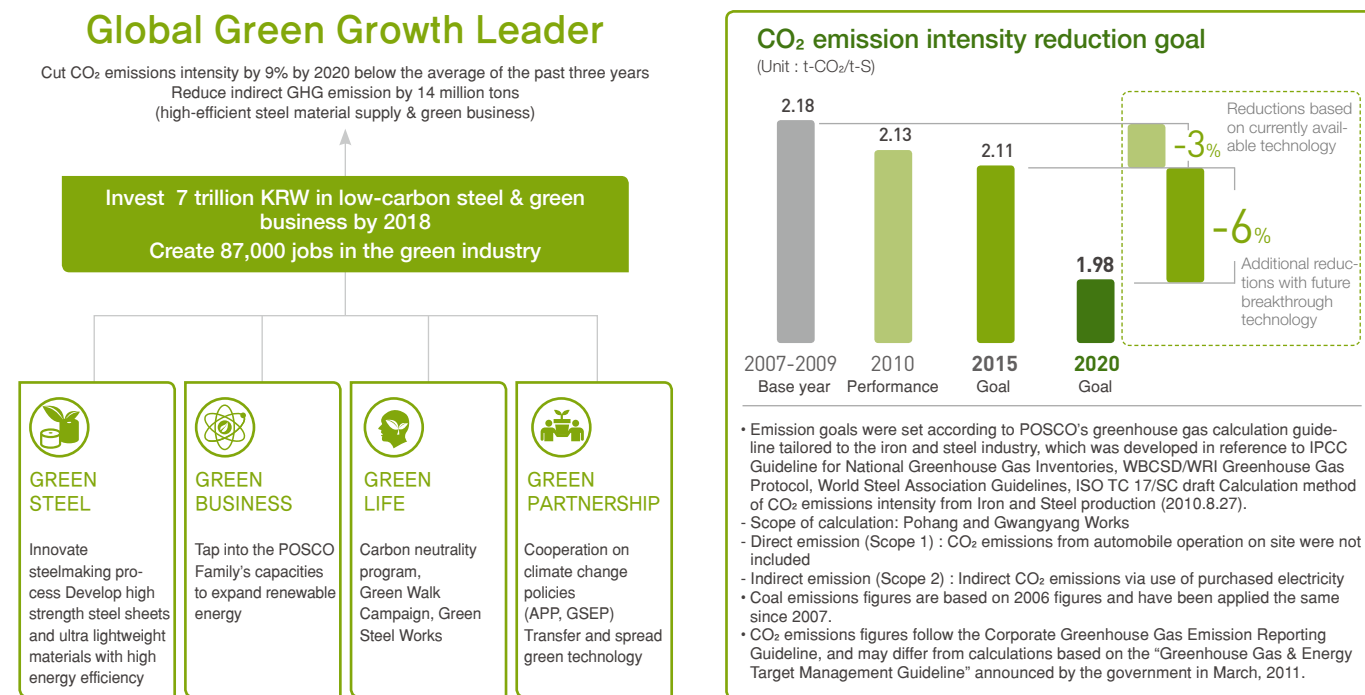


POSCO Volunteers for Clean Ocean

Meanwhile, we founded the "POSCO Volunteers for Clean Ocean" in November 2009, for the preservation and purification of the marine ecosystem, retrieving discarded fishing nets, tires and tents which are difficult to clear. The Volunteers for Clean Ocean started with the in-house scuba diving club comprised of about 300 members of POSCO employees and their families. They undertake sea surface and underwater cleaning programs every month at Pohang and Gwangyang. Their volunteering activities include the elimination of starfish that disturb the underwater ecosystem and damaging fishery including abalone. The scuba diver-volunteers conduct marine education for local residents in coastal villages, with which each department forms a special one-to-one relationship. The volunteering group will continue its efforts to win the sympathy of the public by staging environmental campaigns with underwater filming of the marine environment as well as its garbage removal.

How is POSCO responding to Climate Change?

At the Seventh Green Growth Committee held in February 2010 chaired by the Korean President, POSCO declared the 2020 Voluntary Greenhouse Gas Reduction Goal to respond proactively to climate change and sustainable growth. POSCO will reduce CO₂ emissions per each ton of crude steel by 9% from 2.18t-CO₂/t-S (average emission levels from 2007 to 2009) to 1.98t-CO₂/t-S by 2020. In order to meet this goal, coupled with efforts such as reducing coal usage and enhancing energy efficiency, POSCO will invest approximately 1.5 trillion KRW by 2018.



Implementing the Greenhouse Gas and Energy Target Management System (TMS)

Under the government's TMS, 458 companies with factories producing at least 25,000 metric tons of carbon dioxide a year must set energy-saving and greenhouse gas-reduction goals. POSCO had the third party verify the amount of GHG emissions and energy usage of a total of 10 sites including Pohang and Gwangyang and submitted a report to the government. According to the government-announced reduction target for 2012, POSCO is required to reduce 963,000 tons, the biggest amount to the projected emission for 2012, among the companies on the list. POSCO submitted its emissions reduction plan to the government in December 2011.

* It is subject to future changes according to the government's specification on the companies, reviewed results of the emissions in the base year, and objection from companies.

Green Steel

During the period from 1999 to 2008, POSCO invested a total of 1.4 trillion KRW in energy efficiency improvement facilities such as CDQ(Coke Dry Quenching) and TRT(Top-gas Recovery Turbines), saving 2.91 million TOE of energy. Innovative technologies are under development; extracting CO₂ from steelmaking by-product gases, in-process heat energy retrieval & usage technology, and hydrogen steelmaking. POSCO strives to reduce emissions by enhancing energy efficiency and expanding the accumulated energy efficient production technology throughout the plants. POSCO operates an integrated management system for greenhouse gases and energy, looking for effective methods to reduce emissions and energy use through analysis and evaluation of alternatives. The findings are reflected in the decision making regarding CO₂ emissions and energy use of the new businesses and processes in connection with costs. In November 2010, POSCO

Social GHG Emissions Reduction Effect (Based on the Supply in 2011)

Category	High-strength steel sheet for automobiles	Low-core-loss electrical steel sheet	Granulated blast furnace slag
Social CO ₂ emission reduction effect (Unit : 1,000 t-CO ₂ /year)	631	2,600	5,021
Sales (1,000 tons)	783	441	6,396

CO₂ Emissions Other Sources

(Unit : t-CO₂)

Category	Other Emissions
Transportation of purchased raw materials	1,070,053
Employee commuting	5,548
Business trips (domestic/overseas)	2,530

- Calculations based on WBCSD/WRI Greenhouse Gas Protocol
- The volume of purchased raw materials is 87.00 million tons
- The number of employees as of end of 2011 is 17,553



For further information on the POSCO Family's Green Walk Campaign, refer to the following :
Webpage : www.greenwalk.co.kr
Mobile page : m.greenwalk.co.kr

introduced an incentives system for the shop floor departments for their energy efficiency improvement efforts and performance, which has been in operation since January 2011. In addition, POSCO is the leading supplier of energy-efficient steel materials; high-strength steel sheets for automobiles, which improves a car's fuel efficiency by decreasing its weight, and low-core-loss electrical steel sheets, which contributes to enhancing efficiency of motors and transformers. These efforts have reduced approximately 3.23 million tons of CO₂ emissions in 2011.

Green Life

POSCO runs a carbon neutral program, which publicly collects ideas about carbon neutrality projects and supports them. Marking the third year of the program in 2012, a category of "response to climate change" has been newly added and a carbon neutrality reporter group has been launched to lead the campaign to spread awareness about the significance of carbon neutrality. POSCO launched the "Green Walk Campaign" that POSCO Family employees and their families can participate in. Employees can take part voluntarily in the four Green Actions (Walk, Switch Off, Reduce, Recycle). 5,562 families from 36 companies have participated as of December 2011 and will be expanded to major partners and suppliers to include over 10,000 families.

Green Partnership

POSCO is actively involved in domestic and international collaborative initiatives such as the Global Superior Energy Performance Partnership (GSEP) as well as the climate change response activities taken by the World Steel Association. The purpose of the GSEP, launched at the Clean Energy Ministerial (CEM), is to accelerate energy efficiency improvements throughout industrial facilities and large buildings to enhance energy security and cut GHE emissions. Within GSEP, there are six working groups, including Power and Cement and POSCO is a member of the Steel Working Group.

Green Business

Fuel Cells for Power Generation

- POSCO Energy
 - Constructed a 50MW per year fuel cell BOP* manufacturing plant in the Pohang Young-il bay rear industrial complex.
 - Expanded investment to develop highly efficient next-generation SOFC technology
 - Currently operating 50MW fuel cells in 18 regions nationwide
 - Completed a stack module production plant, fuel cell core facilities, in March, 2011
 - Developed 100KW fuel cell for buildings : finish installation in Seobuk Hospital and Children's Park in January 2012, conducting a five-year pilot project in collaboration with the city of Seoul

* BOP: Balance of Plant. An auxiliary system in charge of fuel distribution and power conversion

Wind Power Generation

As dramatic growth is projected in the world's offshore wind power market, POSCO Energy is building its competence getting ready for going global beyond the domestic market.

- Tamra Offshore Wind Farm : started construction of a wind farm of 30MW capacity in Dumo-ri and Geumdeung-ri, Jeju Province (to be completed in September 2013)

Waste-to-Fuel

POSCO established POSCO E&E in August 2009 to have it focus on waste to energy business and transferred its shares to POSCO Energy (formerly POSCO Power) in December 2011.

- Municipal Solid Waste (MSW) power generation project : generating power by combusting MSW as refuse-derived fuel (RDF)
 - Busan RDF and power generation facilities: construction started in October 2010 and will finish in 2013.
 - Nation's first RDF power plant using MSW. Generated 25MW/h electricity.
 - Waste-to-energy facility in Pohang: Negotiation closed in December and construction to be started in late 2013. Will use RDF to produce 12MW/h of electricity.
- Sludge-to-power business : process sludge to be used as auxiliary fuel for power plant.

- Suwon sludge-to-power facility : Produce fuel through drying and processing of sewage sludge as auxiliary fuel for thermal power plant. Planning to acquire business right of Suwon sludge-to-power business by the end of 2012.
- Sewage-powered energy business : thermal energy of sanitary sewage used to power households.
- Designated as a priority supplier of the Sewage-to-power project of Tancheon Water Reclamation Center, Seoul in August 2011. Construction to start in late 2012. Projected to produce 200,000 GCal of heat a year from the waste heat from sewage.



The ceremony for the completion of Shinan Solar Power Plant complex

Solar Power Generation

- POSCO Energy
- Shinan Solar Power Plant (in Palgeum and Anjwa Island, South Jeolla Province): 1st round of project (12MW capacity) under way. Started from a 2MW plant in an abandoned saltern in 2012. Scheduled to complete construction of power plants with a total capacity of 2,600MWh a year, equivalent to power 800 households.
- Solar Power Generation in Nevada, US: Construction of a solar power plant with capacity of 300 megawatts, with a goal to be operational by October 2014

Power Generation from Low-Temperature Waste Heat

POSCO is in the process of developing “Kalina” power plant technology to take advantage of low-to-medium temperature waste heat, untapped resources to date. Kalina is highly efficient in generating power from low temperatures, below 200 degrees Celsius. This method saves raw material cost significantly by using waste heat from the plant and can be installed anywhere geothermal power generation is possible.

- Develop power generation from low-temperature waste heat technology : Test bed (with goal of 600KW capacity) under construction at the Gwangyang sinter plant. To be completed in July 2013.

Smart Grid

- POSCO ICT
- Grid connection and Micro-Grid operational platform building: Energy Storage System test and EMS performance validation in progress
- Working to set the standard model and reference for the Smart Industry with RIST (a research institute wholly owned by POSCO) at oxygen plant in GW, since May 2010.



LED lightings applied in POSCO

LED

- POSCO ICT
- Laid groundwork for becoming a leader of the LED lighting market; start construction of Pohang assembly plant, develop a full lineup of products, explore new markets at home and abroad.
- Plan to provide the LMS (Lighting Management System) solution, integrating design, installation, and IT, right from the manufacturing stage of LED lighting.

General Materials

Working with POSTECH and RIST, POSCO is conducting a future-oriented general material business, supplying core materials for green energy industry.

- Magnesium, Titanium : light metals
- Lithium : core material for secondary battery, cathode/anode
- Carbon material : recycled from coal tar, a byproduct of steelmaking, to substitute imports
- Rare-earth metal : core materials for high-efficient electric materials
- Urban Mining: recycling resources

Secondary Battery Material – Anode Material

- POSCO CHEMTECH(Acquired Negative Active Materials Division of LS Mtron, formerly Carbonix Inc.)
- Completed production facility with 2,400 ton per year capacity in Yeongi-gun, South Chungchung in 2011. To start commercial production in late 2012.
- Linking with natural graphite anode material, artificial graphite, and WPM(World Premier Material) businesses

For more details on climate change, refer to the POSCO Carbon Report.

What is POSCO doing to promote internal and external environmental communication?

POSCO actively participates in domestic and overseas associations such as the World Steel Association as well as seminars and conferences, for international cooperation and information exchanges on major issues of the environment and shares the latest environmental technologies with global steelmakers. In its effort to practice environmental management and win-win growth with partners, POSCO has been carrying out various programs since April 2011 under an MOU between POSCO and SMEs

Domestic and International Cooperative Activities

Category	Activities	Details
Domestic	KOSA Environmental Policy Conference	Responding to changes in environmental policies and finding ways of voluntary environment improvement activities
	Korea Business Council for Sustainable Development	Sharing and discussing issues on corporate sustainability management
	Business Institute for Sustainable Development	Building partnerships for sustainable development
	FKI Business Council for Green Growth	Discussing technology and policy for green growth
	Mutual Cooperation Committee for Marine Resources (Ministry of Food, Agriculture, Forestry and Fisheries)	Cooperation for restoring marine ecosystems and replenishing marine resources
	Cooperation for Environmental Education with Environmental Foundation	“Green School with POSCO,” Environmental Education for elementary, middle and high school students
International	World Steel Environmental Policy Committee of WSA	Committee established to facilitate information exchange and cooperation of global steelmakers on climate change and environmental issues
	Global Superior Energy Performance Partnership (GSEP)	An Initiative of the Clean Energy Ministerial (CEM) to save energy in industrial process and commercial buildings
	2012 World Conservation Congress	Global environmental conference held by the IUCN every 4 years. To be held on Jeju Island in September 2012
	World Business Council for Sustainable Development	Identifying and sharing business cases for sustainable development, advocating sustainable development of businesses
	The Environmental Committee (ENCO) of SEAISI	World Steel Water Management Project

Consultation with the Community

Since 2009, Pohang Works has been operating an environmental watch group, consisting of local residents to monitor the surrounding environment of steelworks and the industrial complexes and to reflect the voices of the residents in improving the steelworks environment. Currently, the monitoring group in its 2nd term has 15 members, residents from five areas (Songdo near steelworks, Haedo 1-dong, Haedo 2-dong, Jecheol-dong) and serves as a communication channel connecting the company and community. GW Works is actively promoting the company's environmental improvement efforts to residents at local environmental events. They invited civic groups, environmental groups, resident representatives (Taerin-dong, Gwangyoung-dong), and local lawmakers to a tour of the steel mill and listened to their opinions. In October 2011, Gwangyang Works gave a presentation on the company's en-vironmental management activities for local public officials in environmental departments in South Jeolla.

Disclosing Environmental Information and Receiving Awards

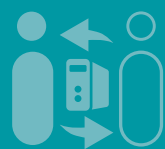
Well aware of the importance of communication with stakeholders in practicing environmental management, POSCO discloses its environmental objectives, related activities and performance information through the Sustainability Report, Annual Report, and the POSCO website, since the first environmental report in 1994. In response to stakeholders' heightened interest in climate change, POSCO published the 2010 Carbon Report in February 2010, the first in the global steel industry. Also, POSCO has been active in disclosing environmental information through the Carbon Disclosure Project as well as SAM DJSI, an evaluating organization of sustainable management indexes. Such efforts were rewarded with ranking 30th in the Global 100 Most Sustainable Corporations in the World announced by the World Economic Forum in Davos and being selected as the leading company in sustainable management by SAM DJSI for seven years in a row, the best performance by a Korean company.



Disclosing environmental information

POSCO has been reporting its responses to climate change through the Carbon Report since 2009.

Win-Win Movement



Partners are members of the POSCO Family with which the company grow together based on overall competence and trust. POSCO is at the forefront of establishing a fair trade order through its Fair Trade Corporate Compliance Program and balanced growth of business ecosystem as it supports ventures through a variety of measures. We are working hard to give real benefits to our partners by offering SME financial support and other competence-building programs as well as POSCO's own support initiatives. POSCO will continue its effort to fulfill its responsibilities as a leading company in key industries contributing to fair and healthy industrial development.

About Partners

	Fair Trade	Venture Support Programs	Win-Win Growth
Issue	<ul style="list-style-type: none"> Voluntary observance of fair trade practice by the POSCO Family CP Grade Evaluation of POSCO subsidiaries 	<ul style="list-style-type: none"> Idea Marketplace Membership Programs Idea Camp 	<ul style="list-style-type: none"> Unique POSCO Program Competence Building of SMEs
Performance	<p>Spreading voluntary fair trade compliance among POSCO Subsidiaries</p> <ul style="list-style-type: none"> Increased CP operation among the POSCO Family : 64 companies in 2011 Support subsidiaries with the CP program : 18 subsidiaries implementing the CP Promoting fair trade culture : posting articles to online business ethics webzine, emailing weekly trends, publishing/distributing a guidebook that reflects revisions to the Fair Trade Act, Fair Trade Academy <p>POSCO subsidiaries get a grade A in the CP evaluation</p> <ul style="list-style-type: none"> Achieved a great result at the 2011 CP evaluation of the Fair Trade Commission (Grade A for two subsidiaries). 	<p>Launching Event of Idea Marketplace</p> <ul style="list-style-type: none"> Launched October 27, 2011, in an effort to establish venture support platform : other programs include StarCEO Forum, angel investor lectures, and venture capitalist mentoring. <p>The 1st POSCO contest for New Business Ideas</p> <ul style="list-style-type: none"> Collected 1,367 ideas in late 2011 and giving awards to the 13 best ideas <p>The 1st Membership Program</p> <ul style="list-style-type: none"> In Jan 2012, a 6-week mentoring program offered to the 9 selected companies. In Feb 2012, the idea marketplace business presentation held to attract investment (POSCO invested 3 billion KRW) 	<p>Expanding Unique POSCO Programs</p> <ul style="list-style-type: none"> Benefit Sharing : compensated 82.6 billion KRW between 2004 and 2011 Techno-partnership : offered technological consulting to 222 SMEs between 2006 and 2011 Cash payment to SMEs : within 3 business days of delivery, twice a week More executives participating in the POSCO Family Executives Win-Win Growth Support Group (from 196 in 2010 to 271 in 2011) <p>Financial Support for SMEs</p> <ul style="list-style-type: none"> Set up a fund of 1,380 billion KRW Set up a 200 billion KRW fund for shared growth between large and smaller companies <p>Technological Cooperation to Enhance R&D Capability</p> <ul style="list-style-type: none"> Private & Public Sector Joint R&D Fund Agreement : with the SMBA (Small & Medium Business Administration), raised 10 billion KRW in R&D Fund Management Doctor Program : since May 2011 (26 companies including KC Cottrell) Win-Win Supply Chain Research Group : performed 16 tasks in 2011 (joined by 30 SMEs) <p>Enhancing SME Competitiveness and Partnership</p> <ul style="list-style-type: none"> Increased the number of POSCO-certified suppliers and items : certified suppliers : from 38 in 2010 to 42 in 2011 certified items : from 64 in 2010 to 70 in 2011 Support SMEs in the global market : Global Growing Center in operation since June 2011

What is POSCO doing for fair trade order and in what direction?

Since POSCO adopted the Compliance Program (CP) in 2002 to conform to a fair market order and promote liberal competition among businesses, it has continued its efforts to foster the culture of voluntary compliance ever since. POSCO declared the Code of Conduct in June 2003 to express the determination of the CEO and all employees in the pledge to honor the Code of Conduct at the beginning of the year since 2005. Since 2004, POSCO's BOD nominates the CP Director who is in charge of the overall supervision of the Compliance Program and reports the operation status to the Board on a regular basis. The Internal Transactions Committee installed under the BOD for more transparent transactions with subsidiaries in 2004, has deliberated on 68 agendas up to 2011, and the Fair Trade Support Team was installed in 2004 to oversee fair trade related tasks. Renamed the 'Fair Trade Group', it has worked to ensure compliance with fair trade standards within the company.

The Compliance Committee

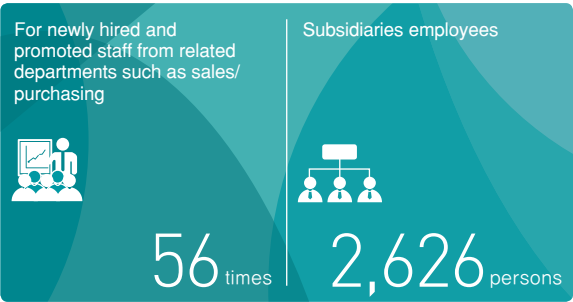
The Compliance Committee is comprised of the heads of those departments most relevant to fair trade, such as marketing, purchasing, and outsourcing. Important issues related to the Compliance Program are discussed at regular meetings. The organization under the Compliance Committee appoints the Compliance Leaders to assist Compliance Committee members and provide consultation related to compliance issues to the departments as well as education.

2011 Education Programs

E-learning Fair Trade Courses



Gathering Classes



Self-Audit System

The self-audit system has been enhanced by designating 7 key departments such as sales, purchasing, and outsourcing as mandatory self-audit departments. The website's main role is to provide "a department-level self-audit and consulting system," which is an internal monitoring system. Fair trade related departments conduct self-audits by referring to the checklist, and if possible breaches are identified, must consult with the company's compliance department. For an even upgrade of fair trade practices throughout the Group, POSCO has expanded its Fair Trade website to subsidiaries' integrated fair trade websites since 2009. In 2011, POSCO improved some of the features to make it easier for the Subsidiaries to use.

Subsidiaries with the CP

New subsidiaries	No. of subsidiaries	
Daewoo International	20 (18*)	2011
Sungjin Geotech		
eNtoB		
POSCO AST		
POSCO TMC		
POSCO Engineering	15	2010
POSCO A&C	14	2009
POSCO ENERGY		
SNNC		
POSCO P&S	11	2008
POSMATE		
POSCO Machinery Co., Ltd.	9	2007
POSCO plantEC		
POSCO C&C	7	2006
POSCON		
POSCO CHEMTECH		
POSCO M-TECH		
POSCO E&C	3	~2003
POSCO ICT		
POSCO SS		

* Numbers in the parenthesis considered the merger of POSCON and POSCO Machinery Co., Ltd.

2011 Performance

In 2011, POSCO helped 5 subsidiaries and 45 partners adopt the CP and currently 64 companies have the program in operation. In addition, we conducted an internal audit on our subsidiaries regarding compliance of the Subcontracting Law to further support mutual growth. At the same time, we heightened our employees and management's awareness on fair trade through articles on the webzine, e-mailing weekly trends and publishing/distributing a guidebook that reflects revisions to the Fair Trade Act.

POSCO supports subsidiaries to implement the CP as well to spread the fair trade culture through the Family. As of 2011, 18 Family member companies operate the CP. Also, we run the "Fair Trade Academy" to enhance the capacities of the fair trade personnel, and fair trade study groups form subsidiaries located in Seoul to help to disseminate the culture of voluntary compliance at the POSCO Family level. As a result of these efforts, POSCO Family member companies received excellent grades (2 A grades) at the 2011 CP evaluation by the FTC.

Future Direction

In 2012, POSCO will dedicate itself to enhance the culture of voluntary compliance and reinforce the implementation of the CP on a POSCO Family level. In order to embed compliance processes into our business, POSCO will institute procedures such as; monitoring, support of win-win growth activities, customized CP education, developing educational content, revising the guidebook, and supporting subsidiaries with the CP operation.

Also, we will actively prevent and deter non-compliance of competition law by our overseas corporations through various measures; offering education on international cartel for overseas corporations and business sites; providing materials on regulations of competition law of each nation.

CP Components

Necessary		Optional
Expressing the management's commitment to compliance	Establishing an internal supervisory system	Forming a Compliance Committee
Designation of a Compliance Officer	Responding to Detected Offenses and Developing Corrective Action Initiatives	Assessing Effectiveness of a Compliance Program
Publishing and Distributing the Compliance Guidebook	Building a document management system	
Conducting Effective Training and Education		

What is POSCO doing to create a healthy venture ecosystem?

POSCO is playing the roles of both an angel investor and business incubator at the same time. With the venture support initiative called “POSCO Venture Partners,” the company focuses its support on start-ups and ideas, which were neglected in the existing venture capital market. POSCO’s investment goes well beyond the IT industry - popular among other angel investors – as well as its traditional steel industry, to reach the entertainment industry.

POSCO established a venture support system to strengthen mutual growth, where ideas are selected through contests and evaluation, and then developed through unique POSCO venture support programs such as an idea camp and membership program. Finally, the business ideas are introduced to potential investors at the idea marketplace.

POSCO’s Unique Venture Support Programs



Idea Camp

In the latter half of 2011, POSCO held the 1st POSCO contest for New Business Ideas and collected 1,367 ideas, the 13 best ideas of which were given awards. On October 2011, POSCO hosted a launching event of the Idea Marketplace, with VIPs including the vice minister of the Ministry of Knowledge Economy. The event was a great success featuring various programs such as StarCEO Forum, angel investor lectures, and venture capitalist mentoring.

In January 2012, POSCO launched the 1st Membership Program for the 9 selected companies at the idea contest, which were offered a 6-week mentoring program from professionals mentors to complete their business plans. They were introduced to over 100 venture capitalists and angel investors interested in start-ups at the 2nd Idea Marketplace Business Presentation on February 23rd. The 7 ventures, which gave presentations at the event, received direct investment of more than 3 billion KRW from POSCO. POSCO is also making joint investments with other investors.



Idea Marketplace

To give a second chance to the venture hopefuls, who failed to attract investment, POSCO held an idea camp. The 1st camp was set up in the POSCO Global Leadership Center in Songdo for three days from February 3rd 2012, with 18 teams participating. The camp provided the participants with one-to-one mentoring services to assess the business model and directions to advance their ideas. Some of the best ideas were offered an opportunity to join the POSCO membership program.

The 2nd year of the POSCO Membership Program was used as the final step of evaluating ideas. The 20 candidates, selected after the documentation and experts review, joined the camp for three days starting from April 13th, receiving advice on their business items while at the same time, examined for the access to the membership program. The final eight companies joined the membership program, which started on April 30th and completed business plans during the 10-week intensive mentoring. Later, they will receive feedback on their business plan at a workshop and participate in the 3rd Idea Marketplace (to be schedule on 19 July) to present their ideas for investors.

Future membership programs and an idea marketplace will be conducted under the theme, “addressing youth unemployment” or “support for female CEOs of ventures,” for example. POSCO will continue its support of venture businesses as one of its CSR activities to create a healthy venture ecosystem in the nation.

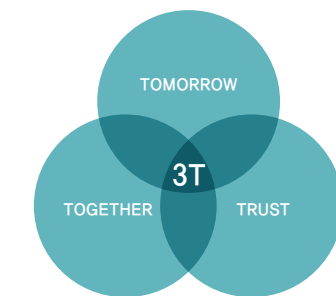


Membership Programs

What is POSCO doing for win-win throughout the supply chain?

POSCO’s “win-win growth” policy is made up of 3 Ts: Trust, Together, Tomorrow. Based on its principle of mutual trust, POSCO has exerted much effort into establishing a future-oriented (Tomorrow) win-win growth (Together) with its 1st as well as 2nd, 3rd and 4th tier SME partners. POSCO is currently operating a total of 67 programs in seven different categories to foster joint growth, including its branding program, financial support to solve financial problems and technical cooperation to boost its R&D capabilities. In 2011, in an effort to solidify its win-win growth policy as a company identity, to boost growth among SMEs, POSCO’s focus was directed in various fields. POSCO will continue to strive to push for joint growth by actively seeking mutual interests with related SMEs, supporting their key capabilities and fostering growth among communities to enhance mutual growth with stakeholders.

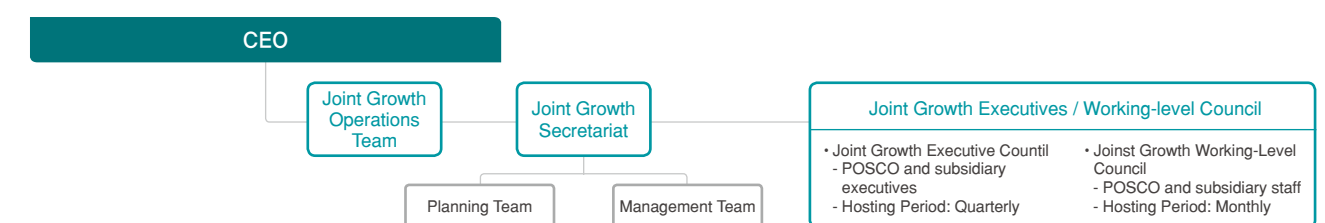
POSCO’s “win-win growth” policy, a part of the company identity, is based on 3Ts; based on mutual trust (Trust), it will push for a future-oriented (Tomorrow) joint growth (Together) with its first and second through fourth partner companies.



POSCO’s Joint Growth Program

Program	Contents	
POSCO's Unique Branding Program	<ul style="list-style-type: none"> Benefit-sharing policies Technology-oriented partnerships 	<ul style="list-style-type: none"> Full cash settlement of purchases by SMEs A Joint Growth support group of POSCO Family executives
Provide financial support to small and medium-sized businesses to solve financial difficulties	<ul style="list-style-type: none"> Create a fund worth 1.38 trillion KRW 	<ul style="list-style-type: none"> win-win growth investment fund
Technology cooperation to boost R&D capabilities	<ul style="list-style-type: none"> Technology development project via joint private investment Development of new products under conditional purchase Supporting small and medium-sized businesses with patent development 	<ul style="list-style-type: none"> Technology Escrows system Management doctor program Supply chain win-win research group
Strengthening the competitiveness and partnerships of small and medium-sized businesses	<ul style="list-style-type: none"> Nurturing the world's best and the world's first products POSCO-certified partners (PCP system) Nurturing medium-sized independent global businesses Supporting SMEs through settlement of their orders 	<ul style="list-style-type: none"> In case of changes made to delivery costs, 1st-tier partner company will adjust the cost of 2nd, 3rd and 4th tier partner companies Settlement of middle payments of facilities purchases Support SMEs with overseas marketing Formulate code of conduct for suppliers of POSCO Group
Training / Consulting to boost business skills	<ul style="list-style-type: none"> Training consortiums, liberal arts and cultural lectures for small and medium-sized business Providing consulting for small and medium-sized businesses 	<ul style="list-style-type: none"> Partnerships of innovative productivity Management doctor system (monitoring system)
Job creating and strengthening communication	<ul style="list-style-type: none"> Operating a POSCO partnership enterprise recruitment center Operate a website where users can voice their complaints 	<ul style="list-style-type: none"> Operate a POSCO family joint growth council Reflect joint growth-boosting performance in executive evaluation
Joint Growth with Clients Program	<ul style="list-style-type: none"> Clients – Joint Growth program (refer to page 85) 	

POSCO Win-Win Growth Organization



POSCO's Unique Branding Program

Benefit Sharing System

POSCO's Benefit Sharing Program, which was launched in July, 2004, strives to achieve joint improvements together with its suppliers and to mutually share the outcome of the performance. Small- and medium-sized enterprises, through autonomous reforms, can improve their industrial structure as well as familiarize themselves with technological developments while POSCO, in the long run, can secure its competitive edge in the market and improve the quality of its products. POSCO compensates 50% of the performance-based revenue raised as a result of assignments over a period of three years, signs long-term contracts (3 years), awards extra points to suppliers during evaluation and provides various incentives including joint patents. Since its inception until 2011, POSCO has awarded a total of 82.6 billion KRW in performance-based compensation to 459 small- and medium-sized enterprises that successfully completed 920 different assignments.

Techno Partnership

In September, 2006, POSCO formed a technology advisory group together with Postech, Research Institute of Industrial Science & Technology to provide free technological support to small- and medium-sized enterprises. The advisory group entered into the Techno Partnership (customized technological support for small- and medium-sized enterprises) with small- and medium-sized businesses in Pohang and Gwangyang as of late 2011, it provided technology-related consulting to a total of 222 companies. Currently, seven support groups are regular members of the technology advisory group and 661 Ph.D-level advisors are offering their expertise.

Techno Partnership agreement, which received positive feedback for providing much-needed human resources, facilities and technological support for small- and medium sized businesses, expanded into a company with five subsidiaries.

Techno Partnership Management Status (as of late 2011)

Partner Company	Technology Consulting	Test and Analysis	Participating POSCO Groups (7 companies)
222 Companies	1,096 Times	556 Numbers	POSCO, POSCO Engineering & Construction, POSCO SS, POSCO ICT, POSCO CHEMTECH, POSCO C&C, SNNC

Cash-Out of All Payments to Small- and Medium-Sized Enterprises

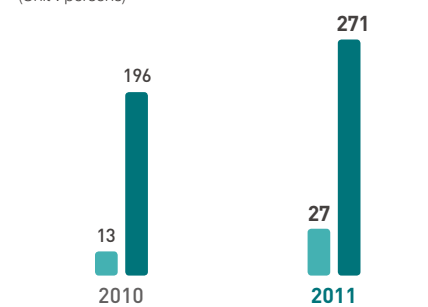
To foster the stable business management of its partner small- and medium-sized enterprises, POSCO has been cashing out to all suppliers registered as a small-and medium-sized enterprise for its payments regardless of the sum within three working days following delivery, twice a week. In addition, during national holidays when capital flow is concentrated, POSCO conducts a daily cash-out starting one week before the holiday to control.

Joint Growth Support Group of POSCO Family Executives

The joint growth support group, which began with 196 executives from 13 POSCO group companies as of the end of 2010, supports 141 small-and medium-sized businesses as of late 2011, by 271 executives from 27 POSCO Group companies.

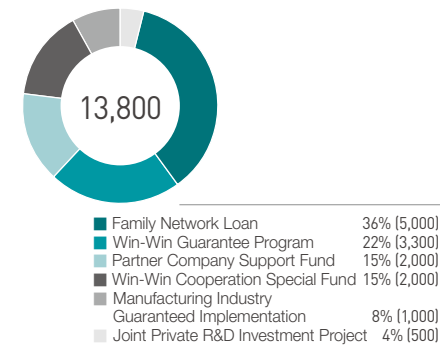
Joint Growth Support Group of POSCO Family Executives (October, 2010~)

■ Number of Participating POSCO Subsidiaries
■ Number of Participating Executives
(Unit : persons)



Current Status of POSCO's SME Financial Support

(Unit : 100 million KRW)



Financial Support to SMEs

Creating Funds Worth 1.38 trillion KRW

In a bid to support small- and medium-sized enterprises that have difficulties procuring business capital, POSCO began operating six financial support programs and raised a fund worth 1.38 trillion KRW. They include the joint private R&D fund(50 billion KRW), POSCO Family network loan (500 billion KRW), win-win guarantee program (330 billion KRW), win-win cooperation special fund (200 billion KRW), POSCO partner assistance fund (200 billion KRW) that allow small- and medium-sized enterprises to take out loans at low interest rates. In addition, POSCO is also taking part in a project being implemented by the Machinery Financial Cooperative that aims to support the local manufacturing industries that forms the basis of Korea's industrial sector (including metal casting, welding, plastic working, etc.) by raising funds worth 100 billion KRW.

Joint Growth Investment Fund

In a bid to sustain continuous partnerships, POSCO invests in shares of partner small- and medium-sized enterprises, key client businesses and new enterprises. Together with KB Financial Group and Hanhwa Group, POSCO created a 'joint growth investment fund for small, medium and large enterprises' worth 200 billion KRW.

Technological Cooperation to Boost R&D Capabilities

Joint R&D Investment Project / New Product Dev, Purchasing Program

The joint private R&D investment project POSCO, along with Small and Medium Business Administration provides SMEs with cash grants for R&D under the condition that POSCO will guarantee the purchase of goods. SMEs can receive up to 75% of the total R&D expenditures or one billion KRW in cash. A successful R&D project will guarantee an SME a 3-year long-term contract rights. Following 2008, in December, 2011, POSCO signed an agreement with the Small and Medium Business Administration and, together with the government, created an R&D fund worth 100 billion KRW. Since 2008 until now, POSCO has funded a total of 18 SME R&D projects. Meanwhile, POSCO is also involved in projects for product development under conditional purchase. When an SME develops a product needed by a large enterprise, the Small and Medium Business Administration supports development costs (up to 500 million KRW within 55% of total development cost) under the condition that POSCO guarantees purchase for a certain period of time.

Number of Projects by Year

(Unit : Number)

Category	2005	2006	2007	2008	2009	2010	2011	Total
Joint R&D Fund	-	-	-	-	6	6	6	18
Purchasing Condition Projects	1	13	24	11	14	1	7	71

Patent Support Programs for SMEs

To boost technological competitiveness, POSCO offers patent support via diverse channels to SMEs. POSCO shares its patents via a website (www.steel-N.com) so SMEs can conveniently use POSCO patents. POSCO also provides full financial support for patenting costs for POSCO-SME joint patent application. In addition, when delivering goods produced by using POSCO patents to POSCO SMES are exempt from license fees to cut costs and to increase the application of patents. POSCO also operates a 'SME Patent Consulting Center' to offer consultations on patents transferred by POSCO.



POSCO steel-N.com Website

Technology Escrows system

POSCO introduced Technology Escrows system run by the Large & Small Business Cooperation Foundation and signed 12 Technology Escrows agreements in 2011. It is designed to guard the technological assets from large corporations by depositing SME's intellectual properties such as technological knowhow to the Foundation.

Management Doctor Program

In a bid to solve technological difficulties of SMEs that have been chosen to be nurtured into independent medium-sized enterprises, POSCO has been operating a management doctor program (business mentoring program) since May, 2011. Through the program, POSCO offers support in all fields related to technology and business management, including machinery, metal, electricity/electronics, materials, control/instrumentation, environment and energy. The program also offers technology consulting in the areas of diagnosis, consulting and training to solve problems related to production process and technological difficulties. In addition, POSCO's management doctor system also offers support in the analysis of the use of R&D facilities. As of 2011, 26 companies, including KC Cottrell are participating in the program.

Supply Chain Win-Win Research Group

In order to address chronic problems of on-site divisions at the steel mill, POSCO, together with its partner SMEs is striving to seek solutions to comprehensively revamp its systems in the areas of application and purchases divisions. SMEs and on-location engineers come up with solutions through discussions about technological development and ideas for improvement while frequently sharing information via monthly technological exchange meetings. The research group also holds quarterly technology seminars to analyze and share the outcome of divisional activities as well as links new ideas for improvement with benefit-sharing assignments. The organization of the research group and details of operations are decided through the steering committee's vote. As of 2011, a total 30 SMEs, together with POSCO, have been involved in 16 assignments.

Strengthening partnerships and the competitiveness of SMEs

Fostering World Best World First Items

Outstanding SMEs that have secured global competitiveness with their 'world best world first' items are invited to be a part of POSCO's joint growth program which includes technological support, consulting and a guaranteed 3-year supply rights. In 2011, POSCO selected 12 new world best world first items. So far, a total of 25 items have been certified as world best world first products.

※ Support Program
SMEs will receive systematic support services by CFT, a support group formed by POSCO, as well as technological support through techno partnership, business management consulting, management doctor program, QSS consulting and a guaranteed 3-year supply rights until the completion of product development.

POSCO's PCP System

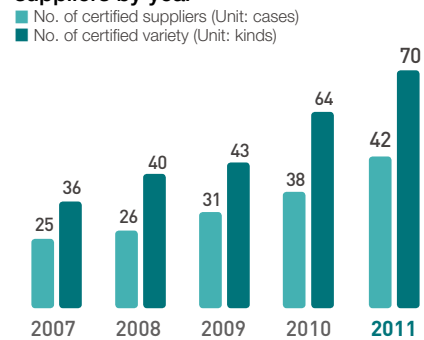
POSCO's PCP system aims to foster certified partner suppliers into suppliers with world-class quality and technical competitiveness. POSCO offers a diverse range of benefit programs to certified suppliers (exemption from various subsidy payments, negotiation priority when signing a contract for key materials, etc.).

※ Selection Standard : Positive SRM (Supplier Relationship Management) evaluation of the pertaining sourcing group for two consecutive years, supplier that surpassed set figures in terms of stocked goods

Fostering Independent Medium-Sized Enterprises

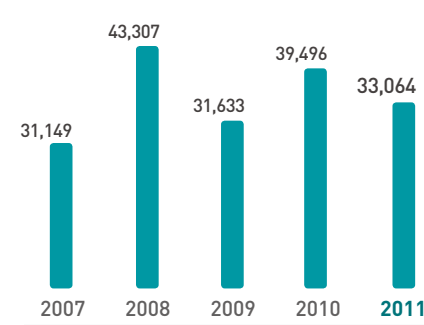
POSCO announced that over a period of ten years from 2011 to 2020, it would foster 30 globally-competitive independent medium-sized enterprises in a bid to establish a positive business ecosystem where SMEs would eventually grow into large enterprises and to create more jobs in order to boost Korea's competitiveness in the global market. As of 2011, POSCO has selected 28 suppliers and client companies and signed an MOU and has been offering comprehensive support in the areas of finance, R&D, professional human resources and overseas marketing.

The number of POSCO-certified suppliers by year



Order placement of SMEs

(Unit: 100 million KRW)



Supporting SMEs with Facilities

POSCO supports local SMEs by transferring steel-manufacturing facilities intended for large Korean companies and overseas companies to help Korean SMEs overcome difficulties that arise from a lack of global competitiveness and to establish a stable foundation for growth. In addition, POSCO is presently allowing local SMEs to partially purchase facilities originally intended for large-scale projects such as the construction of new factories and expansion of existing factories during the business feasibility review stage.

1st Tier Companies's Rights in Case of Changes in Delivery Cost

POSCO encourages 1st tier companies to help adjust the costs of 2nd, 3rd and 4th tier companies so that the overall principle of joint growth reaches out to 2nd, 3rd and 4th tier SMEs, in case of changes in raw material costs based on Shared Growth and Fair Trade Agreement and General provisions.

Category	Details
Shared Growth and Fair Trade Agreement	<ul style="list-style-type: none"> Article 4(6) : Adjustment of unit price for products to be supplied according to the changes in the price of raw materials In the event that the contract price is increased or decreased by 5/100 of the total contract price due to the changes in the raw material prices, the contract price may be adjusted by mutual agreement.
General provisions	<ul style="list-style-type: none"> Article 16(4) (Modification) When it is found that the quantity, unit price or costs and expenses applied to the calculation of the contract price has been underestimated or overestimated in comparison with its value in the general market transaction, or the standard price of the Buyer or when the contract price is increased or decreased by 5/100 of the total contract price in comparison with its price at the time of the execution of agreement, an application for adjustment of the contract price may be filed. In this case, discussion thereof must be commenced within 10 days from the application date and the contract price may be adjusted within 30 days. In the event that the contract price is adjusted due to the foregoing reason, the Buyer (first sub-contracted company) shall be, in principle, obliged to adjust such contract price by discussion with its aligned company (second sub-contracted company) in a reasonable manner.

POSCO Group Supplier Code of Conduct

- Respect for Basic Human Rights
Voluntary employment, no child labor, no discrimination, business hours, salary, humanitarian treatment
- Safety and Health Care
Working environment, industrial safety
- Environment
Hazardous substance, wastewater/solid waste and air pollution, prevention of pollution and reduction of use of resources
- Ethics and Fair Trade
Business integrity, compliance with special terms and conditions for ethical practice and fair trade principle, establishment of trust culture
- Protection of Trade Secret and Intellectual Property
Management and protection of confidential information, protection of intellectual property
- Quality Management
Quality management, change management, quality management between suppliers
- Social Contribution of shared growth, social contribution

Interim Payment for Purchase of Facility

POSCO has been giving support to SMEs for their production and operation by making advance payments for facility purchase to the extent of 20% of the total contract price, and making interim payments for facility purchase since 2010. Interim payments for purchase of facility refer to the system where POSCO makes interim payments in order for its counterparty- a small and medium-sized company- to reduce its preparatory period and the burden of financing as well as to obtain the fund liquidity. Any SMEs that has entered into a contract with POSCO, which amounts to more than 100 million KRW and has more than 180 day-term of contract is eligible. In such case, an interim payment is made after a half of the contract period elapses and to the extent of not exceeding 30% of the total contract price less the advance payment.

POSCO Group Supplier Code of Conduct

POSCO set up the POSCO group supplier code of conduct in June 2010 so that all of SMEs engaging in a business with POSCO may perform their duties as global corporate citizens. The all suppliers can start a business with POSCO after registering its electronic signature on "e-procurement (www.steel-n.com)", which is an electronic commerce system of POSCO.

Support for Small and Medium-sized Company's Overseas Market Extension

POSCO is providing overseas market information to the companies through extensive overseas networks of Daewoo International, a group member and one of the leading trading companies in Korea. In addition, it offers various opportunities for the companies to begin relationship with local buyers.



The signing ceremony of the Productivity Innovation Partnership between Large and Small Enterprises

Education and Consulting for SMEs

SME Vocational Training Consortium and Refinement/Culture Workshop

In 2011, 43,758 professionals completed the SME Training Consortium Workshop. In addition, POSCO held a total of 38 Refinement/Culture Workshops in Pohang and Gwangyang with Officers and families of both POSCO and other operational partners.

Customized Consulting for SME

POSCO provides customized consulting to the first round and subsequent second through fourth rounds of Hope collaborative SMEs and POSCO-group-recommended SMEs. POSCO provides consulting to meet SME's needs for quality, environment, energy, raw Material management, organizational management, and more. SMEs can apply for the consulting program by visiting the "SME Professional Support" Portal.

Productivity Innovation Partnership

POSCO has worked with The Ministry of Knowledge Economy to raise 1 billion KRW to pursue "Productivity Innovation Partnership". During the first two rounds, POSCO has consulted 20 operational partners.

"Management Doctor" Policy

POSCO works with partner SMEs and the Federation of Korean Industries Advisory Group, to form a three-sided support system to improve SME management environment in a practical way. The Management Doctor System effectively utilizes the knowledge and expertise of former CEOs of major corporations and executives, including former POSCO CEOs to effectively guide SME management. As of 2011, 18 SMEs have participated in this program.

Programs for Job Creation and Communication

Operation of POSCO Partner Recruitment Center

In March 2009, POSCO became the first major Korean conglomerate to open a Partner Recruitment Center to assist SMEs in finding the best talent by providing pertinent information. The opportunity is open to all POSCO outsourcing service SME partners. They just have to visit the recruitment portal, www.ibkjob.cok.kr/jw/ (Job World) and post an opening. If the SME ends up making the hire through the Job World site, they would have the service fees at Industrial Bank of Korea waived, or receive discounts in interest payments (1 million KRW per 1 new hire through Job World). The Job World site can be used by our partners free of charge.

The POSCO Family Shared Growth Council

POSCO pursues sustainable and systematic support of SMEs working with them like a family, and in order to support that goal, the POSCO Family Shared Growth Council has been in place. As of 2011, POSCO and 12 other subsidiaries are participating in the initiative. Shared Growth and Fair Trade agreement results along with activities of the Family Shared Growth Council and "Excellent Growth Goal" are used as evaluation criteria. The POSCO Family Shared Growth Council meets to discuss, review, and coordinate annual projects on shared growth at a group level, and to decide on its systems and policies. The council not only looks for the shared growth business opportunities, but, announces the tasks to realize "excellent shared growth goal" for the members of the council. The council meeting is held semiannually.

The Results of Shared Growth Activities and its Inclusion in Performance Evaluations

POSCO has established shared growth with SMEs as one of the core management values and incorporated it into the business culture. Building confidence in the shared growth activities between large enterprises and SMEs is also important. That is why it was included as evaluation criteria in the executives review process. As of 2011, POSCO and 12 other subsidiaries are participating in the initiative. Shared Growth and Fair Trade agreement results along with activities of the Family Shared Growth Council and "Excellent Growth Goal" are used as evaluation criteria.

How does POSCO analyze the achievements of Subsidiaries?

POSCO has an analysis system in place to assess the performance of its suppliers to enhance its supply chain competitiveness. The suppliers of the 10 POSCO Subsidiaries including POSCO, POSCO E&C, POSCO SS, POSCO C&C, POSCO ENERGY, POSCO plantEC, POSCO ICT, POSCO CHEMTECH, POSCO M-TECH, and eNtoB are evaluated in the category of CSR activities as well as by general performance indicators such as credit, quality, and delivery. The evaluation is designed to eliminate potential CSR risks related to supply chain.

SRM Evaluation for the CSR of Supply Chain

The SRM Evaluation System covers CSR elements as well as economic, social, and environmental aspects. CSR activities are reflected in the evaluation with 100 points given to the companies allocating more than 50 hours to voluntary service. Donation and CSR-related awards are also included in the evaluation, after being converted into the number of hours dedicated to volunteering. Not only that, socially unacceptable companies are deterred from doing business with POSCO by subtracting points from the total evaluation score every time a company does something socially irresponsible or provokes complaints. Unethical practices of suppliers are monitored on a regular basis for earlier detection and its results are reflected in their evaluation.

POSCO is encouraging its first-tier suppliers to help second and third-tier suppliers gain competitive edge in the market benefitting from POSCO's Win-Win growth policy. Additional points (from 0.25 to 3) are granted for financial support for the second and third-tier suppliers to maximize the synergy effect of the POSCO Family value chain. POSCO encourages the first-tier suppliers to help second and third-tier suppliers grow along with them to realize a healthy corporate ecosystem. Safety and environment are also important criteria in the SRM Evaluation. One of the safety indicators is the number of certificates of safety health management system including KOSHA18001. Also, safety training, safety management activities, safety regulations compliance are evaluated to promote the establishment of the supplier safety system. On the other hand, points are deducted as to the number of safety incidents and the cases of safety rules violation at the steel mill. In the environmental category, certification of ISO14001 and other environmental standards, the amount of green buying, eco-friendly products suggestion, and carbon emission control are considered in the evaluation to promote environmentally-friendly supply chain.

Evaluation Criteria for POSCO Family SRM (Supplier Relationship Management)

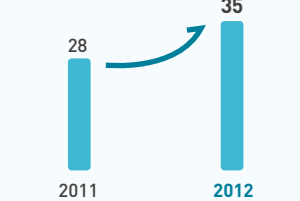
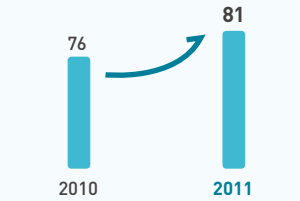
✓	Credit	Credit rating
✓	Quality	Failure rate, defect rate, speedy response to defects
✓	Price	Quote reliability, bidding participation rate
✓	Delivery	Rate of delivery delays, number of delivery delays, average number of delivery delays
✓	Respon-siveness	Volunteering performance, win-win growth agreement, customer satisfaction, delivery performance
✓	Environment / Safety	Environment certification, safety management activities
✓	Adjustment Points	Number of safety accidents, credit rating

Happy Movement



Employees are POSCO's most valuable asset as well as the source of its competitiveness. POSCO's first priority is the safety and health of its employees based on the principles of respect for human rights. We cultivate an open corporate culture through active communication between employees and always listen to their voices. POSCO is sharpening its competitive edge as it helps its employees grow creatively through a human resources development system and program, Right Reward, and an employee welfare system.

About Employees

	Safety and Health	Making a Happy Workplace	Global HR System
Issue	<ul style="list-style-type: none"> • Safe work environment • Promoting employees health 	<ul style="list-style-type: none"> • Employee Communication • Compensation and Welfare 	<ul style="list-style-type: none"> • Securing talents • Nurturing talents • HR system for locally hired employees
Performance	<p>Activities to Enhancing Safety</p> <ul style="list-style-type: none"> • Implementing the company-wide Safety Injuries Zero Mega-Y campaign • Establishing a cutting-edge infrastructure for safety education <ul style="list-style-type: none"> - Built POSCO Global Safety Center in October 2011 <p>Promoting Health of the Employees</p> <ul style="list-style-type: none"> • Expand Health Promotion Center Access to 66 Subsidiaries <ul style="list-style-type: none"> - Pohang in September 2011, Gwangyang in January 2012 • Continuous improvement of workplace environment <ul style="list-style-type: none"> - Designated by the Ministry of Labor as an "Self-evaluating Organization of Work Environment" <p>Expand Safety Injuries Zero Mega-Y Campaign</p> <ul style="list-style-type: none"> • 28 Tasks in 9 sectors in 2011 • 35 Tasks in 10 sectors in 2012 <p>The Number of Mega-Y Tasks</p> 	<p>Promoting Communication Between Employees</p> <ul style="list-style-type: none"> • Diversifying employee communication channel - Spread the culture of trust and communication by; Labor Management Council, Young Board, Junior Board, Talk Channel Tong Tong Tong, and PIRI (POSCO in Real-time Interaction, POSCO's Internal SNS) • Created "Happiness Index" to measure the happiness of employees and conducted a survey. <ul style="list-style-type: none"> - Happiness Index Survey conducted for 26,000 employees from 38 POSCO Subsidiaries from September to November 2011. <p>Work & life Balance Score in Happiness Index (Unit : points)</p>  <p>Compensation and Welfare</p> <ul style="list-style-type: none"> • Expanding the Labor Welfare Fund <ul style="list-style-type: none"> - 593 billion KRW in 2010 - 621 billion KRW in 2011 • Seek Balance between Life and Work <ul style="list-style-type: none"> - Introduced the 4-team-2-shift schedule and flexible work hour in 2011 - "Balance between Life and Work" scores improved in the 2011 Happiness Index Survey <p>Contributed Amount to Labor Welfare Fund of the Company in 2011</p> <p>62.1^{KRW} billion</p>	<p>Securing Domestic and International Talents</p> <ul style="list-style-type: none"> • Selected "POSCO Undergraduate Scholarship Students" cultivating them into "consilience talents" • Nurture change agents consisting of global employees <p>Nurture Domestic and International Talents</p> <ul style="list-style-type: none"> • Establish a self-directed lifelong learning system by ranks • Expanding education opportunity to include all the POSCO Family employees • Change Leader System launched at the global major business locations (7 selected as Change Leaders)

How can we create a safe and healthy workplace?

POSCO puts safety first and considers it as one of our core values based on the principle of human rights. Keeping in mind that our safety management influences not only the life of all the employees but also their families, POSCO is committed to making the workplace safe like we take care of our own family. By putting priority on safety in everyday work, POSCO practices its core value; respect for human life.

Safety

POSCO Family Safety Slogan



We, the POSCO Family, aware that safety is the utmost value in respecting human life, will keep each other safe and internalize safe behavior, building an accident-free workplace and a happy family.

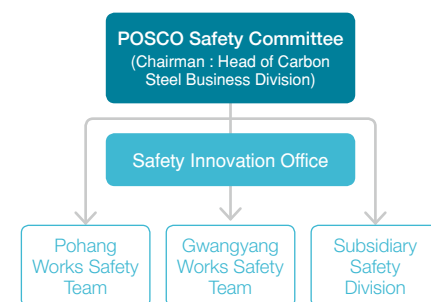
Implementing Safety Injuries Zero Mega-Y

POSCO expanded and revamped the Office of Safety Innovation in September 2010 and has been implementing the company-wide Safety Injuries Zero Mega-Y campaign to integrate and optimize safety and health activities at the POSCO Family level, which were conducted at the division and regional level. In 2011, POSCO paved the way for zero safety accidents by implementing 28 tasks in 9 sectors. In 2012, POSCO is working on 35 tasks in the newly found 10 sectors, continuing its efforts to achieve the goal of zero safety injuries by; offering essential safety training to all employees utilizing its educational infrastructure; detecting and eliminating safety risks; and establishing a global safety management system.

POSCO Safety Activity System



Organization of POSCO's Office of Safety Innovation



SAO (Safety Acts Observation)

The SAO program is designed to urge position holders to compliment workers at the site and ask questions to help employees realize their unsafe practices and correct them for themselves. This enables the company to learn the overall atmosphere of the site including site changes and worker's interests as well as unsafe practices on site.

ILS (Isolation Locking System)

Analysis on injuries that occurred at POSCO revealed that a large portion of material injuries* occurred because the energy source was not appropriately locked down. In order to address this issue, the "ILS on dead equipment" that shuts down, isolates, and locks the energy source preemptively to eliminate the hazard at the source, and the "ILS on live equipment" that prevents safety hazards when entering or exiting a facility in operation have been established and are currently in operation.

The "ILS on dead equipment" program shuts down the energy source which can harm workers during operation on site, before operation starts. The "ILS on live equipment" program stops people from entering/exiting facilities in operation. Such risk elements at steelworks are collected and stored in a systematic database system. Risk elements are classified into Levels one to three according to its degree of danger, and a set of actions needed to be taken is specified for each level to keep workers from being exposed to risk factors.

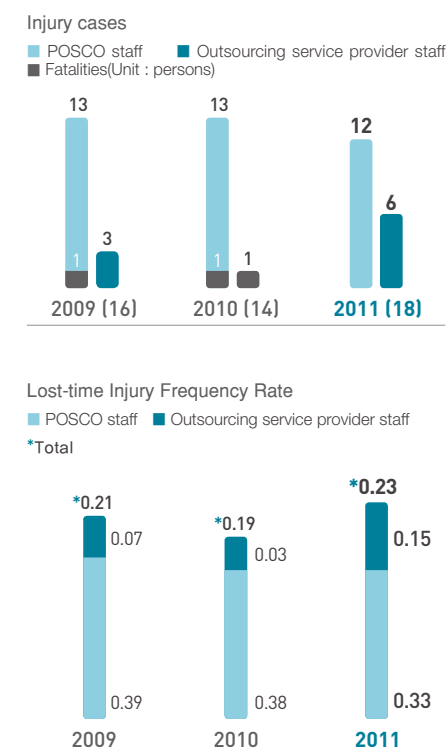
* Material injuries

- ① accidents of 1 or more fatalities
- ② accidents where 2 or more have been injured simultaneously that require 3 months or more of treatment
- ③ accidents where 10 or more have been injured or fallen ill simultaneously



POSCO Global Safety Center

Safety Management Performance



Innovation in Education and Training

POSCO established an education and training matrix for 36 courses of different levels including beginner, leadership, and professional course. It is designed to help employees build essential safety-related capacities to meet their responsibilities more effectively and expand communication between ranks and change management. The POSCO Global Safety Center, equipped with a lecture hall, exhibition room, 4D theater and laboratory, opened in September 2011 laying the groundwork for systematic and continuous safety training, in both theory and practice. The center operates safety education programs for students and the general public as well as POSCO Family members.

1 CASE STUDY

Smart & Fun Safety System

POSCO strives to achieve zero safety accidents through the "Smart & Fun Safety" initiative, where safety information is provided anytime, anywhere and risk-related information at the site is shared utilizing smartphone mobile technology.

Implementation of the Fun Safety Smart System



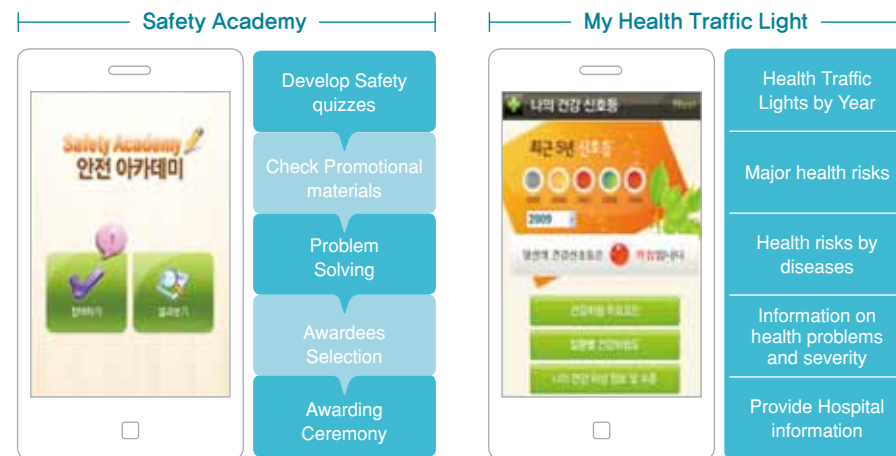
Hazard Forecasting System

POSCO tries its utmost to secure worker safety in advance by providing real-time risk information within the factory through a hazard forecasting system based on augmented reality technology and location-based technology, and a gas leakage warning system and access to hazard points.



Development of the Fun Safety Smart System

POSCO will contribute to fostering the culture of safety and a positive image about safety through fun and easy smartphone applications that provide daily safety information.



2 CASE STUDY

POSCO Safety Rating System

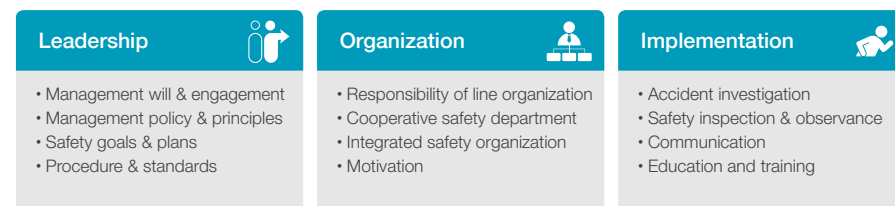
POSCO developed the POSCO Safety Rating System, or PSRS, to recognize risk factors as a main task for securing safety. PSRS is designed to provide assessment and consulting to measure the level of safety management and set directions for improvement. Each department and affiliate conducts a quantitative safety control assessment using the PSRS assessment tool. Based on the results, commendable cases are cultivated as model cases, and areas that need improvement undergo consulting and customized improvement plans. POSCO will create the culture of safety by identifying root causes through the assessment of core safety requirements and deriving customized solutions and follow-up measures.

Assessment tools are divided into four categories of Leadership, Structure, Process & Action, and Facility Safety. A specialist is assigned to each category to conduct interviews, analysis of the processes, and on-site inspections. The results are measured on a scale of Level 0 to five and the level of safety culture is presented. Improvement suggestions are made in the three categories of leadership, organization, and implementation.

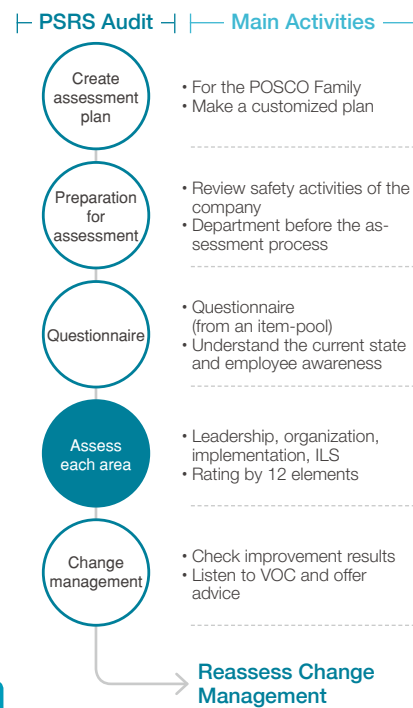
The first step of PSRS is to understand the current safety level of each department based on the assessment results, and the second step is helping to create and implement action plans. The third step is reassessment of the implementation results to provide systematic support to improve safety practices. POSCO scored 2.7 points out of 5.

POSCO plans to spread its Safety Rating System to other companies as well as POSCO Subsidiaries to contribute to the global safety management.

Main Components of PSRS



PSRS Assessment Order



Health

Employee Health Management System

POSCO conducts health examination on all employees every year to maintain and enhance their health. For more reliable test results, high-performance equipment such as compound blood culture analyzer and digital radiation equipment were revamped. For employees with health problems, regular tracking/treatment is provided to prevent them from worsening.

Besides these basic health care activities, POSCO has prepared independent tumor marker tests (4 markers) and external commissioned tests (6 tests) to find cancer, a leading cause of death in modern society. Employees can choose which test to take every year.

Health Management System

Checkup results are recorded and saved to provide systematic and customized healthcare services for employees. Based on the data, health consultations with industrial medicine specialists is offered and customized diet and exercise routines are prescribed.

Afterwards, health information and education are provided and, when necessary, it is recommended employees join counseling sessions and the fitness center of the company. In order to help employees keep in shape and prevent musculoskeletal disorders (MSDs), the Physical Therapy Clinic is available and fully equipped with a body analyzer, disc decompression system, and disk rehabilitation machine.

Health Enhancement Campaign

POSCO is giving its full support for lifestyle changes of individual employees. As all of the employees have succeeded in quitting smoking beginning in 2009, POSCO declared its steel works "smoke-free." The no-smoking campaign – of love for colleagues and for family – has been expanded to all POSCO Subsidiaries encouraging them to pay more attention to employee health. In order to fight obesity, a known cause for numerous diseases, POSCO has implemented a range of obesity control programs for its employees; 8-week weight loss program, healthy walking campaign, and the development of healthy diet. These programs are designed to encourage employees to adopt a healthy life style such as regular exercise and proper eating habits.

Industrial Hygiene Management

In order to keep in the best shape, the internal and external environment surrounding workers need to be pleasant. POSCO manages harmful factors generated at the workplace consistently and distributes good quality hygiene and protective gear to protect its workers from potential injury. Not only that, we keep reporting the protective gear's inconveniences to the manufacturer to improve the quality and performance.

Also, POSCO developed health standards such as "Protecting hearing" and "Healthy work program for closed areas" to protect those working in the confined or noisy areas. Also, we follow a Material Safety Data Sheet (MSDS) strictly for appropriate use of chemical substances. Thanks to such consistent efforts, POSCO showed an outstanding performance at the "Work Environment Evaluation Management" program, hosted by the Ministry of Labor every year, and designated by the Ministry as a "Self-evaluating Organization of Work Environment."

Expand Health Promotion Center Access to Subsidiaries

POSCO has expanded the medical service provided to POSCO Family members from Pohang (Sep 2011) to include Gwangyang (Jan 2012). Establishing infrastructure – personnel and facilities – to provide additional service, 66 Subsidiaries employees working in steelworks can access the same medical service benefits as POSCO employees free of charge. This service gives the Subsidiaries employees not only easy access to medical services but also a sense of belonging as a member of the POSCO Family.



Checkup

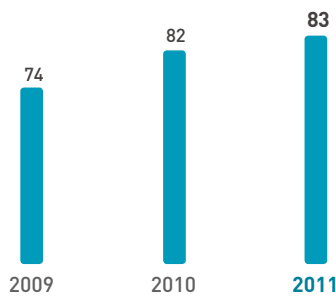


Health Promotion Center "Visiting Medical Service"

What does a happy workplace look like, with work and life in balance?

POSCO has conducted a survey of its employees on work engagement in cooperation with outside consulting companies since 2003, and it remained in the top three by 2011. The company did not stop there. Overcoming the limitations such as learning effects due to repeated surveys, we developed happiness index by adopting a new concept in HR trend, "Employee Happiness" and performed research. POSCO set up various communication channels such as POSCO Labor-Management Council, Young Board, Junior Board and Talk Channel Tong Tong Tong. Relevant activities include open dialogue with CEO and programs for trust, autonomy and inter-departmental communications. In addition, POSCO continuously engages in monitoring to create a consensus among employees and offers activities for leaders and employees to improve their trust and communication each other.

Employee Engagement (unit : %)



POSCO Labor-Management Council	<ul style="list-style-type: none"> Employee representative body Members of the employee representative body are selected by direct and secret voting (tenure three years) 20 members from management and labor unions, 420 rank-and-file members Regular quarterly meetings (Discussions on agenda items) Quarterly presentation, meeting and workshop on management and policy Establishment of "4-teams 2-shifts" and retirement pension system in 2011 "Together with employees" campaign (win-win labor management culture)
Young Board	<ul style="list-style-type: none"> A communication body of young, competent employees that conveys suggestions on company development directions to the CEO Expansion from employees of affiliated companies to POSCO Family including foreign branches Activities in 2011 <ul style="list-style-type: none"> Establishment of Value Creation Hub, Effective Launching of Global Operations, marketing strategies of be firm of endearment, Family HR diversity management of POSCO
Junior Board	<ul style="list-style-type: none"> A communication body of employees of each department whose ranks are below a certain level Nine projects in 2011 * G8 corresponds to an associate, and G9 to an assistant manager in the previous title system.
Talk channel Tong Tong Tong	<ul style="list-style-type: none"> Online space for a two-way communication CEO Story, Idea suggestion room, Policy improvement notification alerts, Anonymous bulletin board (POS-B), Q&A section A horizontal communication space between managers and employees that can be read even by the CEO * Talk Channel Tong Tong Tong was included in POSCO's, POSCO internal blog in June 2012.
Action Programs for Autonomy, Trust and Communication of Departments	<ul style="list-style-type: none"> Identify improvements needed in organizational culture such as trust and communication and Trust Leadership by department Open Communication Facilitator of each department in charge

1 CASE STUDY

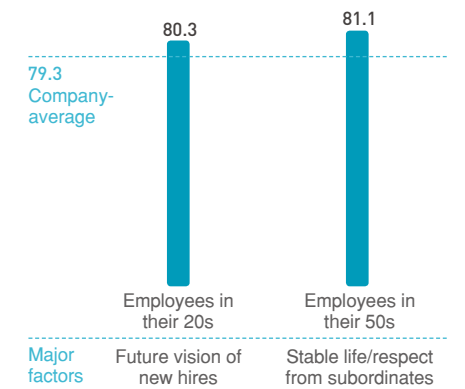
Introduction of Happiness Index

POSCO introduced the concept of a recent HR trend, "Employee Happiness" and developed and conducted research on its happiness index in 2011. While employee engagement was an indicator to measure how deeply employees are engaged in individual and organizational performance, happiness index is an index aimed to measure how well the goal of creating a happy workplace and happy life is achieved with an inclusion of the concept of happiness. Happiness Index Research focuses on employees reaching their self-realization by striking a balance between work and life, and the company supports their employees to realize its vision so that both employees and the company grows together.

POSCO surveyed 38 Companies of POSCO Family for two months from September 2011 on the Happiness Index, and 26,000 respondents participated. In addition, a survey on work engagement was conducted to compare the results of 2011 to that of 2010. The survey showed that employee engagement increased by one percent (nine percent increase compared to the results before the introduction of "4-teams 2-shifts" operation) thanks to a drop in the number of work nights, improvement in recreational environment at work, and increase in the number of off days for employees.

In particular, the satisfaction levels of the balance between work and life and welfare benefits were higher compared to the previous year, and respondents replied that the biggest happiness at work was "the sense of accomplishment from work", and that the area that needed most improvement was "diversity within the company". POSCO plans to come up with detailed measures and action plans on "Happiness Management" based on the results of the survey to improve the corporate culture.

Happiness of POSCO Employees by Age

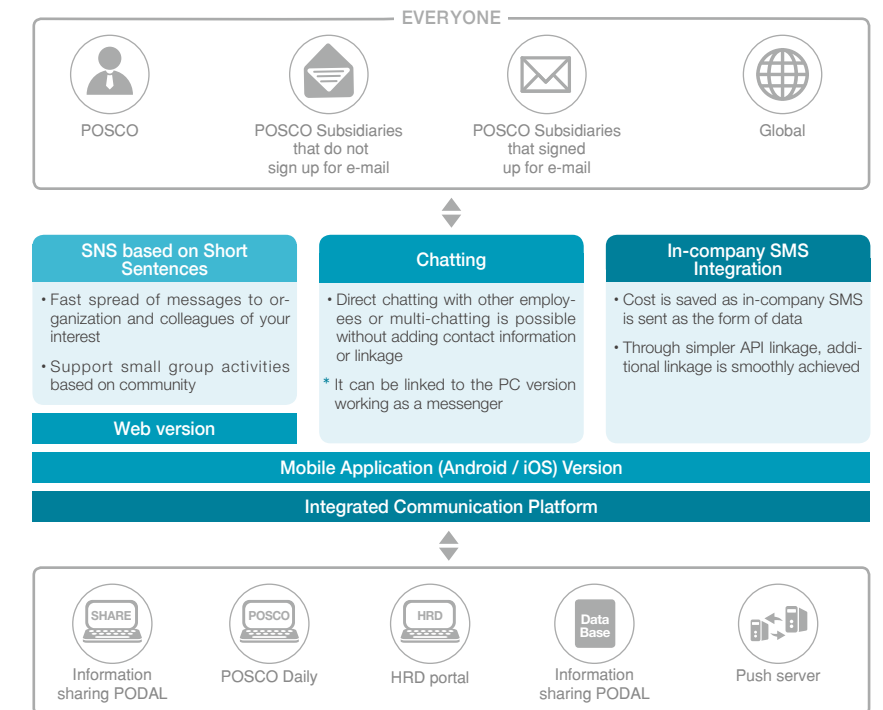


2 CASE STUDY

PIRI

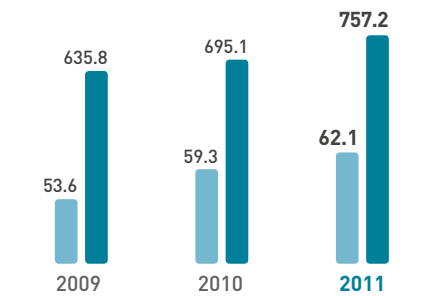
POSCO launched PIRI (POSCO In Real Time In-teraction), as a tool to promote swift and free communication among POSCO executives and employees. In 2011, PIRI was applied to the POSCO subsidiaries, expanding to become the place of communication for the POSCO Family. Taking a step further, PIRI allowed its users to form small groups and share messages within the group, encouraging small group communication.

Messages favored by executives and employees are posted on the company's website through message recommendation so that they can be shared by more people. Surveys or maps can be posted along with messages, allowing the message to become richer and more condensed. E-mail notification alerts allow users to check messages without going through PIRI. With PIRI, "easy, fast and equal communication" media was born, making tasks such as distribution of CEO messages, sending messages and doing business through discussion, cooperation and education in real-time, easier.



Employee Welfare Fund by Year

■ Total amount funded from company profits
■ Total aggregated amount funded from company profits
(Unit : one billion KRW)



Compensation and Welfare Benefits

Korea already has entered an aging society back in 2000. In addition, due to construction of steel mills and investment expansions overseas, the demand for highly-trained workers within POSCO increased. In order to solve such internal and external problems, POSCO adopted the Salary Peak System and extended the retirement age helping its employees find meaning in life through work.

POSCO strives to nurture “knowledge workers” and improve employees’ quality of life. With the introduction of the system of “4-teams 2-shifts”, the number of off days for employees have doubled. The company also expanded support for workers to take self-improvement programs and to fully enjoy the extra holidays as leisure time. Merit-based personnel management is being strengthened by offering annual salary to employees who reached a certain rank and presenting early promotion opportunities to employees with high performance. Compensation for good management is in place to share management profits.

Employee welfare fund has been established from some of company profits to boost the employees’ motivation to work and maximize productivity. The fund is used for individually chosen welfare benefit packages, expenditure for congratulations and condolences, expenditure for morale boosting, scholarship for employees’ children, support for medical expenses, home loans and stabilization of livelihood.

3 CASE STUDY

The “4-Teams 2-Shift” Schedule and Flexible Working Hours.

POSCO adopted the “4-teams 2-shifts” schedule and flexible working hours policy to help employees find a balance between work and life. The “4-teams 2-shifts” refers to a system, where 4 teams are assigned to the day and night shifts, with two teams working 12 hours each day while the other two teams have the day off. In opposition to the 4-teams 3-shifts schedule, the daily work hour increases from 8 to 12 hours, but the total annual work hours remain the same while, days off increase by 87 days and enables up to 4 consecutive off-days. With the increased numbers of off-days, employees are presented with more opportunities to immerse themselves in self-development and can enjoy recreational activities such as travel, take up hobbies and learn. At POSCO we support our employees with recreational and sports facilities while providing various educational cultural courses as well. As a result, for the first time in 2011, the shift workers’ organizational engagement was higher than that of regular full-time workers, and shift workers in particular were satisfied with being able to strike a work-life balance.



POSCO is implementing the “flexible working hours” policy to improve the working conditions for its workers. The institutional foundation of the system was created with the test operation in 2011, and now is fully operational. The policy includes home working, free working hours and half-day-working, of which the last two are the most favored by employees. Free working hours refer to allowing employees to choose when they start and finish work based on the nature of their work and personal needs, maximizing engagement during work hours while helping employees to balance work and life. In opposition to taking the whole day off, Half day-work is a system that allows employees to take a half day off, so that they can freely work and also have some rest at the same time. Thanks to continuous efforts to improve the quality of life for our employees at POSCO, including the adaptation of the “4-teams 2-shifts” schedule and the flexible working system, the “balance between work and life” score on the 2011 Happiness Index jumped to 81 points in 2011 from 76 the previous year. POSCO is planning to reflect the opinions and improvements in its policies to sustain the positive trend and improve the quality of life for its employees.

Progress of the “4-Teams 2-Shift” Schedule

Category	1st	2nd	3rd	4th (completed)
Test Operation	2010.7. 1	2010. 10. 16	2011. 2. 26	2011. 4. 17
Departments under test operation	15	29	27	15
Full implementation	2011.1. 1	2011. 4. 6	2011. 8. 26 (To be decided after employee voting)	2011. 10. 17 (To be decided after employee voting)

* Starting from April 17th, all workplaces will switch over to the “4-teams 2-shifts” schedule (test operation included)

What kind of POSCO’s support makes its employees realize their dream?

POSCO only guarantees the best kind of support to its employees, who are in pursuit of their dreams. Our company spares no effort to foster its new employees into creative, challenging, global professionals. We also create an environment where a vision of an individual is turned into reality, leading to the success of the company and competitiveness of the nation.

Personnel Status



Hiring Talents

POSCO pursues "Open Hiring" where candidates can apply regardless of academic background, age, nationality, etc. We are pushing forward the "Structural Screening Process", an advanced hiring evaluation system to scout for talents. The "Structural Screening Process" is a capability evaluation process based on the "Assessment Center", utilizing various interview techniques to evaluate analytical, planning, communication skills and leadership of applicants in a comprehensive manner.

Hiring was one of our priorities in 2011 to hunt out global and professional talents of consilience, who will be at the very center of POSCO's future success. Under the "POSCO's undergraduate industry and academia collaboration scholarship" we selected sophomores and juniors and provided various programs, such as liberal arts and engineering consilience courses, internships and overseas studying opportunities, cultivating exactly the kind of talent the company needs, talents with consilience.

Nurturing Talents



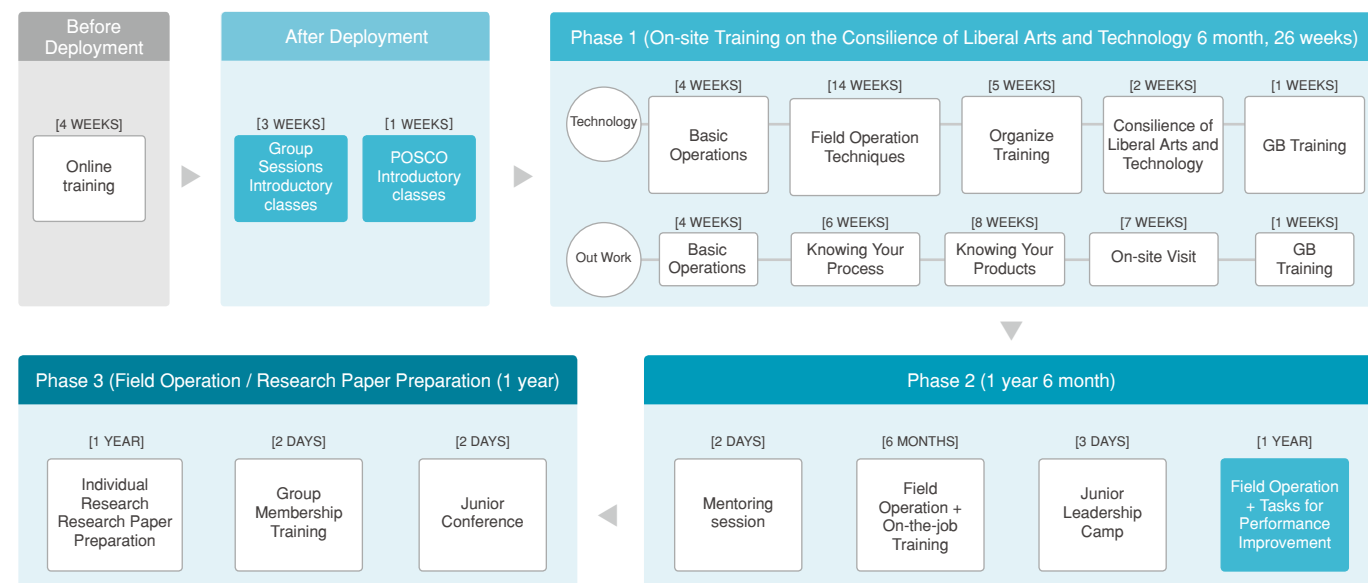
POSCO Strategy University

POSCO fosters creative individuals that together turn the company's vision into reality. That's why we are establishing a lifelong, self-learning education system to allow all of our members at the company to be empowered and contribute to the organization. Customized education is provided to all employees from new employees and management, supporting everyone to become a professional in what they do through work-specific professional training. We are also practicing coexistent growth by empowering employees at subcontracting partnering companies under the "HRD Consortium training project".

Empowering New Employees

POSCO's training for new recruits is focused on empowering employees to share core values of the company and strengthen organization identity of employees to make POSCO a global leader. New employees that have been with the company for less than three years are subject to "training-OJT-Assignment" that offers systemic learning opportunities that cultivate field experience early on and we support seasoned employees to become experts in their individual area. New recruits receive e-learning training, POSCO family introduction and POSCO's exclusive training, which helps them learn the spirit and culture of the organization and take the first step as a true member of the company. Prior to working in the field, recruits are trained in consilience of work and technology for 6 months and after work assignment they engage in OJT, carry out tasks for performance improvement and prepare research papers over the course of first 30 months with the company.

New Employee Self-Department



Cultivating Global Leaders of the Next-Generation

POSCO operates diverse education programs to cultivate leaders of the next-generation with creative and strategic thinking, fit for the ever-changing age of global competition.

- Learning roadmap for potential leader : establish an education system to develop the leadership of core talents
- Cultivating managers through problem-solving action learning method: nurture senior position holders, business model-developing problem solving
- POSCO Executive MBA: enhance the management's expertise, management skills, and consilience competence
- Strategy University: cultivate strategic talents with mid and long-term outlook, with knowledge in humanities, oriental studies, and art of war/tactics
- Global Mini-MBA, intercultural negotiation process, language courses for leaders: cultivating talent for global business
- Employee training before international assignment: Cross-cultural training and language courses

Cultivating Creative Consilience Talent

POSCO employs the TRIZ University and operates the Creativity Camp to foster employees' creative problem-solving capacities.

- TRIZ University : enhances employees' creative problem-solving capacities. The program has multi-level (1 to 3) international certification courses to enhance expertise.
- Creativity Camp : provides participants an opportunity to learn and apply creative thinking techniques such as scenario planning at their job posts.
- Others : Saturday Learning (for the Family leaders), Monthly Learning, Wednesday Humanities Lecture to cultivate insight and creativity



A program at the Creativity Camp

Expanding Education at the POSCO Family Level

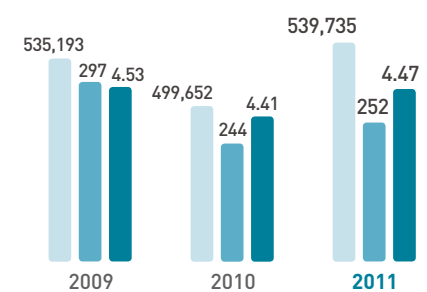
POSCO is gradually expanding education opportunity to include all the POSCO Family employees. From newcomers to the top management, all employees at the POSCO Family share core values and management philosophy through new appointee/enhancement courses by rank, and orientation courses for new employees. POSCO supports employees at outsourcing partners by providing courses in leadership, QSS, and 6 Sigma. The e-learning system has also been expanded to the Integrated Global e-Learning System open to the POSCO Family, outsourcing partners and overseas local employees.

Self-Directed Learning System

As the education paradigm changes with the advancement of the IT, POSCO has actively implemented the e-learning system, fostering self-directed learning. POSCO focused on enhancing the education results, providing customized courses and increasing user convenience. In 2011, POSCO opened the HRD portal to help employees to make a yearly study plan and take courses themselves. At the same time, we established a channel to listen to the educational needs of the employees and the performance of the trainees are reflected in their competence evaluation through PCS (Personal Score Card).

Major Education Indexes

- No. of Trainees (persons)
- Training Hours per Capita (hr)
- Trainee Satisfaction* (Unit : points)



Note : Data is based on gathering classes (POSCO Future Creation Academy, on-site training, lifelong learning, commissioned training) and e-learning courses

* Overall learner satisfaction survey, conducted for the gathering classes and e-learning courses at the POSCO Future Creation Academy, in terms of the contents, method, and the lecturing skills

Strengthening Innovation Education to Accelerate Innovation

POSCO continues its training courses to nurture MBB, BB, and GB, the innovative leaders who will drive successful management innovation the POSCO way. In order to nurture operators, who can maintain their own facilities themselves, training courses are provided for QSS Improvement Leader and QSS Master, consultants for improving work sites. Recently, change management education programs have been enhanced by integrating POSCO's core values and the advantages of other training methods to motivate more employees to lead innovation at the company.

POSCO Training Hours per Capita by Position in 2011

Position	Department/ Group Manager	Team leader/ Plant Manager	Part Leader	Foreman	Staff
Training Hours	190	251	229	279	251



Global HR(Managing and Nurturing Local Employees)

Global HR System

In order to ensure that POSCO's core values and work ethics are properly communicated and practiced at the overseas business sites, the Change Agent program, which consists of locally recruited employees, was launched in 2010.

The Change Agent(CA), who completed a 3-week course at the head office and local implementation tasks, have laid the groundwork for the local management and employees to follow POSCO's core values and Code of Conduct in their daily work. In 2011, POSCO trained additional 50 agents from 30 corporations in 9 countries, bringing the total number of agents to 105. In addition, 7 new Culture Leaders were cultivated, who monitor and support the Change Agents' activities at the major business locations. In 2011, POSCO granted awards to some CAs for their outstanding performance and shared their achievements with other POSCO Family at the Innovation Festival, an opportunity to discuss ways to grow together.

One of our efforts to become a true global corporation is hire more and recruit more local employees. We train local employees as leaders, potential position holder, managers or higher level, who integrated the values and work ethics of POSCO into everyday business management. We commissioned the Seoul National University to run Korean language classes for local employees in 2007 and help them learn the POSCO values by offering short-term delegation to the head office and job-rotation programs. Also the Global Leadership Center in Songdo, Incheon, offers various courses for overseas local employees to nurture model employees and managers. For the employees dispatched to overseas branches, we have a "Select & Nurture" program, where training is offered "before, during, and after" the delegation to ensure continuous development of the employees.

Meanwhile, POSCO is implementing global standards in HR in general, including employment, evaluation, promotion, and other workforce management. We take various policies and measures to protect the rights of every employee including female workers and local employees; minimum wage guarantee, maternity protection, and foreign worker recruitment, among others. POSCO puts its efforts to eliminating human resources-related risks and to protect human rights at the global POSCO Family level.

In 2010, POSCO established an operation system to minimize local HR risks in China, Southeast and Southwest Asia (Indonesia, Malaysia, and India), which was implemented in Japan, Indonesia, and India in 2011.

In November 2010, POSCO held the Global HR Forum. At this forum, the HR personnel shared best practices of the Code of Conduct compliance and core values implementation, and set a direction toward the future to heighten consciousness of the POSCO Family. POSCO will hold the Global FR Forum every other year to make its HR system more effective.



INTERVIEW

Enhancing the Family Mindset Course Participant Interview



POSCO-TBPC
**Rodjaroen
Pairat**

I was so glad to be chosen as a model employee and to take training in Korea. I had a chance to experience Korean cultures and try Korean dishes during the training. What impressed me more than anything else was the still mill tour. As I only saw it from photos when working in Thailand, I had never realized how big a corporation POSCO really is.

I was so proud of being a member of POSCO as I learned the production process of steel and took a tour of the factory. I am happy to have such an opportunity as a model employee and will share with my colleagues what I've seen and learned, the spirit and vision of POSCO.



Foreign Talent Development

POSCO cultivates core local talents who will be the key agents for the overseas branches in realizing Global POSCO. These local employees are offered various programs to better understand the vision, core values, innovation activities and other important aspects of PSOCs. At the same time, we provide basic on-the-job training as well to help them grow as global leaders and proud members of the POSCO Family.

Education of Model Employees at Overseas Corporations

The course is offered to junior and senior employees recommended by the head of overseas corporations, in order to raise understanding about Korea as well as POSCO. Education about the history of POSCO, its core values, and Vision 2020 and a still mill tour are designed to inspire pride as a member of the POSCO Family. In addition, there are various programs in place to help understand cross-cultural differences - Korean culture experience and interviews about the intercultural conflicts - to promote more effective communication between dispatched Korean employees and locally hired ones.

Change Agent Enrichment Education and Change Leader System

POSCO has been providing Change Agent Enrichment Education at the requests of follow-up training -sharing CA activities examples, education of the latest management policy and innovation methods - as well as the enhancement of CA competence as a consultant. The course is designed to help CAs enhance their competence and lead innovation at overseas branches as a consultant, beyond just delivering the innovation activities of POSCO.

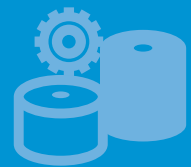
The Change Leader System was launched at the major business locations to manage and support CA activities of individual branches and to promote communications with the head office. In 2011, a total of 39 CAs joined the enrichment Education and 7 Change Leaders were selected to operate the course.

Culturally Diverse Class for New Team Leaders at Home and Local Managers

In 2011, POSCO started Culturally Diverse Class, a leadership training course where new team leaders at home and local managers of overseas corporations learn together. This integrated session was an opportunity for Korean team leaders to cultivate a global mindset, and for local managers to refresh a sense of belonging as a proud member of the POSCO Family.

In 2011, 20 local managers from 15 corporations in 8 countries and 20 team leaders at home attended leadership training course, which was conducted exclusively in English and a good opportunity to learn cross-cultural varieties of the POSCO Family around the world.

Valuable Movement



Customers are the beginning of POSCO's growth and the greatest value. We create customer value and present a new future by developing products and technology through continuous innovation and creating a new marketing paradigm focused on customers. POSCO completed a global quality management system to establish a world-class quality system, which it believes is the first step to win customer trust. We will continue to grow with our customers through various Win-Win growth initiatives.

About Customer

	Products and Technology	Quality Management
Issue	<ul style="list-style-type: none"> Develop eco-friendly products 	<ul style="list-style-type: none"> Customized quality management education by ranks
Performance	<p>Develop eco-friendly products to enhance customer value</p> <ul style="list-style-type: none"> Active in developing eco-friendly products : taking up 70% of all the products developed in 2011 (3.28 million tons sold) 	<p>Tailored quality management education</p> <ul style="list-style-type: none"> Quality management education courses taken by 14,500 employees
	Create Customer Value	Win-win Growth Program with Customers
Issue	<ul style="list-style-type: none"> POSCO Marketing 3.0 Develop eco-friendly automotive materials 	<ul style="list-style-type: none"> Enhancing customer competitiveness
Performance	<p>Carrying out POSCO Marketing 3.0</p> <p>Maximize customer satisfaction Results from the 2011 Customer Satisfaction Survey Improved by over 10% from a year earlier scoring 91 in the nation, and 81 points overseas.</p> <p>Develop eco-friendly automotive materials</p> <ul style="list-style-type: none"> Involved in the Future Steel Vehicle (FSV) project as part of the WorldAutoSteel consortium and develop POSCO Body Concept-Electric Vehicle (PBC-EV, for Small cars). In February 2011, completed assembly of the prototype of PBC-EV (for medium-sized cars). <p>Domestic Customer Satisfaction 91 points</p>	<p>A system to strengthen customer competitiveness</p> <ul style="list-style-type: none"> In 2011, price hike deferment (2.1 billion KRW), implemented the discount system (22.4 billion KRW). <p>Developed cost-saving steel grades</p> <ul style="list-style-type: none"> In 2011, Developed 2 cost-saving steel grades, support 50,000 tons <p>Quality analysis and technical support for customers</p> <ul style="list-style-type: none"> In 2011, Conducted 261 tasks for 164 customers <p>Operate information exchange meetings for SMEs</p> <ul style="list-style-type: none"> 970 Customers participated from 684 SMEs <p>Conducted technological tasks for customers 261 cases</p>

What kind of values are POSCO products and technologies providing customers?

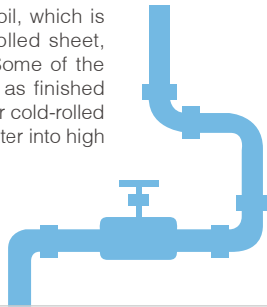
There are customers at the heart of POSCO. We raise customer value through continuous and innovative product development. We strive to make the world's best products for the new as well as our 1st-tier customers. POSCO is trying its utmost to develop high-performing new products that are trusted and safe.

Products

Hot-Rolled Steel

Hot-rolled products include the hot-rolled coil, which is formed out of hot strip mills, and the hot-rolled sheet, which is made by cutting hot-rolled coil. Some of the hot-rolled coils from hot strip mills are sold as finished products or used as intermediate materials for cold-rolled coils and electrical steel to be reprocessed later into high value-added products.

• Major Applications : Pipes, beams, automotive frames/wheels, containers, etc.



Cold Rolled Steel

Cold rolled steel is produced by rolling hot rolled materials at a low temperature. Its high quality surface finish and formability make cold rolled steel ideal materials for a wide range of products, from home appliances such as refrigerators and washing machines, to cars, industrial machinery and various construction materials.

• Major Applications : Automotive plates, high-end home appliances, metal equipment, etc.



Steel Plates

Plate products generally refer to steel plates with a thickness of 6mm or more. While they are mainly used for vessels, bridges, large structures, and shipbuilding plates, usage also includes a wide variety of special applications such as extremely low temperature containers, industrial machinery, and military equipment. More investment is underway in developing plate manufacturing technologies for welding and offshore structures, pressure containers and products under severely cold weather conditions to respond to sophisticated industrial needs.

• Major Applications : Ships, large structures, and bridges, etc.



Wire Rods

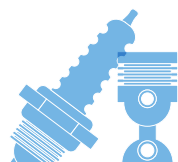
Wire rod products are materials from "wire," produced in the thin and long shapes, instead of coils or plates. They are divided into general and special steel. General steel can also be classified into general wire rods that are used in daily life, like screws and nails, and special wire rods which are used in the manufacturing of cars, bridges, machinery, submarine cables, etc. Special steel is used to manufacture automotive bolts/nuts, high-tensile architectural bolts, bearings, springs, piano wire, tire cords, etc.

• Major Applications : Bridge wire, tire cords, architectural structures, springs, etc.



Magnesium Products

Magnesium is a metal with the highest strength-to-weight ratio and mainly used for automotive parts, cell phones, and aluminum alloy. It is emerging as a popular material for the 3Cs (Computer, Communication, and Camera) and car die-casting parts along with aluminum alloy.



Titanium Products

Titanium is a non-toxic eco-friendly metal with excellent strength-to-weight ratio and high corrosion resistance. In many applications, titanium offers opportunities for reducing operating costs by: 1) Better fuel economy through weight savings 2) Improved energy conservation by efficient heat transfer, 3) Resistance to aggressive materials such as crude oil with high levels of hydrogen sulfide, and 4) Reduction in environmental cost caused by corrosion leakage.

• Major applications : nuclear/thermal power plant, petrochemical plant, sports and medical products, etc.



Stainless Steel

Being highly corrosion-resistant with its glossy surface, stainless steel products are made from high value-added special steel that can be used in various applications without extra surface treatment. Stainless steel is mainly used in kitchenware, automobile parts, and chemical facilities. Ever since it was used in the construction of Incheon International Airport and the Seoul World Cup Stadium, in particular, its popularity as a material for building exterior walls and roofs has been rising.

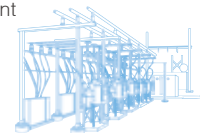
• Major Applications : Kitchenware, medical devices, building interiors/exterior, car parts, etc.



Electrical Steel Plates

Being highly electromagnetic, electrical steel is in ever greater demand as the need for clean energy grows to support continuing efforts to conserve energy and prevent environmental degradation. This steel is also called silicon steel, due to its high silicon content, and is divided into grain-oriented and non-oriented steel sheets according to its magnetic property. Electrical steel is usually used as iron core material for current transformers, power generators, motors, etc.

• Major Applications : Transformer, motors, power generators, etc.



Eco-Friendly New Products

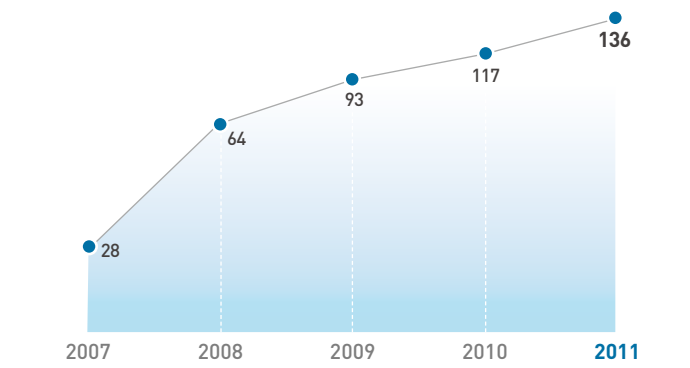
POSCO leads the future of customers through future-oriented products. We consistently develop eco-friendly products to make the world a better place.

Types of POSCO Eco-Friendly products

Category	Main features	No. Development (2000~2011)
Environmental Protection	<ul style="list-style-type: none"> Not containing environmentally hazardous substances/Blocks elements harmful to the human body Reduces noise or vibration/Enhances off-gas cleaning performance 	37
Energy saving	<ul style="list-style-type: none"> Lighter automobiles/Products that can skip a process or heat treatment Enhances energy efficiency and processability 	191
Recyclability	<ul style="list-style-type: none"> Enhances corrosion resistance and life cycle/Enhances durability 	46

Number of Eco-Friendly Steel Products

(Unit : units)



High Corrosion Resistance Steel of YS 450 MPa Grade or Higher for Line Pipes of Petroleum and Gas

Despite the environmental concerns due to global warming and fossil fuel exhaustion, the world economy is still heavily dependent on fossil fuels such as petroleum and natural gas, with demand on the rise. As a result, the diameter of line pipes for transportation is getting bigger and more mining work is done in poorer environments with more harmful gases.



Development of PB-Free Cutting Steel

Recently, as environmental degradation is getting serious due to rapid economic growth, more attention is paid to eco-friendly materials. Until now, cutting steel was mainly composed of lead due to its excellent processability, but there were opinions that the lead accumulated in the body during processing can be fatal requiring steel makers in the developed nations –Europe, the United States, and Japan - to focus on the development of PB-free free cutting steel.



High-Efficient Grain-Oriented Electrical Steel 27PHD085

POSCO has been working diligently to develop high-end grain-oriented electrical steel used for transformers, to accommodate to the world's transformer market looking for low noise and energy-saving products. As a result of our efforts, we have successfully developed 27PHD085 steel product with lower core loss. The product shows an average core loss of 0.83W/kg, lowered by roughly 4.1% compared to previous 27PHD090 products. Also, it reduced no load loss and noise, contributing to the development of eco-friendly transfer



High Elongated GA 980DP Steel Sheet for Automotive Reinforcements

POSCO makes constant efforts to develop high-strength and high-elongation steel plates to match the need for lighter automobiles. The market demand for car parts of 980DP is gradually increasing with the carbon emission control, popularity of lighter cars, and stricter safety regulations in the automotive industry. Securing strength and workability at the same time, unlike the conventional materials, we are able to minimize the part manufacturing process to save more energy.



High Performance Hot-Rolled Steel

- High-carbon steel for engine valve tappets*
- High-grade high-carbon steel for nail

* Tappets : a part used to open and close the valve by pushing it up.

High Performance Cold-Rolled Steel

- Mixed resin-coated steel sheet with high heat resistance
- High-Solid Top Clear UV steel plate : applied to the exterior of home electronics, eco-friendly without generating VOCs during the process
- The world-first high-strength and high-elongation TWIP steel plate

Steel Plate

- High-strength EH47 product for large container vessels of 16,000 TEU* or bigger
- Steel for marine structural uses in extreme cold

* TEU : Twenty-foot equivalent units, 1 TEU equals a 20-foot-long (6.1 m) container.

Wire Rods

- Ultra fine steel wires for cutting silicon
- Deep sea exploration fixation ropes (PSPNeptune)
- 4000Mpa grade Ultra high-strength wire rods for tire cords (POSCORD)

Electrical Steel Sheet

- Developed HGO products with low core loss and high magnetic flux density
- Developed premium hyper products for motors of electric and hybrid vehicles

STS Products

- High-performance materials for car gaskets/ bellows
- High corrosion-resistant steel for desalination facilities

What eco-friendly automotive materials is POSCO developing?

POSCO creates customer values while enhancing corporate value through innovation and also contributes to increasing social values. POSCO produces green materials to pave the way for the development of eco-friendly cars. POSCO creates customer value while enhancing corporate value through innovation and contributing to the increase of social values.

Developing Eco-Friendly Automotive Materials

POSCO has focused on R&D and production of steel precuts to make automobiles lighter by supplying eco-friendly vehicle materials such as TWIP and AHSS steel. POSCO mass produced the ultra high-strength automotive steel plate of 1180MPa grade (1180 eco-friendly CP steel), enduring up to 120kgs per 1mm, for the first time in the world. And in 2009, we developed the YS 1180CP steel, upgraded in processability, yield strength, and weldability from 1180CP steel. The new steel product enables car manufactures to process them more easily and make their vehicles lighter and more fuel-efficient. POSCO high-elongated 980DP steel plate has far better processability than the previous materials and easier to apply to automotive parts like the B-Pillar. It also increased mileage and eco-friendliness as it has the same strength with thickness of just 20 to 40 % of the conventional high-strength steel such as 590DP and 780DP, and, as a result, makes a lighter car.

In addition, POSCO is making lighter tire cords, part for absorbing external shock to lengthen the lifespan of the tire. In 2010, POSCO succeeded in the commercialization of ultra high-strength wire rods of 4000MPa grade for tire cords, and now the development of wire rods of 4700MPa grade is in-process. Also, we have developed wire rod product for high-end engine valve springs with a decreased diameter to reduce the total volume of the vehicles engine, contributing to the production of lighter automobiles.

The wire rod steel of 2300MPa grade is the world's first high-stress material, decreasing the diameter of safety valve by 10% and increasing fuel-efficiency by 0.4%. Another way to make vehicles lighter is using an important POSCO new material; magnesium. POSCO developed magnesium plates for automobile seat frames, which is expected to make cars more fuel-efficient and comfortable by decreasing weight while maintaining the same strength.

More than anything else, POSCO focuses on developing light bodies for electric vehicles as they are gaining popularity. In May 2011, the world's 17 steelmakers announced the result of the Future Steel Vehicle (FSV) project as part of the WorldAutoSteel consortium. POSCO joined the project with the development of lightweight car body panels for small electric vehicles.

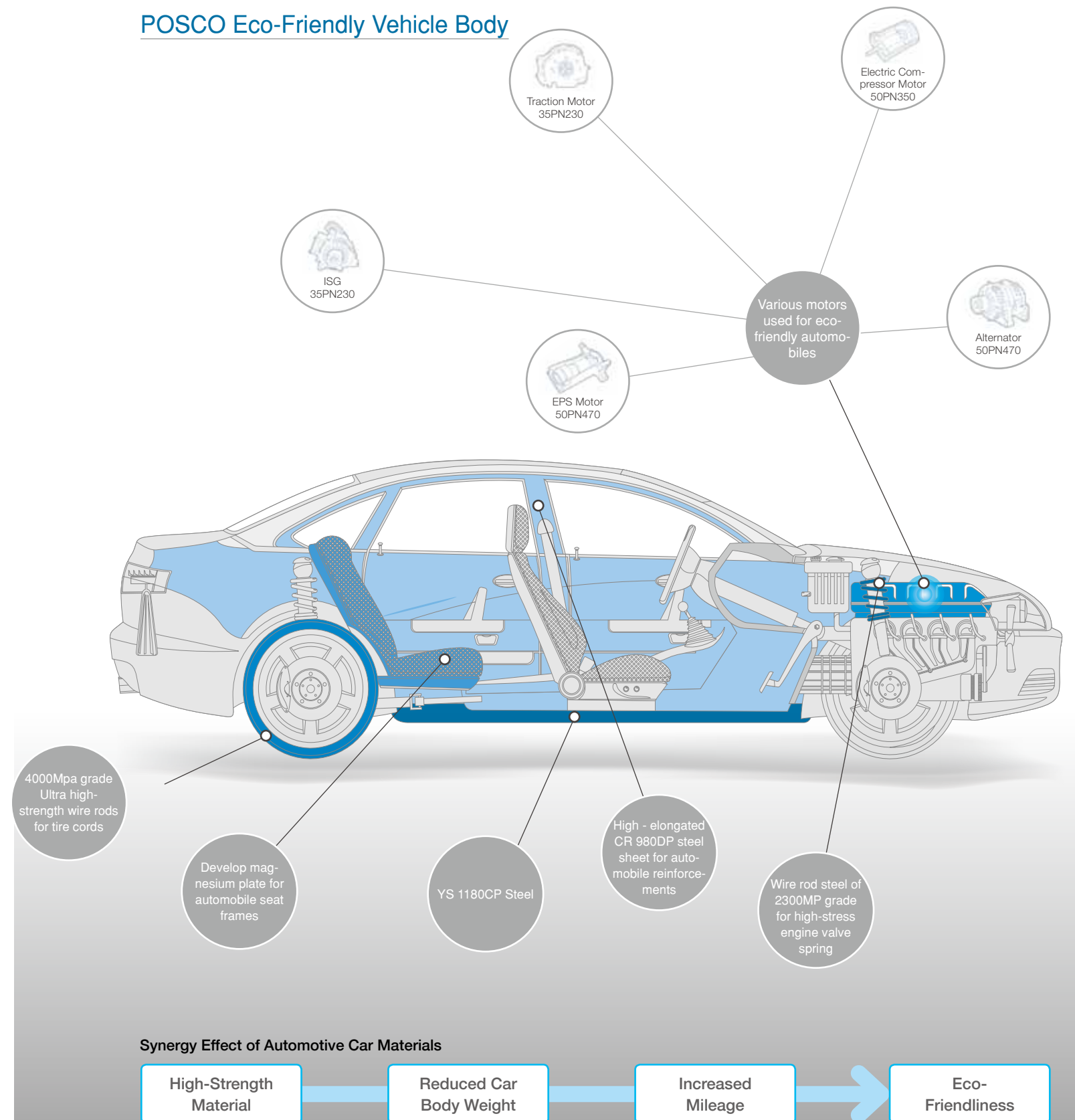
Now, POSCO is in the process of developing the POSCO Body Concept-Electric Vehicle (PBC-EV). In February 2011, the company completed the prototype after a series of steps from review of styling package, design, analysis, part manufacturing and assembling.

PBC-EV uses about 40% more of the Ultra-High Strength Steel (UHSS) than average car materials, and employs cutting-edge technologies including hot press forming and a multi-directional roll forming process. This has proved to reduce the automobile weight by 26% and reduce GHG emission about 50% compared to conventional vehicles in terms of the Life Cycle Assessment.

POSCO's effort to make green cars includes the development of electrical steel sheets for electric vehicles. POSCO created a project team called "the Eco Motor-Electrical Steel" at POSCO Technical Research Laboratories to develop EF car plates consuming less energy, and working on the Early Vendor Involvement initiative with over 10 carmakers at home and abroad.

Project	Car Body Weight	GHG Emission	Development Goals
World Auto Steel FSV (participated by the world's 17 steelmakers including POSCO)	decrease in small cars	reduce 70%	Commercial production goal for 2020
POSCO Body Concept Electric Vehicle	26% decrease in medium cars	reduce 50%	Commercial production goal for 2015

POSCO Eco-Friendly Vehicle Body



What vision is POSCO going to achieve through customer value?

We need a new strategic alternative for sustainable growth in the current business environment as domestic and international competition gets more severe, approaching to the limit to creating added values due to rising raw material cost. POSCO is creating new values with customers under the CEO's firm belief in customer-oriented marketing - serving the customer, win-win with the customer, and gaining the customer's trust. POSCO has upgraded its marketing strategy, going beyond price competition, expected in the harsh competitive business environment, to value competition. We believe the main pillar of sustainable growth is customer success through the creation of values. This will enable us to provide customized values for each customer and build long-term trust with customers. POSCO will realize win-win growth between customers and the company by making continuous technological innovation and sales increases.

Toward Customer-Oriented Marketing

POSCO implemented a customer-oriented marketing program to realize Marketing 3.0. In the aspect of marketing strategy, POSCO established marketing strategies for each customer and region. The KAM (Key Account Management) department, set up to tend to customer's needs promptly, has been expanded to include global car makers. In a way to effectively deal with global sourcing from customers around the world, POSCO had assigned a KAM team to take care of both domestic demand and exports from the same customer so that they could make an integrated response with marketing programs tailored to changing environment of the industry. Through these programs, we were able to raise understanding about our customers and industry.

We are continuously working to satisfy hidden needs of customers as well as providing customized values for them. POSCO has expanded its scope of marketing activities; from satisfying customer's primary needs related to Quality, Cost, and Delivery, limited in the department of marketing and purchasing; to across-the-board marketing initiatives to care about all the departments – purchasing, marketing, production, and R&D – and even the customers of the customer, by providing a wide range of services and solutions to meet the needs throughout the customer's value chain. To this end, POSCO is pursuing active customer lock-in strategies; buying shares of customer companies, and making investment in overseas operations and logistics centers and also contributing to the creation of the greatest values for customers.

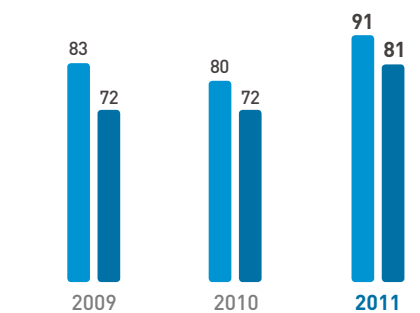
Vision Statement



* SoW (Share of Wallet) : the percentage of a customer's spending that is captured by a given supplier out of the total spending.

Customer Satisfaction

■ domestic ■ overseas (Unit : %)



Maximizing Customer Satisfaction

POSCO conducts annual customer satisfaction surveys to identify their reaction, complaints, and improvements to be made to its services and products in general. The survey consists of a questionnaire and in-depth interviews of domestic and international customers involving 6 categories including sales representatives, service, delivery, and product quality (5 categories for overseas), on a scale of one to seven. In the survey conducted on 237 domestic and 316 overseas customers in 2011, the satisfaction rate for domestic customers was 91, and overseas customers was at 81. The results showed a dramatic rise in the level of satisfaction by more than 10% over the previous year, which is believed to reflect POSCO's improved effort after the 2010 survey. Based on the survey results, POSCO analyzed elements of customer dissatisfaction, identified improvement tasks, and is currently implementing them at the POSCO level including the head office, overseas sales branches, processing centers and trading companies.

POSCO has established a systematic e-learning course to help point-of-contact sales staff to actively implement customer value creation activities with a customer-oriented mindset. The core human assets will be the driving force that will enable POSCO to be the global business leader in cut-throat markets both domestically and internationally.

Since 2003, POSCO has been operating the CRM (Customer Relationship Management) system that accumulates integrated customer data. The CRM system enables POSCO to keep track of business history with the customer and operates an integrated database that helps it better understand the customer to provide services tailored to their needs. Also, POSCO improved the level of customer service and the efficiency in sales and marketing.

1 CASE STUDY

EVI Activities

EVI (Early Vendor Involvement) first started with automobile companies, where the core parts suppliers participated early in the new product development process to improve quality and reduce costs. POSCO expanded this to a "POSCO style EVI (Expanded Value Initiative for customer)" that identifies the needs not only of our customer, but also the customer of that customer, to suggest and provide a total solution including product and technology, before even being asked. First, for the major industries with high demand for steel such as automobiles, we implemented the EVI program to suggest new materials first, a step further from the involvement in the development process of a new vehicle. In the shipbuilding sector, we started the development of steel products for marine plants to respond quickly to the changing needs of shipbuilders, who are moving from the traditional bulk carrier business to the energy and plant sector. In the energy industry, we adopted the concept of the Total Sourcing Solution, which provides various materials for a project to accommodate the requirements of the energy industry as a new growth business. POSCO concentrated its competence – and the whole Famil's – to meet the needs of energy customers with huge growth potential. EVI teams were formed in other business sectors – home electronics, wire rods, and paltes- in addition to the automotive industry and the efforts are beginning to pay off in the sectors including home appliances and construction.



Regular EVI Meetings of Customers

POSCO has been involved in the early stage of new vehicle development and applied high-strength steel. In the marine energy sector, it used to take more than four months to acquire certification before supplying steel products, but with the early involvement with the project of the major petroleum companies, from the design stage, we are able to get certification from the customer beforehand, securing the opportunity to provide materials and shorten production time. With home appliances, POSCO replaced the existing expensive aluminum sash - which was applied due to the heat generated from the source of light of the LED TV - with POSCO EG heat resistant steel plate, saving 35% of the cost to the customer. To replace the conventional in-situ concrete (omega) pile, POSCO successfully developed the tip-enlarged large-diameter steel pipe pile, in cooperation with the customer, reducing 10 to 20% in construction cost and 30% in time. This was a good example of creating value with the customer as we shared patents, created brands, heightening the entrance barrier for our competitors and substitute goods. In the bridge building project, POSCO developed and applied 5,300mm wide steel plates for the steel box design, which traditionally used narrower steel plates - 14t in thickness and 4,495mm in width. This saved 260 million KRW in construction costs and 139 days in construction time by decreasing the number of connecting points from 6 to 4 locations. POSCO was able to achieve customer lock-in with these wide steel plates, provided exclusively by POSCO.

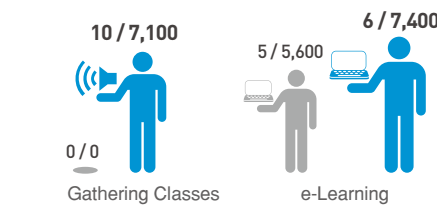
* The maximum width of plate domestic rivals can produce: 4,500mm

How are POSCO strategies for best quality implemented?

With the goals of achieving “The POSCO Quality,” which will touch the customers’ soul, POSCO pursues win-win quality management not only at the head office, the Works, and overseas production plants, but also with the POSCO Family and suppliers. Under the supervision of the Quality Management Group, POSCO implements various strategies to complete the global quality management system and provide differentiated customer values.

Quality Courses Participation

■ 2010 ■ 2011
(Unit : No. of courses / participants)



Quality Education By Ranks

Trainee Group	Theme
New Employees/ Employees	Quality Awareness
Newly Promoted Manager	Quality Management Competence
Part Leader/ Foreman	Quality Control At The Site
New Team Leader	Quality Management Leadership
Department Manager/ Executives	Strategic Insight For Quality Management

POSCO Quality Awards

POSCO Quality Awards (PQA) are granted to The companies with outstanding quality management innovation activities and level through annual POSCO Family Quality Diagnosis.

Classified into five groups as to the size of the company, one company per group is given awards along with a trophy and cash prize. The Grand Prize is awarded to the company with the top performance in the Large Corporations category. The Innovation Prize, Take-Off Prize, and Synergy Prize are given to Medium Corporations, Small Corporations, and Suppliers/Outsourcing Partners group, respectively. PQA motivates Family companies to implement the POSCO Family Quality vision, greatly contributing to the continuous upgrade of quality management and synergy creation between POSCO Family.

Declaration of the Quality Charter

In November 2010, 600 employees and executives gathered to witness POSCO's declaration of the POSCO Family Quality Charter that was established to accelerate POSCO's global quality management. As is stated in the Charter, quality is the solemn pledge to the customer and is the irrefutable principal of all basics. POSCO will continue building its unique quality identity differentiated from competitors.

The Charter is composed of the vision of The POSCO Quality and the three core values. In the vision of “The POSCO Quality,” POSCO is synonymous with World Leading quality, that will touch the customers’ soul. The three core values are Customer Inside, Basic Inside, and Synergy Inside. The following is the code of conduct to practice each core value.

- Customer Inside: Create customer value reflecting potential needs of the customers.
- Basic Inside: Value basics and principles and eliminate declinations and wastes.
- Synergy Inside: Pursue win-win growth of the supply chain based on trust and communication.

Customized Quality Education by Ranks

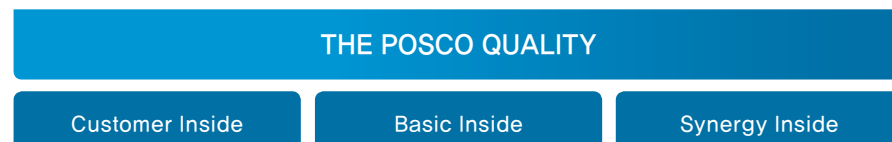
To raise awareness on quality among employees, and help them learn more about quality management, POSCO runs a customized education programs for each rank. In 2011, a total of 14,500 employees received quality education through 10 gathering classes and e-learning courses including an Executive MBA and quality course for new position holders. The educational opportunities will be expanded to global manufacturing operations and all the POSCO Family employees, to enhance employee's understanding of customer-oriented quality management through more practical and advanced programs.

Quality Management Assessment

With the goal of completing POSCO Family Quality Management system, the cornerstone of POSCO Vision 2020, POSCO runs the POSCO Family Quality Management Diagnosis System to conduct a quantitative quality control analysis, identify weaknesses, and make improvements.

The Diagnosis system is based on the core values and code of conduct of the subsidiaries Quality Charter, and consists of the 6 modules and 50 subsidiaries under the three main category of manufacturing, E&C, and service, reflecting the businesses of the POSCO Family. In 2011, the first assessment was conducted for 22 subsidiaries using the system. POSCO will expand the diagnosis system to maximize the synergy effect at the POSCO Family level and, finally, to achieve world - class quality to satisfy customers.

The POSCO Family Quality Management system



How can POSCO and SME customers grow together?

POSCO aims to create a value chain, where the corporate ecosystem surrounding the company can grow harmoniously. We strive to enhance the competitiveness of our SME customers as well as the company, working on the 10 support initiatives for the companies POSCO is doing business with.

Stable Supply and Flexible Pricing for SMEs

POSCO increased the supply of materials for SMEs and their smooth operation of factories. SMEs tend to have difficulty purchasing raw materials due to the unstable domestic supply of steel products. The SMEs receiving support include 11 steel plate makers, 61 automotive part manufacturers, and 4 re-rolling companies. In order to enhance competitiveness of the foundry pig-iron industry, POSCO postponed price hikes and offers discounts, and supplies substitute products to replace expensive imported products. As of 2011, the amount supported by postponing price increase amounts to 2.1 billion KRW, and discounts 22.4 billion KRW.

Optimization and Localization of Steel Materials

POSCO ceaselessly develops steel types that can shorten the steel material treatment process to help SMEs' cost competitiveness. The representative product is the non-heat treated steels. As of 2011, POSCO developed 2 cost reduction types of steel selling 50 thousand tons.

Solution Providing for SMEs

Solution Providing for SMEs is an initiative that POSCO and its SME customers, which purchase a wide range of materials domestically and internationally, work together to solve problems taking place throughout the process from purchasing steel precuts to producing final products, by providing process technologies needed by the materials the customer deals with, for example, molding, welding, and coating.

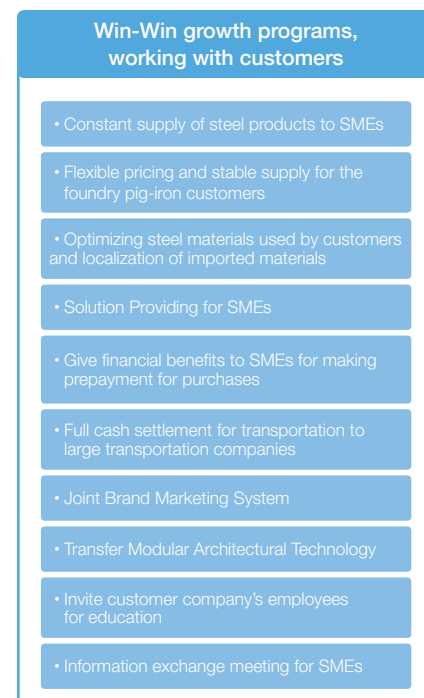
POSCO not only helps quality analysis with its testing and analyzing devices but also sent its experts to provide technological support for press working and welding. In 2011, 261 tasks from 164 customers were completed.

Joint Brand Marketing

POSCO provides high-strength steel products to small and medium-sized steel pipe manufacturers, which in turn produce final products to explore new markets together. We work hard to raise the value of SMEs as well as the company to achieve a real win-win growth. POSCO selects partners for each brand, signs a joint brand marketing agreement, co-develop technology and transfer processing technology to create an environment where SMEs can enjoy sustainable growth. 10 SME partners are currently engaged in the program in the following segments; high-strength steel pipe pile, scaffold and strut.

Information Exchange for SME Customers

POSCO holds face-to-face meetings –organized for each product and industry- regularly to brief SME customers on POSCO's sales policy so that they can predict the steel price for the next quarter and have a better understanding about the industry. In 2011, 970 employees from 684 SMEs participated in our information exchange.



Responsible Movement



Society is where POSCO will create a healthy community through a wide range of social contribution activities. POSCO cultivates future talents, communicates with the local communities, tends the socially disadvantaged, and brings hope for humanity for a better world and a better future. We will open a new era of POSCO 3.0, where we support global sustainable growth and enhance corporate value through social contribution at the POSCO Family level.

	Fostering Talent	Employee Sharing Activity	Social Welfare	Community Development
Issue	<ul style="list-style-type: none"> Fostering Domestic and Global Talent 	<ul style="list-style-type: none"> Enhance social contribution oriented to the local community 	<ul style="list-style-type: none"> Support independence of the socially underprivileged 	<ul style="list-style-type: none"> Implement social contribution localized to meet the needs of overseas business regions
Performance	Scholarship Program <ul style="list-style-type: none"> Run various scholarship programs to nurture domestic and overseas talents 	In-house volunteering activities <ul style="list-style-type: none"> Corporate culture of volunteering and sharing joined by all employees 830 employees participated in the "1 Percent to Sharing Campaign" 	Social Welfare (domestic) In 2011, 17 POSCO Subsidiaries supported Social Enterprises Social Welfare (global) <ul style="list-style-type: none"> Offer scholarships and foster technicians in 5 African nations starting 2011 In May 2011, POSCO University Student Volunteer Group activities in Indonesia Deliver relief kits to flood victims in Cambodia 	Held the "POSCO Family Global Volunteer Week" <ul style="list-style-type: none"> In June 2011, more than 45,000 POSCO Family employees from 20 countries participated in the volunteering programs



Social Contribution Expenses in 2011

69.7 ^{KRW} billion

Total Donations to Community Chest of Korea (1998~2011)

75.95 ^{KRW} billion

	Supporting continued global growth and enhancing corporate value by implementing social contributions at the POSCO Family level.
Vision	
Strategy for Social Contribution Activities	<ul style="list-style-type: none"> Enhance social contribution oriented to the local community Support independence of the socially underprivileged including the disabled and multi-cultural families Implement social contribution customized and localized to meet the needs of overseas business regions
Centricity	<div>Fostering Talent</div> <div>Local Community</div> <div>Social Welfare</div> <div>Global Social Contribution</div>

Donation to Community Chest of Korea

(Unit : billion KRW)

Category(Year)	2004	2005	2006	2007	2008	2009	2010	2011
Amount of Donation	7.0	7.0	8.0	10.0	10.0	10.0	10.0	10.0

Social Contribution Assessment

In 2011, POSCO created a Social Contribution Assessment system to operate and manage Social Contribution programs to establish mid-and-long term visions and models. We assessed 7 social contribution programs conducted for the mid-and-long term and in the future more programs will be assessed to find and nurture POSCO's representative social contribution programs, which can give real benefits to those in need.

Developed POSCO social contribution assessment indexes

Derive social contribution program improvement ideas Find representative social contribution programs									
10 Quantitative indexes					10 Qualitative indexes				
Budget	Promotional Index	Manpower Input			Preliminary Inspection	Contribution To The Building Of Social Infrastructure			
Major Output	Service Hour	Satisfaction Level	+		Connectivity with Strategy	Stakeholder Feedback			
Social Benefits	* Others				Reflection of the Improvement Suggestions from the Previous Year	* Others			

What talent fostering programs does POSCO have for our future?

POSCO, which started with a dream to “Help the nation through steelmaking,” now strives to “Help the nation through education.” Cultivating science leaders, global leaders, community leaders, and sharing leaders – true leaders that fulfill their social responsibilities – is the path that will lead everyone to happiness.

POSCO TJ Park Foundation

The POSCO Scholarship Foundation established in 1971 was expanded and renamed to the POSCO TJ Park Foundation in 2005. The Foundation taps into its funds of 200 billion KRW to operate its 3 main strategic projects - The “Asia Fellowship”, “Next-Generation Human Resources Development”, and “Love and Sharing” programs. The foundation has a variety of programs to nurture the leaders of the next generation.

POSCO TJ Park Foundation Programs

Programs	Details		Remarks
POSCO TJ Park Prize	Commemoration of the founder's accomplishments and promotion of his entrepreneurship introduced in 2006		Introduced in 2006
	Award Categories (Award amount KRW 200 million): Science, Education, and Volunteering Awards		Every March
	Award winners in 2011 Science : Lee sang yub (professor, KAIST) Education : Namhansan Elementary School Volunteerism : Monk Pomnyun and the Alola Foundation	Award winners in 2012 Science : Cheon Jinwoo (professor, Yonsei University) Education : Gwang Jongmun (Principal of Hangeyore Middle & High School) Volunteerism : Somaly Mam (The Somaly Mam Foundation)	
POSCO Asia Fellowship	Scholarships to Asian students studying in Korea : Selected 175 students from 24 countries since 2005, 125 graduated/2012 plan: 58 students – Total of 1,310 million KRW		
	Fostering Asian regional specialists : Selected 51 students from 17 countries since 2006/2012 plan: 32 persons – Total of 460 million KRW		
	Scholarship programs in prominent Asian universities : Supported 2,385 students from 31 universities in 10 countries since 2005 / 2012 plan : 300 students -Total of 300 million KRW		
	Supporting research and forums on Asian culture and society : Supported 141 tasks from 14 countries since 2005 / 2012 plan : 26 tasks - Total of 710 million KRW		
	Supporting quarterly publication “Asia” : Published 23 issues since 2006 /2012 plan : 4 issues – Total of 290 million KRW		
POSCO TJ Park Science Fellowship	Supporting scientists in the subjects of math, physics, chemistry, and life science		Since 2009
	Fellowship 90 recipients selected since Nov. 2009		
	Award amount : Doctor's course : 25 million KRW/year), support for 3 years after selection / Post-doc : 35 million KRW/year), support for 2 years / Newly appointed professors : 35 million KRW/year), support for 2 years		
POSCO New Star Scholarships	Excellent high school students in Pohang and Gwangyang : Total of 406 students supported		Started in 2006
	Selecting 60 11th graders in Pohang and Gwangyang, in the top 4% in academic performance		
	1.5 million KRW annually in scholarships for 2 years 5 million KRW scholarship for entering prominent universities		
POSCO Vision Scholarships	Assistance for high school and university students who are the head of their households, including those living only with a grandparent) : Total of 231 students supported		Started in 2006
	Support detail : 3.6 million KRW annually for 2 years in high school and 5.6 million KRW annually for 4 years in college		

POSTECH

POSTECH (Pohang University of Science and Technology) is a research-oriented university of global standards founded in 1986. POSTECH built the first industry-academy-institute joint research model in Korea and advanced as the leading science and engineering university in POSTECH consists of 11 undergraduate, 18 graduate programs and 59 research units, and maintains partnership with 82 universities in 21 countries.

POSCO Education Foundation

The POSCO education foundation was founded in 1971 with the goal of cultivating independent, ethical and creative human beings. It operates 12 schools from kindergartens to high schools. Gwangyang Jecheol Elementary School has produced the grand prize winner for 6 years (2004~2009) in a row at the world mathematics competition sponsored by the world mathematics educators association.

What efforts are POSCO people making as a member of a society?

POSCO fosters human resources who are global, creative and understand the power of execution. POSCO mandates its employees to participate in volunteer activities in order to cultivate global talents who embrace diversity with an open mind, fulfilling their responsibilities to their neighbors and society in general. All employees and executives become members of the POSCO Volunteer Group launched in 2003 the moment they join POSCO. In 2011, the volunteering culture was expanded to the POSCO Family, and everyone participates in the activities devoting more than 30 hours annually, working to cultivate the corporate culture of service and sharing.

POSCO Family Volunteer Group



Blood Donation Event

POSCO Family Sharing Education

Sharing Saturday	Every third Saturday of the month
Donation of fees for external lectures or writing articles	Donated fees for external lectures or writing articles gained from knowledge-sharing with employees, 2011's donation, 10.34 million KRW was used for "Gimjang Sharing" and heating bills support for the disadvantaged.
Social contribution system	Departments register volunteer groups so that volunteer performance and information can be easily accessed

POSCO Family's Social Contribution

In November 2009, the POSCO Family Volunteer Group was launched, which is comprised of over 41,000 employees and executives from POSCO, 22 subsidiaries, 109 outsourcing partners and 31 PCPs (POSCO Certified Partners). In 2010, the volunteer group in Incheon was launched, in which 3 subsidiaries and 10 outsourcing partners participate.

POSCO Family's Social Contribution

POSCO Family Global Volunteer Week	POSCO Family member companies join together for volunteer activities
Blood Donation Event	27,336 people participated by 2011

POSCO Employees' Lecture Fee Donations

(Unit : persons/ thousand)

	2008	2009	2010	2011	Total
Cases	121	86	53	81	705
Donations	65,746	46,425	44,296	35,517	311,944

POSCO Family 1 Percent Sharing Campaign.

In 2011, 830 officers of POSCO and its affiliates department manager level and higher, including all the executives and outside directors donated one percent of their salaries. The donated money will be sent to Community Chest of Korea to be used for bilingual education programs for the children of multi-cultural families to enhance their global competence and construction of steel houses for welfare facilities. POSCO took the first step as it supports training of bilingual instructors and multi-lingual language education programs for multi-cultural families for 170 immigrants through marriage at the 200 multi-cultural family support centers across the country, in partnership with Hankuk University of Foreign Studies Center for Multicultural Education.



What are POSCO's domestic and global social contribution activities for a society where every member happily lives together?

POSCO is creating a society where people from different walks of life happily coexist. We are fulfilling our responsibilities as a global corporate citizen; we support the underprivileged including multi-cultural families in the nation, and carry out global social contribution activities, for example, an emergency relief program, to meet the different needs of overseas communities.

Domestic Social Contribution

Steel House construction

- Safety haven using the modular construction method for 300 battered women

- Steel houses to support families who lost their homes to a fire (7 houses built since 2009).

Medical Support

- Free treatment for foreign workers

- Medical service in Mongolia and Nepal

- Free treatment by Raphael Clinic, provided support to the medical volunteers

Domestic Social Contribution activities

POSCO has been donating charity funds to the Community Chest of Korea with the POSCO Family members since 1998. A designated portion from the donation was used to run 16 programs in partnerships with domestic expert NGOs. POSCO operates 4 social enterprises, 4 Smile Microcredit Bank branches and one moving branch to assist self-sufficiency of low-income groups.

Multi-cultural Family Support

POSCO is at the forefront of helping Korean society to embrace a diverse cultural influx due to increasing number of multi-cultural families. POSCO's multi-cultural family support programs are designed considering that the immigrants through marriage are mostly coming from South-East Asia one of a POSCO's overseas operations. In June 2010, POSCO signed an MOU with the Ministry of Gender Equality & Family, and will implement a variety of projects including improving the awareness of multicultural families, helping immigrants through marriage in employment, startup capital, and children's education to help them enhance their bilingual abilities. In 2011, the Danuri Call Center for immigrants through marriage will be opened to provide practical help to multicultural families.

Creating Sustainable Jobs for the Underprivileged

POSCO establishes and runs different kinds of social enterprises to contribute to the creation of a society where every member happily coexists and the underprivileged are empowered. POSCO will double its effort to help social enterprises take root in the society, and reinvest the profits and technological know-how into local communities to practice the value of social integration. Not only that, 17 POSCO Family companies have been engaged in support initiatives to buy products and services from social enterprises first since 2011 to build up the foundation of social enterprises and their sustainable growth.

POSCO's Social Enterprises (As of December 2011)

POSWITH	POS Eco Housing	POS Plate	Songdo SE
<div><div>Established on Jan. 1, 2008</div><div>Business area</div><div>POSCO's consignment services</div><div>- Washing work clothes, call center, IT help center, clerical assistance (HR, labor, welfare, finance)</div><div>Socially disadvantaged/Total Employees 173 disabled/330(52.4%)</div><div>Certified as standard workplace for the disabled (2008. 4.24.)</div></div> <div>Employee Number Target for 2012 (Disadvantaged/Total)</div> <div>187/340(55%)</div>	<div><div>Established on Dec. 14, 2009</div><div>Business area</div><div>Construction of eco-friendly steel houses and construction material</div><div>Socially disadvantaged Total employees 83/110(75.4%)</div><div>Certified as social enterprise (2010. 10)</div></div> <div>Employee Number Target for 2012 (Disadvantaged/Total)</div> <div>115/150(76.7%)</div>	<div><div>Established on Jan. 22, 2010</div><div>Business area</div><div>Plate plant Specimen processing and warehouse management</div><div>Socially disadvantaged / Total employees 99 /189(52.4%)</div><div>Certification as social enterprise (2011. 5)</div><div>Donated 20% of shares to Love Sharing Welfare Foundation</div></div> <div>Employee Number Target for 2012 (Disadvantaged/Total)</div> <div>100/195(51.2%)</div>	<div><div>Established on Mar. 29, 2010</div><div>Business area</div><div>Management of new buildings in the Seoul- Incheon corridor that are owned by POSCO and related companies</div><div>Cleaning and parking</div><div>Socially disadvantaged / Total employees 151/164(92%)</div><div>Certification as social enterprise : Dec. 2010</div></div> <div>Employee Number Target for 2012 (Disadvantaged/Total)</div> <div>166/186(94%)</div>

POSCO Smile Microcredit Bank

The Smile Microcredit Bank supports the self-sufficiency of those whose low income or bad credit rating prevents them from accessing bank loans. POSCO opened Branch No. 1 in Gangseo-gu, Seoul in December 2009, followed by branches in Pohang, Gwangyang, and Songdo. The Smile Microcredit Bank provides various loans and financial services to low-income groups working in traditional markets, small business owners, single-parent families, families with many children, and multi-cultural families.

Global Social Contribution activities

POSCO fulfills its social responsibilities as a global corporate citizen, actively undertaking overseas volunteer work as well. In particular, we provide opportunities for university students and youths who will play a leading role in the future society to experience the world so that they may grow as global leaders in sharing. POSCO implements social contribution activities in strategic regions to foster win-win growth to develop together with local community.

Social Contribution Activities in Overseas Market

POSCO actively pursues global social contribution programs in the region it does and will do business with. Since 2011, POSCO has been working on various social contribution initiatives in five African countries of Ethiopia, Zimbabwe, Mozambique, the Democratic Republic of Congo, and Cameroon, the investment bases for the continent; offering scholarships, creating a New Community Movement model village, tackling poverty through the supply of super-corns, operating local children development centers, and nurturing agricultural leaders. Also, POSCO is offering a 7 night-and-8-day education program for over 300 community leaders a year at the POSCO-GCS community development education center opened in 2010 in Jargalant, Mongolia.

University Student Volunteer Group(Beyond)/Youths Volunteer Group

To spread the culture of sharing and to enhance the spirit of volunteerism in college students, POSCO launched the "POSCO University Student Volunteer Group – Beyond" in 2007. In May 2010, the 5th Beyond Group was formed, comprised of 100 students selected from 40 universities. After a preparation period, they completed cultural exchange programs in Sentul, Indonesia for ten days between Jan. 19 to Jan. 29, 2011 and built 10 houses with the Habitat for Humanity program in Indonesia. POSCO also sent 10 youth volunteers to a rehabilitation center for the handicapped, Korea-Vietnam Cooperation Center, and Foreign Trade University in Ha Tay, Vietnam, and the International Development Center in Mongolia. The volunteers brought 40 PCs and computer equipment to give lessons in IT and the Korean language, and recreation activities.

Emergency Relief

POSCO offers a swift hand of relief in case of natural disasters such as earthquakes and floods. In particular, POSCO makes relief kits tailored to local customs and circumstances of the area. The 3,000 kits that are made annually were sent to areas in need not only in Korea, but also to Pakistan (2005,2010), Indonesia (2006, 2009, 2010), North Korea (2007), India (2008), Taiwan (2009), China (2010), and Cambodia (2011). In addition, POSCO established the "Southeast Asia Emergency Relief Center" in Indonesia in 2010 in order to respond more quickly to natural disasters in the region and made 1,500 relief kits, part of which were sent to the Banten Province through the Indonesian Red Cross.

Locations Where Relief Kits Were Sent



Social Contributionin Africa

POSCO is launching its social contribution activities in earnest in African countries starting from the groundbreaking ceremony for the Children's Development Center in Zimbabwe on January 31, 2012. In addition, the construction of the Agricultural Training Institute was a success and it opened on February 2, 2012. POSCO is also planning to expand social contributions to Ethiopia by creating a New Community Movement model village, fixing houses and tackling poverty through the supply of super-cones there.

Zimbabwe

The 360㎡ Children's Development Center in Zimbabwe was built to provide free basic education to children aged between three and five and can accommodate up to 80 children; 20 for the 3-year-old class, 30 for the 4-year-old class, and 30 for the 5-year-old class. The center, established in partnership with Chest Community of Korea and Food for the Hungry, is already known as the best kindergarten in the neighborhood and 100 children are on the waiting - list. POSCO is also planning to run the Agricultural Training Institute, a 1100㎡ complex with a lecture building, administrative building, and dormitory. The institute, to be completed at the end of July, will teach young Zimbabwean students advanced agricultural skills. In addition, we will operate the collective farm to help AIDS patients improve their self-reliance and standard of living.

Mozambique

Working with KOICA, POSCO is carrying out programs to fight poverty in Manisa, near Maputo, the capital of Mozambique. Our goal is to help the development of the nation's agriculture through education at the agricultural training institute in Manisa, to address poverty in the community, create 47 jobs, and nurture 50 agricultural experts in the first year. Starting from next year, the center will offer leadership programs to about 100 future agricultural leaders.

90 2011 POSCO Report

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What is POSCO doing to promote the development of the community?

POSCO supports the local community and nurtures its growth. Around the Pohang and Gwangyang areas, we lay the groundwork for the growth of the community by sponsoring festivals to promote the local economy and implementing sports, cultural, and educational development plans. Also, POSCO actively pursues POSCO Social Contribution programs to meet the needs of the local community, where the company operates business sites.

Local Taxes Paid

(Unit : billion KRW)

Category	Pohang Works	Gwangyang Works
Local Taxes Paid in 2011	57.7	54.2
Ratio to the total local taxes	20.8%	40%

Participating in Local Communities in Korea

When POSCO was first established, Pohang was a small city with a population of 70,000 and budget of 320 million KRW. Now, it has become an international city with a population of 520,000 and budget of 1,033.7 billion KRW. Gwangyang, the second city built on the steel industry, started out with a population of 80,000 and budget of 590 million KRW in 1981, and now it has grown into an international steel port with a population of 157,000 and budget of 484.2 billion KRW. POSCO believes that the local community's growth is POSCO's growth, and improving the lives and well-being of the residents is our greatest reward. POSCO embraces the local community so that residents can share in POSCO's growth.

Participating in the Community

POSCO actively supports the local communities to prevent and solve issues of the region. In addition, POSCO actively builds partnerships with our stakeholders through communication and sisterhood ties with the villages.

Communicating with the Local Residents

As a responsible member of the local community, POSCO always listens closely to local citizens. POSCO identifies social contribution activities customized to the local needs through surveys such as the "Analysis on Attitude toward POSCO and Local Cooperation Performance," which is conducted annually in Pohang, and the "Survey on Residents' Evaluation of Local Cooperation Projects and Sentiments toward POSCO" conducted in Gwangyang. Based on the findings, POSCO develops social contribution activities to meet the special needs of the community as part of its ceaseless effort to achieve win-win growth.

Sisterhood Tie Program (One-Department-One-Village)

Beginning with the sisterhood agreement with Hagwang village, Gwangyang in April 1988, POSCO has made sisterhood ties with 125 villages in Pohang, 117 in Gwangyang, and 7 in Seoul, as well as 32 schools and organizations to enhance solidarity with local residents through trust and communication.

Sisterhood Ties

Category	Villages	Schools	Organizations	(Total)	Beneficiary Residents (persons)	Rate of sisterhood(%)	
						As to population	As to administrative district
Pohang	119	-	6	125	422,489	81	30
Gwangyang	90	15	12	117	18,567	12.3	31
Seoul	7	-	-	7	-	-	-
Total	216	15	18	249	441,056	65.6	

* Recently, 3 districts out of 119 became integrated (Sangdae 1-2 dong, Jukdo 1-2 dong, Jungang – Haksan dong became integrated. Haedo 1,2 dong's status remains the same)
* Population of Pohang: 521,716, Population of Gwangyang: 150,725 (as of 2011)



Volunteering activities in Sisterhood Villages



Pohang International Fireworks Festival

Helping the Local Community by Invigorating the Economy

POSCO contributes to the local economy through stable business operations and job creation, and returns its profits by building local infrastructure. POSCO helps build the foundation for win-win by strengthening the competitiveness of the local supply chain.

Major installations that helped the local economy	Popular Tourist Attractions <ul style="list-style-type: none"> • Hyeongsan River Walk (2005~, 407 million KRW) • POSCO Lights Street (2008~, 559 million KRW) • Pohang Hwanho Haemaji Park(1995, 20 billion KRW) • Pohang Technopark (2003, 20 billion KRW) • Gwangyang Community Center (2001~, 29.8 billion KRW) • Jeonnam Technopark (2007, 10 billion KRW)
Local Festivals	<ul style="list-style-type: none"> • Pohang International Fireworks Festival (2004~) <ul style="list-style-type: none"> - Total economic effects (aggregate) 361 billion KRW/ spectators (aggregate) 6.8 million • Gwangyang Sunshine Festival (2010~) <ul style="list-style-type: none"> - Number of spectators : 12,000 - Renamed as the Yeolliji Festival (2002~2008) since 2010 • Gwangyang University Gugak Festival (2008~)

Promoting Sports & Culture

POSCO builds infrastructure to promote local culture as well. POSCO built art halls and launched professional soccer clubs to provide high quality culture, arts and recreation to the community. POSCO is investing intensely in local educational infrastructure through its foundation and Postech support. POSCO also provides various learning opportunities to the local youths; Local Youths Hands-On Learning Program, Junior Engineering Class, and Children's Steel Camp.

Promoting Social Welfare

POSCO helps orphanages and conducts various volunteer works for the socially vulnerable. POSCO strives to contribute to the overall quality of life of local residents.

Home Repair Program	Repaired 54 and 84 homes in Pohang and Gwangyang respectively by the end of 2010
Gwangyang Childcare Center	As part of the "Public Childcare Facility Support Program" supervised by the Federation of Korean Industries the Childcare center broke ground in September 2009
Soup Kitchen	Soup kitchens were opened in Pohang and Gwangyang



Home Repair Program

1 CASE STUDY

Community Development (Noodle Love)

POSCO is working hard to create conditions under which the company and the surrounding community can achieve mutual-growth. In 2010, POSCO opened the restaurant, "Noodle Love," to create jobs for the elderly of socially disadvantaged families. The restaurant is their workplace, offering a chance of fulfillment and to be self-sufficient.

The first restaurant opened in Chanpo-dong, Pohang in 2010, followed by the 2nd in Songdo-dong the same year, and in 2011, the 3rd and the 4th restaurants opened in Haedo-dong and Cheonglim-dong, respectively. POSCO will lead the efforts to address issues facing seniors working on a range of programs while proposing gainful employment for the elderly.



Opening of the second branch of Noodle Lovers

Participating in Overseas Local Communities

POSCO fulfills its social responsibilities as a global corporate citizen in operations across the world. Working with overseas SCM corporations, POSCO strives to become an enterprise which grows together with local communities. With the belief that POSCO employees serve the community and share with people wherever they work, we plan and implement CSR programs reflecting local needs and fostering win-win growth and enhance employees’ pride and sense of belonging.

POSCO holds the “POSCO Family Global Volunteer Week” to instill volunteering the employees as well as carrying out social contribution activities. Over 45,000 POSCO Family employees from 20 countries - including Indonesia, Mexico, India, China, Malaysia and Thailand - participated in the “POSCO Family Global Volunteer Week” from June 7 to June 11, 2011. It was a week filled with various activities, such as providing relief kits, environmental cleanup, visiting welfare facilities, and home repair.

Overseas SCM Corporations : Global Community Participation Programs

Country	Corporation	Details
China	POSCO-CQPC	[Chengyang Charity General Meeting] Building water supply systems (installing wells, water supply facilities, repairing reservoir dykes, and erosion-control work) in villages suffering from severe drought. Providing daily necessities to the underprivileged.
	POSCO-CCPC	[China Yu Bei Special School] visits, providing learning supplies and equipment, plant tour invitation
	POSCO-CFPC	[Chencun Town Senior Home] Holiday visits and repairing facilities
	POSCO-CWPC	[Senior Home] Providing daily necessities and repairing buildings
	POSCO-CORE	[Senior Home] Holiday Visits and installing mosquito nets
	POSCO-CDPPC	[Dong Nai Nursery for the Disabled, Hoamai Nursery] Voluntary visits, Food and medical support
Vietnam	POSCO-VHPC	[Children of HaiDuong Social Patronize Center] Repairing sanitary facilities
	POSCO-VNPC	[Independent Living & Training Center and other 4 facilities]
Malaysia	POSCO-MKPC	Providing daily necessities for the disabled, support science learning center
The Philippines	POSCO-PMPC	[Sta. Ana – San Joaquin Bahay Ampunan Senior Home] Medicinal support and voluntary visits
Indonesia	POSCO-IJPC	[Sirnabaya elementary school] School remodeling and environmental improvement activities
Thailand	POSCO-TBPC	[World Vision Foundation of Thailand] Support hungry children and repairing libraries
India	POSCO-IPPC	[Happy house] Composition contest and factory tour for AIDS orphans
	POSCO-ICPC	[Good Life Centre] Repairing orphanage facilities, outing service, factory tour
Turkey	POSCO-TNPC	[Association of Poor Helping in TURKEY] Home visits and providing daily necessities for underprivileged families
Mexico	POSCO-MPPC	[Santa Ana Xalmimilulco Special School, Chalco Girls School]
	POSCO-MESDC	Providing medical devices and learning equipment and supplies for special schools [Centro dePreservación y Regeneración de la Niña y la Joven A.C] Flood protection works and the improving of living environments including sanitary facilities, providing learning materials
Poland	POSCO-PWPC	[Razem z Dzieckiem] Remodeling infant daycare and running computer courses



2011 POSCO Family Global Volunteer Week Volunteering Activities

Country	Corporation	Details
China	POSCO-CHINA	Planting trees in Wangjing park (POSCO E&C, POSCO ICT, POSRI, Daewoo International)
	Zhangjiagang Pohang Stainless Steel	Support schools in the underprivileged district around the factory
	Qingdao Pohang Stainless Steel	Creating Pohang Garden
	Dalian POSCO-CFM Coated Steel	Construction support for Dalian Korean International School Gym and Dalian Pohang Hope Elementary School
	Shunde POSCO-CFM Coated Steel	Visiting schools in the underprivileged district, Guangdong Province, repairing facilities, cleaning parks
	POSCO-CQPC	Installing wells and water supply facilities, reservoir dykes, providing daily necessities to the underprivileged
	POSCO-CCPC	Volunteering visits to special schools (environmental cleanup, parties)
	POSCO-CFPC	Repairing Senior Homes
	POSCO-CWPC	Senior Homes, Providing daily necessities and repairing building
	POSCO-CLPC	Medical supplies and bed clothes support
Japan	POSCO-CORE	Holiday visits to senior homes, installing mosquito nets
	POSCO-Japan	Volunteering in earthquake-stricken areas
	POSCO-JYPC	Cleaning the KAWASAKI port area of floating garbage
	POSCO-JNPC	Daycare center for mentally-challenged children, cooking class for children from underprivileged families
	POSCO-JOPC	Izumi Ochushi Festival, Environmental Cleanup at the Senbuku port, “Sunflower Operation”
	POSCO-JKPC	Coastal cleanup activity by employees and their families (near Northern Kyushu in Japan)
Vietnam	POSCO-Vietnam	Environmental cleanup, taking care of the disabled, Korean classes, sketch contest, book reading Visiting neighborhood orphanage, repairing and cleaning facilities
	POSCO-VHPC	Environmental campaign and cleanup in the villages of Nhon Trach and Long Tan
	POSCO-VNPC	Korea-Vietnam Cultural Exchange, Improving facilities environment for the disabled
	POSCO E&C (Vietnam)	Kindergarten Groundbreaking ceremony
Malaysia	POSCO-Malaysia	Tree Planting
	POSCO-MKPC	Planting trees with family, in Telok Gong, Selangor near the 2nd Factory.
The Philippines	POSCO-PMPC	Medicinal support for senior homes and elderly visits
Cambodia	POSCO E&C	Hosting and participating in book review contests
Myanmar	MYANMAR-POSCO	Repairing roofs and facilities of senior homes in Yangon (50 employees participated)
Indonesia	PT KRAKATAU POSCO	Making relief kits
	POSCO-IJPC	Environmental Cleanup at the Sirnabaya Elementary School
Thailand	POSCO-South Asia	Samutsongkram 지역에 Mangrove 심기
	POSCO-TBPC	Volunteering activity for hungry children in partnership with World Vision Thailand
India	POSCO-Maharashtra	Improving water quality for five schools in Vile Bhagad
	POSCO-IPPC	Operating a medical camp in the Zilha Parishad Marathi School
	POSCO-IDPC	Repairing facilities and cleaning the surroundings
	POSCO-ICPC	Repairing orphanage facilities and embankment in the village near the factory, blood donation
The United States	UPI	Food Bank support (prepare/serve food) for the disadvantaged in the community
Turkey	POSCO-TNPC	Visits with daily necessities to underprivileged families in collaboration with Turkish charitable organizations
Mexico	POSCO-MEXICO	Repairing the orphanage and offering mentoring
	POSCO-MESDC	Refurbishing water-proofing and sanitary system of the buildings
	POSCO-MPPC	Voluntary visits to special schools, Support for Chalco Girls School
Slovenia	POSCO-ESDC	Environmental cleanup around the port
Slovakia	POSCO-SLPC	Participating in tree planting and children's day event / 20 employees
Poland	POSCO-PWPC	Replacing old PCs and furniture of nursery
The Czech Republic	Prague Office	Jedlicka Institute (welfare organization): Helping the disabled, making gloves
Peru	POSCO E&C	Delivering clothes to the disadvantaged
Egypt	Cairo Office	Cleaning and giving presents to the children of the Mother Theresa Orphanage in Mohandessin, Cairo

Innovative Movement



Shareholders and investors are the reason for our existence, purpose, and responsibility as a corporation. POSCO, a leading company of the nation's key industry is recognized as a firm of endearment by its shareholders and investors as it achieves great results in diverse areas and balanced growth despite the challenging global business environment in 2011. POSCO will continue its journey to sustainable growth through consistent technological innovation, customer satisfaction management, and a synergy effect among subsidiaries.

About Investors

	Corporate value and external evaluation	Technological Innovation	Performance by Sector
Issue	<ul style="list-style-type: none"> External recognition: financial and non-financial performance 	<ul style="list-style-type: none"> Secure the world's top technological competitiveness Develop new growth engine technology 	<ul style="list-style-type: none"> Balanced growth through synergy between POSCO Family
Performance	<ul style="list-style-type: none"> Named as the world's most competitive steelmaker by the World Steel Dynamics (WSD) 2nd straight year Included in the SAM-DJSI Index as a leading company <ul style="list-style-type: none"> Selected for the 7th straight year from 2005 Ranked 30th of the Global Top 100 Companies in the Davos Forum, in Jan. 2012 <ul style="list-style-type: none"> the highest among the steelmakers in Korea and the globe World's Most Admired Company in 2011 by Fortune, ranked first in the metals industry 	<ul style="list-style-type: none"> Secure the world's top technological competitiveness in the steel industry : 103% achievement of World Top Technology Index Complete 5 new growth pilot plant technologies out of the candidates selected – Executed over 100 Genesis research tasks for discovering technologies systematically Apply Smart Grid to the Gwangyang oxygen factory, saving 3,030 million KRW in electricity costs in 2011 	<p>Create synergy effects (Achieved 69 trillion KRW in consolidated sales and 5.4 trillion KRW in operating profits in 2011)</p> <p>Steel</p> <ul style="list-style-type: none"> POSCO : sold 29.76 million tons of carbon steel and 1.69 million tons of stainless steel POSCO SS : achieved record operating profits <p>E&C</p> <ul style="list-style-type: none"> POSCO E&C + Daewoo International : received 420 billion KRW order for combined cycle power plant in the Middle East POSCO E&C + POSCO Engineering : received 71.7 billion KRW order for metropolitan express railways POSCO E&C: received 4.3 billion KRW order for a steel mill in Brazil <p>ICT</p> <ul style="list-style-type: none"> POSCO ICT + Daewoo International : received order for establishing ERP system for shipyard in Russia <p>Energy</p> <ul style="list-style-type: none"> 7 POSCO Subsidiaries : selected as preferred companies for coal power plant development by Indonesian IPP Daewoo International : completed preliminary test of the 4 outlets for the Myanmar offshore gas field project POSCO Energy : started construction of a power plants using byproduct gases the integrated mill in Indonesia, and a power plant in Vietnam POSCO ICT : entered the atomic power plant business with the launching of PONUtech in Aug. 2011 <p>Chemistry / Energy</p> <ul style="list-style-type: none"> POSCO CHEMTECH : entered into the coal chemistry industry and completed second battery anode materials plant POSCO M-TECH : acquired Reco Metal in April, and started high-purity alumina joint venture in November

How was POSCO evaluated in 2011?

In 2011, POSCO exerted efforts to enhance its future competitiveness promptly responding to worsening internal and external business conditions. POSCO proved its global competitiveness again when selected as the world's most competitive steel maker and a leader of sustainable management despite the downgrade of credit rating and falling stock prices.

External Evaluation on Corporate Value

The Competitiveness Ranking of the World's Steelmakers

(source: WSD)

Ranking	2011	
	Company	Score
1	POSCO (Korea)	8.12
2	Nucor Corporation (the United States)	7.47
3	NLMK (Russia)	7.23
4	Severstal (Russia)	7.15
5	ArcelorMittal (Luxembourg)	7.13
6	NSC (Japan)	7.12
7	JSW Steel (India)	7.11
8	CSN (Brazil)	7.10
9	SAIL (India)	7.09
10	JFE (Japan)	7.08

SAM - Dow Jones Sustainability Index (SAM-DJSI)

DJSI is a set of indexes provided by Dow Jones, the financial information organization that monitors changes in corporate values of business with outstanding sustainability performance. The companies included are recommended as the preferred investment to the Social Responsibility Investing Fund, and are expected to attract stable and long-term investors.

Global 100 Most Sustainable Corporations by the Davos Forum

The World Economic Forum in Davos announced annually the 100 most sustainable corporations in the world since 2005, based on analysis of Corporate Knights with the 11 indexes including: carbon emission, diversity of management, R&D, and transparency.

Although POSCO made swift responses to business challenges with emergency management system in 2011, global recession, rising raw material cost, price hike deferment of our products, slower growth due to M&As and worsened financial health led to the downward adjustment of POSCO's credit rating. Standard and Poor's, the international credit rating agency, downgraded the company's credit rating from A(2011.5) with a stable outlook to A-(2011.10) with a negative outlook. Moody's as well lowered POSCO's credit rating and prospect a notch, from A/stable (2011.6) to A3/negative (2011.11). The difficult environment influenced stock prices, pulling it down from 491,000(2011.1.7) to 380,000(2011.12.29) a -22.6% change.

However, POSCO was able to maintain its top credit rating in the steel industry. Aggregate market value was pretty stable compared to other steelmakers showing about a 30 to 40 % decrease. POSCO was selected as the world's most competitive steelmaker by the World Steel Dynamics (WSD) for two straight years. In the evaluation covering 23 categories – including technological competence, profitability, cost saving, financial health, and procuring raw materials – POSCO received good points in securing growth engines through active overseas investment and technological development such as FINEX technology. In September 2011, POSCO was included in the SAM-DJSI as a leading company. POSCO is the first steelmaker which has been selected for 7 straight years eventhough the steel industry has higher environmental risks. It is noteworthy that POSCO has achieved such an outstanding sustainable management performance amid the continuing global recession since 2009.

In December 2012, POSCO placed 30th in the Global 100 Most Sustainable Corporations in the World announced by the World Economic Forum in Davos. Since POSCO became the first Korean company on the list in 2012, its sustainable management has been highly recognized especially shown in 2012, when it ranked the highest among the world's steelmakers.

2011 Awards

Overseas	2011.03	World's Most Admired Company in 2011 by Fortune, ranked first in the Metals industry
	2011.05	Korea's Best Managed Company by Finance Asia, ranked 1st for 2nd year in a row
	2011.06	World's most competitive steelmaker by the World Steel Dynamics (WSD) for two straight years
	2011.09	Included in the SAM-DJSI Index as a leading company in the steel industry, for 7 consecutive years
		Most Admired Knowledge Enterprises in Asia, by the World Knowledge Forum
	2011.11	Ranked first in EIO and ET(Environmental Tracking) among Korean companies
Domestic	2012.02	Included in the Global Top 100 Company in the Davos Forum (ranked first among Korean companies / the world's steelmakers)
	2011.02	Korea's Most Respected Company by the Korea Management Association for 9 consecutive years
	2011.06	Corporate Governance Award, by Korea Corporate Governance Service
	2011.07	Korea Win-Win Corporation Award, by Korea Win-Win Conference Awards
	2011.10	The Best Multi-cultural Family Support Company by the Ministry of Gender Equality and Family
		2011 Korea's Most Respected Company by the Korea Management Association
	2011.11	2011 Korea Eco-friendly Awards, in Eco-Friendly Management, by Korea Eco-friendly Awards Committee
	2011.12	Korea New Growth Business Awards, Presidential prize for large corporations

What competitiveness has POSCO secured through technological innovation?

With the aim of securing world-class competitiveness, POSCO set five technology strategies and implemented a systematic technology development program. POSCO surpassed its original goal, reaching 103% of the World Top Technology by commercializing its unique innovative steelmaking technologies. Also, we reduced CO₂ emissions and energy consumption significantly through the development of low-carbon green growth technology.

Steel Sector

Securing the World's Top Technological Competitiveness

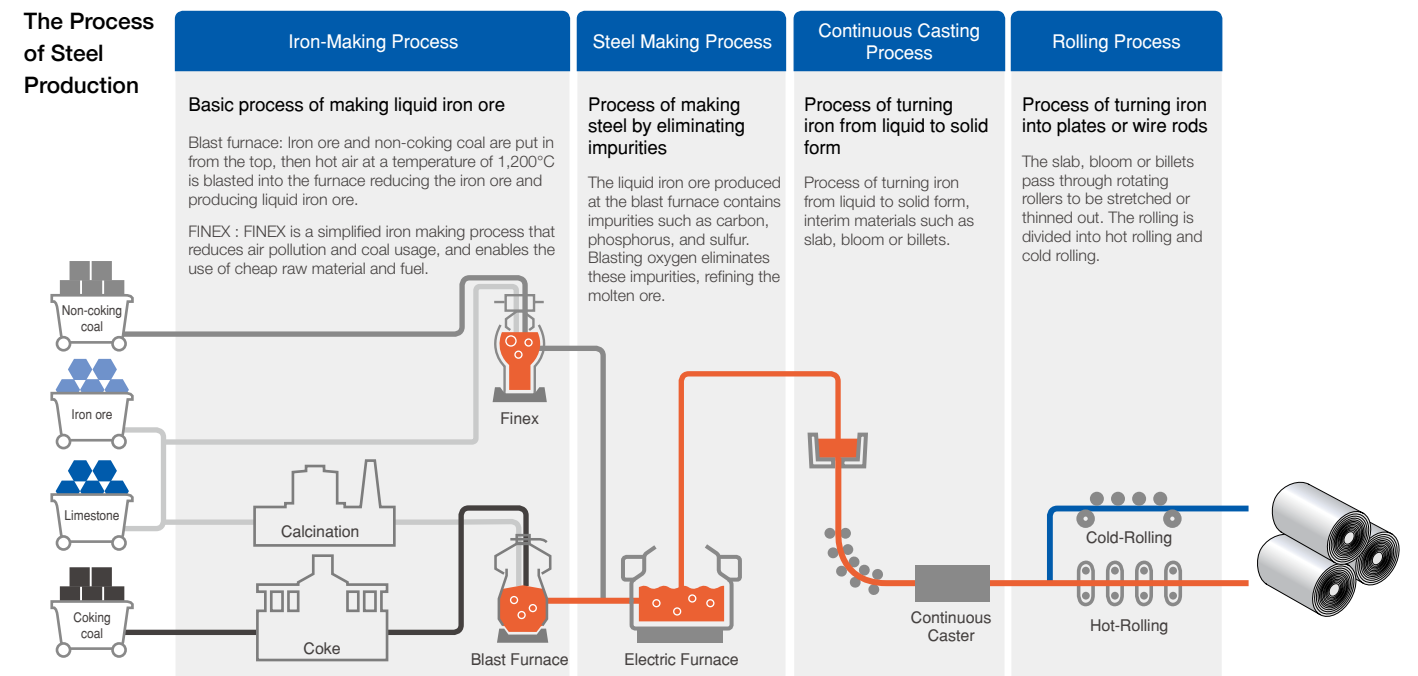
We are actively pursuing the development of engineering technologies. In addition to the high-speed Air Knife technology to improve productivity of finishing plates for automobiles and CEM rolling technology, POSCO is undertaking over 20 innovation projects to develop future original technologies.

* CEM (Compact Endless casting and rolling Mill): Integration of separate steel production processes of steel making, continuous casting, and rolling.

Technological Performance

Iron Making	Steelmaking	Rolling
 <ul style="list-style-type: none">• FINEX Commercialization Technology → Diversification of raw materials, cost reduction- Increase the injection of pulverized coal, successfully increased the proportion of thermal coal – conventionally not used for steel making - up to 30%- Started the construction of NO. 3 FINEX plant with annual production capacity of 2 million tons for the first time in the world : simplification of fluidized bed reactor design and differentiated technology is expected to increase production to cost, over 30%.	 <ul style="list-style-type: none">• Establishing high efficiency and greener steelmaking process and technology → Improving slab quality- Developing technology for the electric furnace to reduce T.Fe content and oxygen in the slag : solving the problem of production neck point and improving molten steel cleanliness- Completed the Pohang steel mill in March, 2011 : Increased production capacity of high value-added products such as tire cords and shipbuilding materials	 <ul style="list-style-type: none">• Improving production technology of high performance hot rolled steel products → Quality differentiation from competitors- Applying CEM* technology to improve and width control• Developed STS Endless Strip Cold-rolling low-cost/ high-gloss 430 manufacturing technology → Building the 750,000 ton production system for STS cold rolling products- Developed a continuous cold rolling technology in 2010: using 4 Stand Tandem Mill for the first time in the world in 2010- Developed a new process for 430 BA (TRM-ZRM-APP) in 2011
* Endless Strip Technology: After rolling slab, material for hot-rolled steel, a bar with 25 to 35mm thickness is formed, and then connecting two bars for the second rolling.		

The Process of Steel Production



New Growth Technology

Developing Technologies for New Growth

In 2011, POSCO selected a number of FFT(Family Flagship Technology) and WF/WB®(World First/World Best) new growth technologies and pursued technological development. As a result, POSCO successfully completed the development of 5 new growth pilot projects including the technology to extract lithium out of saltwater directly.

POSCO has been undertaking Genesis research assignments to develop new growth businesses for the next generation, and in 2011 conducted more than 100 tasks, through the 2nd and 3rd terms. POSCO is expanding the network of universities and research institutes at home and abroad and actively involving outside experts through forums, to check the direction of the projects and develop next-generation technologies in collaborative efforts.

Major Technological Achievements

New Nickel Smelting Technology



Nickel is gaining popularity as a secondary battery material and has been extracted from sulfide ores till now but as sulfide ore is scarce, there remains no economic way of acquiring nickel. POSCO developed a new process to smelt nickel through a pilot research project using hydrogen reduction. With this technology, POSCO is able to retrieve more than 90% of nickel from nickel oxidized ores.

Wide Magnesium Strip Casting



POSCO successfully developed the technology to cast 1,500 mm-wide magnesium sheets using Twin Roll Strip Casting and is currently working to cast magnesium sheets with 2,000 mm width. Once completed, this technology can be applied to automotive panels.

Offshore Wind Power Substructure



Construction of a substructure takes up about 40% of the total construction cost as turbines are getting larger and installed deeper in the sea. POSCO is working on the development of a new substructure to enhance economic efficiency and is conducting research for securing original technology related to a floating substructure for deep sea use.

Magnesium Smelting Vertical Heat-Reduction Process Technology



POSCO developed an eco-friendly technology to smelt magnesium using green energy and applying the heat-storage high-temperature air combustion technology. This technology is applied to the commercial facility with a capacity of 10,000 tons per annum in its first stage, to be completed in June 2012, in Okgye, Gangwon Province. It is expected to meet roughly 50% of the domestic demand (20,000 tons/ year), substituting exports.

Fuel Cell System for Buildings



A Solid Oxide Fuel Cell (SOFC) is a high-efficient and eco-friendly power generation technology, expected to be used in various fields from the heat-convergence system with tens-of-KW-level for a building to MW-level system for ships. POSCO secured the world's top technology in high-performance and wide-area cell manufacturing, a core technology of SOFC, and is currently developing cell stacks and systems.

Smart Industry : More Efficient Use of Energy



In 2010, POSCO introduced the new idea of "Smart Industry" in the Smart Grid sector for the first time in the world and implemented the smart factory at the POSCO Gwangyang Works oxygen plant, saving 3,030 million KRW in electric costs as of 2011. The "Smart Industry" is going to be expanded to more processes at the sites.

Extraction of Lithium from Salt Water



The conventional method of extracting Lithium, core material for secondary batteries, was problematic as it took longer to produce, retrieved less lithium, and was difficult to utilize byproducts, as it relies on a natural evaporation process. POSCO developed a world-first extraction technology, with manufacturing time decreased to one-twelfth of the existing method and high-purity lithium carbonate (with purity in excess of 99.9%) and a retrieval rate of more than 80%.

Also, the technology enables the utilization of other mineral resources to create the maximum value out of byproducts. R&D efforts are under way to prove the feasibility of commercial production and to complete a demo plant by 2012.

Synthetic Natural Gas Production and Process Technology Development



Synthetic Natural Gas (SNG) is a green energy source, made of the same components as natural gas through gasification of cheap coal at a high-temperature and high-pressure, refining it, followed by a methane synthesis. POSCO succeeded in developing a methane synthesis technology. Compared to the existing device, it has many advantages; simpler facilities, higher performance in thermal efficiency, and more effective catalyst technology, core component of the methane synthesis process. Once the SNG plant in Gwangyang is completed, it is expected to cut 150 billion KRW in cost annually.

To deliver SNG with a methane purity in excess of 98% POSCO Succeeds in Developing Core Technology in SNG, a key prerequisite for methane synthesis.

Industrial LED Lighting



POSCO has succeeded in developing the world-first LED lighting equipment specialized for industrial needs. LED lightings – currently under development – have high resistance against high temperature, humidity, and dust, common conditions in the industrial environment. They are also lighter, have a longer lifespan, and employs POSCO original technologies for greater heat-resistance and automatic periodical elimination of particles. In 2012, the 230W-level industrial lighting system is going to be applied to Pohang Works.

What results has POSCO achieved amid the global recession?

For all the management challenges due to the global recession, POSCO continued to pursue balanced growth within the POSCO group by increasing synergy effect in strategic businesses through cooperation with Subsidiaries and expanding our overseas operation. By focusing on joint-project with Subsidiaries, for example, E&C and ICT, or subsidiaries in the Energy sector, and increasing added values of the chemical industry using byproducts from the steel mill, the number of Subsidiaries with annual sales of 1 trillion KRW or higher increased to ten. The POSCO Family achieved 69 trillion KRW in consolidated sales and 5.4 trillion KRW in operating profits thanks to the Win-Win cooperation between Subsidiaries in various sectors; steel, E&C, ICT, trade, energy, chemistry / materials.

POSCO SS Rate of Strategic Products in Total Sales

(Unit : %)

2010(year) : 25.9

2011(year) 27.5 %

In the steel sector, POSCO sold 29.76 million tons of carbon steel and 1.69 million tons of stainless steel through increased capacity and differentiation of products. POSCO SS increased the proportion of strategic products in total sales, from 25.9% to 27.5% while achieving a record high operating profit through enhanced profitability of main products, while stainless steel wire rods and steel pipes saw productivity increase by 5.1% and 13.2%, respectively.

POSCO E&C and Daewoo International received 420 billion KRW in orders for the combined cycle power plant in the Middle East, while POSCO E&C and POSCO Engineering received 71.7 billion KRW in orders for metropolitan express railways. In addition, POSCO ICT and Daewoo International received orders for establishing an ERP system for a shipyard in Russia. Not only that, 7 POSCO Subsidiaries (POSCO Energy, POSCO E&C, POSCO Engineering, POSCO PlantEC, Daewoo International, POSCO ICT, and Sungjin Geotech) have had the honor to be selected as preferred companies for coal power plant development by Indonesian Independent Power Producers (IPP).

POSCO E&C, Construction Capability Evaluation

(in Korea) 4th

Ranking fourth in Korea, in the Construction Capability Evaluation announced by the Ministry of Land, Transport and Maritime Affairs, POSCO E&C achieved the highest number of orders in its history, including the construction project for a 4.3 billion KRW order for an integrated steel mill in Brazil. In the ICT sector, POSCO ICT entered the atomic power plant business with the launch of PONUtech in Aug. 2011 and started the operation of POSCO LED factory in March to lay the groundwork for new growth engines to lead future business.

Sales of POSCO Steel by Daewoo International

Increased 34% from the year earlier

3.27^{tons} million

Daewoo International, after completing the preliminary test of the 4 outlets for the Myanmar offshore gas field project, expects to start production in 2013. Also, Daewoo International increased the sales of POSCO steel products by 34% from the previous year, enhancing the synergy effect.

POSCO Energy completed the construction of No. 5 and 6 power plants (with a total capacity of 1,149MW) in Incheon in February and June in 2001, respectively, and started to build a 300MW power plant using byproduct gases in Pohang. On the global front, the company launched the construction project for another power plant in the integrated mill in Indonesia, and a power plant in Vietnam.

POSCO CHEMTECH jumped into the chemistry/materials industry to sign a joint needle coke venture with Mitsubishi, and completed a plant manufacturing anode materials for the secondary battery, expected to replace imported materials. POSCO M-TECH acquired RECO Metal, an urban mining company, in April and joined the venture project of high-purity alumina in November, paving the road for becoming a global leader in the materials industry.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
POSCO:

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

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

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

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

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

Seoul, Korea
April 25, 2012

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

The Board of Directors and Stockholders
POSCO:

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

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

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

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

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

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

Seoul, Korea
April 25, 2012

Consolidated Statements of Financial Position

As of December 31, 2011, 2010 and January 1, 2010

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

(in millions of Won)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Financial Position

As of December 31, 2011, 2010 and January 1, 2010

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

(in millions of Won)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2011 and 2010

	Notes	December 31, 2011	December 31, 2010
Revenue	26,36	68,938,725	47,887,255
Cost of sales	29	(59,823,850)	(39,722,461)
Gross profit		9,114,875	8,164,794
Selling and administrative expenses	27,29		
Administrative expenses		(2,048,264)	(1,500,370)
Selling expenses		(1,612,128)	(1,120,340)
		(3,660,392)	(2,620,710)
Other operating income	28	337,078	231,387
Other operating expenses	29	(383,459)	(341,951)
Operating profit		5,408,102	5,433,520
Non-operating income and expenses			
Share of profit of equity-accounted investees	10	50,569	182,657
Finance income	20,30	3,190,419	1,738,804
Finance costs	20,30	(3,866,695)	(2,087,858)
Profit before income tax		4,782,395	5,267,123
Income tax expense	31,36	(1,068,109)	(1,081,472)
Profit for the period	36	3,714,286	4,185,651
Other comprehensive income (loss), net of tax			
Capital adjustment arising from investments in equity-method investees		(11,240)	(40,877)
Net changes in fair value of available-for-sale investments		(1,231,758)	589,601
Foreign currency translation differences		1,666	183,190
Defined benefit plan actuarial losses		(30,577)	(152,125)
Total comprehensive income for the period, net of tax		2,442,377	4,765,440
Profit attributable to:			
Owners of the controlling company		3,648,136	4,105,623
Non-controlling interests		66,150	80,028
Profit for the period		3,714,286	4,185,651
Total comprehensive income attributable to:			
Owners of the controlling company		2,530,437	4,639,671
Non-controlling interests		(88,060)	125,769
Total comprehensive income for the period		2,442,377	4,765,440
Basic and diluted earnings per share	32	47,224	53,297

(in millions of Won except per share information)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

	Owners of the Controlling Company						Non-Controlling Interests	Total
	Share Capital	Capital Surplus	Reserves	Treasury Shares	Retained Earnings	Sub Total		
Balance as of January 1, 2010	482,403	1,199,666	833,806	(2,403,263)	32,567,352	32,679,964	653,717	33,333,681
Comprehensive income:								
Profit for the period	-	-	-	-	4,105,623	4,105,623	80,028	4,185,651
Net changes in accumulated comprehensive income (loss) of investments in associates, net of tax	-	-	(37,656)	-	-	(37,656)	(3,221)	(40,877)
Net changes in fair value of available-for-sale securities, net of tax	-	-	576,950	-	-	576,950	12,651	589,601
Foreign currency translation differences, net of tax	-	-	136,669	-	-	136,669	46,521	183,190
Defined benefit plan actuarial losses, net of tax	-	-	-	-	(141,914)	(141,914)	(10,211)	(152,125)
Total comprehensive income	-	-	675,963	-	3,963,709	4,639,672	125,768	4,765,440
Transactions with owners of the Company, recognized directly in equity:								
Year-end dividends	-	-	-	-	(500,714)	(500,714)	(16,580)	(517,294)
Interim dividends	-	-	-	-	(192,582)	(192,582)	-	(192,582)
Acquisition of subsidiaries	-	-	-	-	-	-	1,099,349	1,099,349
Changes in ownership interests in subsidiaries	-	(92,994)	-	-	-	(92,994)	23,510	(69,484)
Paid in capital increase of subsidiaries	-	-	-	-	-	-	79,683	79,683
Others	-	(5,111)	(2,481)	-	49,932	42,340	(3,966)	38,374
Total transactions with owners of the Company	-	(98,105)	(2,481)	-	(643,364)	(743,950)	1,181,996	438,046
Balance as of December 31, 2010	482,403	1,101,561	1,507,288	(2,403,263)	35,887,697	36,575,686	1,961,481	38,537,167

(in millions of Won)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

	Owners of the Controlling 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	1,507,288	(2,403,263)	35,887,697	36,575,686	1,961,481	38,537,167
Comprehensive income:								
Profit for the period	-	-	-	-	3,648,136	3,648,136	66,150	3,714,286
Net changes in accumulated comprehensive income (loss) of investments in associates, net of tax	-	-	(12,276)	-	-	(12,276)	1,036	(11,240)
Net changes in fair value of available-for-sale securities, net of tax	-	-	(1,227,050)	-	-	(1,227,050)	(4,708)	(1,231,758)
Foreign currency translation differences, net of tax	-	-	146,622	-	-	146,622	(144,956)	1,666
Defined benefit plan actuarial losses, net of tax	-	-	-	-	(24,995)	(24,995)	(5,582)	(30,577)
Total comprehensive income	-	-	(1,092,704)	-	3,623,141	2,530,437	(88,060)	2,442,377
Transactions with owners of the Company								
Year-end dividends	-	-	-	-	(577,747)	(577,747)	(16,831)	(594,578)
Interim dividends	-	-	-	-	(193,111)	(193,111)	-	(193,111)
Acquisition of subsidiaries	-	-	-	-	-	-	247,483	247,483
Changes in ownership interests in subsidiaries	-	(20,694)	-	-	-	(20,694)	(98,606)	(119,300)
Paid in capital increase of subsidiaries	-	-	-	-	-	-	365,249	365,249
Acquisition of treasury shares	-	-	-	(61,296)	-	(61,296)	-	(61,296)
Disposal of treasury shares	-	69,153	-	73,153	-	142,306	-	142,306
Others	-	432	(9,158)	-	(30,505)	(39,231)	2,854	(36,377)
Total transactions with owners of the Company	-	48,891	(9,158)	11,857	(801,363)	(749,773)	500,149	(249,624)
Balance as of December 31, 2011	482,403	1,150,452	405,426	(2,391,406)	38,709,475	38,356,350	2,373,570	40,729,920

(in millions of Won)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010

	Notes	December 31, 2011	December 31, 2010
Cash flows from operating activities			
Profit for the period		3,714,286	4,185,650
Adjustments for:			
Depreciation		2,118,626	2,942,137
Amortization		133,289	75,344
Impairment loss of property, plant and equipment and others		99,072	128,083
Loss on disposal of property, plant and equipment		60,550	83,494
Finance income		(1,734,280)	(879,110)
Finance costs		2,245,957	1,278,630
Income tax expense		1,068,109	1,081,472
Share of profit or loss of equity-accounted investees		(50,569)	(182,657)
Accrual of severance benefits		236,999	173,971
Bad debt expenses		45,477	60,266
Others		41,136	(143,715)
		4,264,366	4,617,915
Changes in operating assets and liabilities	36	(4,850,747)	(4,453,470)
Interest received		218,682	322,659
Interest paid		(745,111)	(480,020)
Dividends received		308,692	141,017
Income taxes paid		(1,218,602)	(751,746)
Net cash provided by operating activities		1,691,566	3,582,005
Cash flows from investing activities			
Disposal of short-term financial instruments		5,794,770	17,576,747
Decrease in loans		896,656	25,946
Disposal of available-for-sale investments		411,061	258,945
Disposal of other investment assets		-	27,257
Disposal of investments of equity-accounted investees		2,404	19,394
Disposal of property, plant and equipment		140,221	165,794
Disposal of intangible assets		55,899	4,964
Proceeds from disposal of business		-	6,747
Acquisition of short-term financial instruments		(4,556,340)	(14,546,301)
Increase in loans		(962,099)	(82,079)
Acquisition of available-for-sale investments		(322,046)	(561,030)
Acquisition of other investment assets		(450)	(310,154)
Acquisition of investments of equity-accounted investees		(740,971)	(914,491)
Acquisition of property, plant and equipment		(5,330,968)	(5,791,764)
Acquisition of intangible assets		(574,753)	(246,466)
Payment for acquisition of business, net of cash acquired		(437,464)	(3,079,899)
Other, net		107,214	531,569
Net cash used in investing activities		(5,516,866)	(6,914,821)

(in millions of Won)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010

	Notes	December 31, 2011	December 31, 2010
Cash flows from financing activities			
Proceeds from borrowings		7,068,322	4,367,193
Disposal of treasury shares		164,384	6,811
Proceeds from short-term borrowings		51,808	1,200,955
Repayment of borrowings		(1,746,487)	(882,477)
Acquisition of treasury shares		(61,296)	-
Payment of cash dividends		(770,858)	(693,296)
Other, net		194,012	588,575
Net cash provided by financing activities		4,899,885	4,587,761
Effect of exchange rate fluctuation on cash held		3,052	(6,959)
Net increase in cash and cash equivalents		1,077,637	1,247,986
Cash and cash equivalents at beginning of the period		3,521,045	2,273,059
Cash and cash equivalents at end of the period		4,598,682	3,521,045

See accompanying notes to consolidated financial statements. (in millions of Won)

Financial Information

For more details, please refer to the notes and the following URL.

- Korean

Financial Information and Audit Report_ <http://www.posco.co.kr/homepage/docs/kor2/jsp/irinfo/finacial/s91b5000010c.jsp>
Annual Report_ <http://dart.fss.or.kr/>
- English

Financial Information and Audit Report_ <http://www.posco.co.kr/homepage/docs/eng2/jsp/invest/news/s91b1010010L.jsp>
Form 20-F_ <http://www.sec.gov>
- Japanese

Financial Information and Audit Report_ <http://www.posco.co.kr/homepage/docs/jpn2/jsp/irinfo/finacial/s91g5010010c.jsp>
ASR_ https://www.release.tdnet.info/inbs/I_main_00.html

Global Networks

Overseas Subsidiaries with Management Rights (161 companies)

- POSCO America Corporation
POSCO Australia Pty. Ltd.
POSCO Canada Ltd.
POSCAN Elkveiw Coal Ltd.
POSCO Asia Co., Ltd.
Dalian POSCO Steel Co., Ltd
POSCO-CTPC Co., Ltd.
POSCO-JKPC Co., Ltd.
International Business Center Corporation
POSCO E&C Vietnam Co., Ltd.
Zhangjiagang Pohang Stainless Steel Co., Ltd.
Guangdong Pohang Coated Steel Co., Ltd.
POSCO (Thailand) Company Ltd.
Myanmar POSCO Steel Co., Ltd
POSCO-JOPC Co., Ltd.
POSCO Investment Co., Ltd.
POSCO-MKPC SDN BHD.
Qingdao Pohang Stainless Steel Co., Ltd.
POSCO (Suzhou) Automotive Processing Center Co., Ltd.
POSCO BioVentures L.P.
PT. POSNESIA
POSEC-Hawaii Inc.
POS-Qingdao Coil Center Co., Ltd.
POS-Ore Pty. Ltd.
POSCO-China Holding Corp.
POSCO-Japan Co., Ltd.
POS-CD Pty. Ltd.
POS-GC Pty. Ltd.
POSCO-India Private Ltd.
POS-India Pune Steel Processing Centre Pvt. Ltd.
POSCO-JNPC Co., Ltd.
POSCO-Foshan Steel Processing Center Co.,Ltd.
POSCO E&C (Beijing) Co., Ltd.
POSCO MPC S.A. de C.V.
Zhangjiagang Pohang Port Co., Ltd.
Qingdao Pujin Steel Material Co., Ltd
POSCO-Vietnam Co., Ltd.
POSCO-Mexico Co., Ltd.
POSCO-India Delhi Steel Processing Centre Pvt. Ltd
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd
POS-NP Pty. Ltd.
POSCO-Vietnam Processing Center Co., Ltd.
POSCO (Chongqing) Automotive Processing Center Co., Ltd.
Suzhou POS-CORE Technology Co., Ltd.
POSCO-JYPC Co., Ltd.
POSCO-Malaysia SDN. BHD.
POS-Minerals Corporation
POSCO (Wuhu) Automotive Processing Center Co., Ltd.
POSCO E&C India Private Ltd.
POSCO E&C SMART
POSCO-Philippine Manila Processing Center Inc.
Dalian POSCON Dongbang Automatic Co., Ltd.
SANPU TRADING CO.,LTD.
Zhangjiagang BLZ Pohang International Trading Co., Ltd.
POSCO Mexico Human Tech.
POSCO Mexico East Steel Distribution Center 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.
POS-ESDC
VECTUS Ltd.
Zeus(Cayman)
POSCO VST Co., Ltd.
POSCO Maharashtra Steel Pvt. Ltd.
POSCO India Chennai Steel Processing Centre Pvt. Ltd.
POSCO Turkey Nilufer Processing Center Co., Ltd.
POSCO Vietnam Ha Noi Processing Center Co., Ltd.
POSCO (Liaoning) Automotive Processing Center Co., Ltd.
POSCO-Indonesia Jakarta Processing Center
POSCO E&C Venezuela C.A
PT. MRI
POSCORE-INDIA
POSCO America Alabama Processing Center Co., Ltd.
PT. DEC Indonesia
- POSCO (Yantai) Automotive Processing Center Co.,Ltd.
POSCO India Steel Distribution Center Private Ltd.
POSCO China Dalian Plate Processing Center Co., Ltd.
POSCO South Asia
POSCO SS VINA
POSCO-NCR Coal Ltd.
POSCO WA Pty. Ltd.
POSCO E&C - UZ
POSCO Australia GP Limited
Daewoo International America Corp.
Daewoo International Deutschland GmbH
Daewoo International Japan Corp.
Daewoo International Singapore Pte. Ltd.
Daewoo Italia S.r.l.
Daewoo Cement (Shandong) Co., Ltd.
Daewoo (China) Co., Ltd.
PT. RISMAR Daewoo Apparel
Daewoo Textile Fergana LLC
Daewoo Textile Bukhara LLC
Daewoo International Australia Holdings Pty. Ltd.
Daewoo Paper Manufacturing Co., Ltd.
Tianjin DW. Paper
POSCO Mauritius Ltd.
PT. KRAKATAU STEEL POSCO
MYANMAR Daewoo LTD.
Dawwoo International MEXICO S.A. de C.V.
Daewoo International Guangzhou Corp.
Daewoo Energy Central Asia
Daewoo STC & Apparel Vietnam Ltd.
MYANMAR Daewoo International Ltd.
DAYTEK ELECTRONICS CORP.
Daewoo (M) SDN. BHD.
Daewoo CANADA LTD.
Daewoo EL SALVADOR S.A. DE C.V.
GEZIRA TANNERY CO., LTD.
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.
Daewoo International Corporation (M) SDN BHD
Daewoo International SHANGHAI CO., LTD.
PGSF, LLC
Xenesys Inc.
Daewoo International INDIA Private Ltd.
TECHREN Solar, LLC
PT. POSCO E&C Indonesia
Hume Coal Pty. Ltd.
Daewoo HANDELS GmbH
POSCO Foundation
EPC EQUITIES LLP
SANTOS CMI Construction Trading LLP
SANTOS CMI INC. USA
SANTOS CMI ENGENHARIA E OONSTRUCOES LTDA
SANTOS CMI PERU S.A.
SANTOS CMI COSTA RICA S.A.
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)
GENTECH International INC.
EPC INVESTMENTS C.V.
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.
ASESORIA Y SERVICIOS EPC S.A CHILE
SANTOS CMI S.A.
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.
VAUTIDAMERICAS S.A.
SANTOS CMI Construcciones Argentina S.A.
POSCO ASSAN JST STEEL Industry
HONG KONG POSCO E&O (CHINA) Investment Co., Ltd.
POSCO E&C Brazil Ltd.
POSCO Electrical Steel Injida Private Ltd.
Daewoo International Cameroon PLC.
POSCO Klappan Coal Ltd.
DAESAN (Cambodia) Co., Ltd.
Brazil Sao Paulo Steel Processing Center Co., Ltd
POSCO(Dalian) IT Center Development Co., Ltd.
PT.POSCO Resources Indonesia
PT. POSCO ICT Indonesia
PT. POSCO M-Tech Indonesia

- PT. KRAKATAU POSCOPOWER
POSCO RUS LLC.
POSCO Thainox Public Company Ltd.
Daewoo International Shanghai Waigaoqiao Co., Ltd.
PT. Bio Inti Agrindo
POSCO E&C Australia Pty Ltd.
POSCO-TISCO (Jilin) Processing Center Co., Ltd.
Hunchun POSCO Logistics Co., Ltd.
USA SRDC Corporaion
Daewoo International Vietnam Co., Ltd.

Domestic Subsidiaries with Management Rights (58 companies)

- POSCO E&C
POSCO P&S
POSCO C&C
POSCO PLANTEC
POSCO ICT
POSRI
SEUNGKWANG
POSCO A&C
POSCO SS
POSTECH Venture Capital Corporation
NtoB
POSCO CHEMTECH
POSCO Terminal
POSCO ENERGY
POStech Electric & Electronic Large and Small Corporation Win-win Fund
PHP
POSCO TMC
PNR
Mega Asset
POSCO Engineering
Pohang FuelCell Energy
Pohang SPFC
POSWITH
Business Industry
POSTECH BD Newundertaking fund
POSBRO
POSCO AST
Dae Myoung TMS
POSHimetal
POSCO E&E
POMIC
POSFINE
POSCO eco-housing
Mapo High Broad Parking)
Dacos
Gwangyang SPFC
POScalcium
Plant EST
Postech Early Stage Fund
Busan E&A
POSCO Family Strategy Fund
POREKA
SONGDO SE
POSGreen
DAEWOO International
POSCO LED
Gunsan SPFC
POSCO NST
Pohang SRDC
SUNCHEON ECO TRANCE
PSC Energy Global
BLUE O&M
POSCO M-TECH
Nine-Digit
Shinan Energy
RECO Metal
New Altec
PONUTech

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

1. General Information

General information about POSCO, its 58 domestic subsidiaries (“the Company”) including POSCO Engineering & Construction Co., Ltd., 161 foreign subsidiaries including POSCO America Corporation and its 91 associates are as follows:

(a) The controlling company

POSCO, the controlling company, was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea to manufacture and sell steel rolled products and plates in the domestic and foreign markets. The shares of POSCO have been listed on the Korea Exchange since 1988. POSCO owns and operates two steel plants (Pohang and Gwangyang) and one office in Korea and it also operates internationally through ten of its overseas liaison offices.

As of December 31, 2011, POSCO’s shareholders are as follows:

Share holder’s name	Number of shares	Ownership (%)
National Pension Service	5,937,323	6.81%
Nippon Steel Corporation (*1)	4,394,712	5.04%
SK Telecom Co., Ltd.	2,481,310	2.85%
Pohang University of Science and Technology	1,905,000	2.18%
Shinhan Financial Group Inc. [*2]	1,870,879	2.15%
Others	70,597,611	80.97%
	87,186,835	100.00%

(*1) Nippon Steel Corporation has American Depositary Receipts (ADRs), each of which represents 0.25 share of POSCO’s common share which has par value of (Won)5,000 per share.
(*2) I ncludes number of shares subsidiaries hold at the end of the reporting period under commercial law.

As of December 31, 2011, the shares of POSCO are listed on the Korea Exchange, while its depository receipts are listed on the New York, Tokyo and London Stock Exchanges.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(b) Consolidated subsidiaries

Details of consolidated subsidiaries as of December 31, 2011 and 2010 are as follows:

	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		Capital Surplus	Reserves	Treasury Shares	Retained Earnings	Sub-sidiaries	Sub Total	
[Domestic]								
POSCO E&C Co., Ltd.	Engineering and construction	89.53	-	89.53	89.53	-	89.53	Pohang
POSCO P&S Co., Ltd.	Steel sales and service	95.31	-	95.31	95.31	-	95.31	Seoul
POSCO Coated & Color Steel Co., Ltd.	Coated steel manufacturing	56.87	-	56.87	56.87	-	56.87	Pohang
POSCO Plant Engineering Co., Ltd.	Steel work maintenance and machinery installation	100.00	-	100.00	100.00	-	100.00	Pohang
POSCO ICT Co., Ltd.	Computer hardware and software distribution	72.54	-	72.54	72.54	-	72.54	Seongnam
POSCO Research Institute	Economic research and consulting	100.00	-	100.00	100.00	-	100.00	Seoul
Seoung Gwang Co., Ltd.	Athletic facilities operation	69.38	30.62	100.00	69.38	30.62	100.00	Suncheon
POSCO Architects & Consultants Co., Ltd.	Architecture and consulting	100.00	-	100.00	100.00	-	100.00	Seoul
POSCO Specialty Steel Co., Ltd.	Steel manu acturing and sales	100.00	-	100.00	100.00	-	100.00	Changwon
POSTECH Venture Capital Corp.	Investment in venture companies	95.00	-	95.00	95.00	-	95.00	Pohang
eNtoB Co., Ltd.	Electronic commerce	32.19	30.20	62.39	32.19	30.20	62.39	Seoul
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	Manufacturing and sales	60.00	-	60.00	60.00	-	60.00	Pohang
POSCO Terminal Co., Ltd.	Transporting and warehousing	51.00	-	51.00	51.00	-	51.00	Gwangyang
POSCO M-TECH Co., Ltd. (*1)	Packing materials manufacturing	48.85	-	48.85	-	-	-	Pohang
POSCO ENERGY Co., Ltd.	Generation of electricity	100.00	-	100.00	100.00	-	100.00	Seoul
Postech 2006 Energy Fund (*2)	Investment in new technologies	10.53	11.58	22.11	10.53	11.58	22.11	Seoul
PHP Co., Ltd.	Rental houses construction and management	-	100.00	100.00	-	100.00	100.00	Incheon
POSCO TMC Co., Ltd.	Component manufacturing	34.20	33.56	67.76	34.20	33.56	67.76	Cheonan
PNR Co., Ltd.	Steel manufacturing and sales	70.00	-	70.00	70.00	-	70.00	Pohang
Megaasset Co., Ltd.	Real estate rental and sales	-	100.00	100.00	-	100.00	100.00	Cheonan
POSCO Engineering Company (formerly Daewoo Engineering Company)	Construction and engineering service	-	94.14	94.14	-	92.26	92.26	Seongnam
Pohang Feul Cell Co. Ltd.	Generation of electricity	-	100.00	100.00	-	100.00	100.00	Pohang
Pohang SPFC Co., Ltd.	Steel manufacturing	-	90.00	90.00	-	90.00	90.00	Pohang
POSWITH Co., Ltd.	Industrial clearing service	100.00	-	100.00	100.00	-	100.00	Pohang
BASYS INDUSTRY Co., Ltd.	Panel board, electric and control panel manufacturing	-	65.00	65.00	-	65.00	65.00	Seongnam
POSTECH BD Newundertaking fund	Bio diesel industries	-	100.00	100.00	-	100.00	100.00	Pohang
POSBRO Co., Ltd.	Video game manufacturing	-	97.79	97.79	-	97.79	97.79	Seongnam

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		POSCO	Sub-sidiaries	Total	POSCO	Sub-sidiaries	Total	
[Domestic]								
POSCO AST Co., Ltd.	Steel manufacturing and sales	100.00	-	100.00	100.00	-	100.00	Ansan
DaiMyung TMS Co., Ltd.	Cold-rolling of stainless steel, nickel alloy	-	100.00	100.00	-	100.00	100.00	Siheung
POS-HiMETAL Co., Ltd.	Steel manufacturing and sales	65.00	-	65.00	65.00	-	65.00	Gwangyang
POSCO E&E Co., Ltd.	Handling & disposal of waste matter	-	100.00	100.00	-	100.00	100.00	Seoul
POMIC Co., Ltd.	Education services	-	100.00	100.00	-	100.00	100.00	Pohang
POSFINE Co., Ltd.	Non metallic minerals manufacturing	69.23	-	69.23	69.23	-	69.23	Gwangyang
POS ECO HOUSING Co., Ltd.	Construction	85.25	-	85.25	85.25	-	85.25	Pohang
Mapo high broad parking Co., Ltd.	Construction	-	71.00	71.00	-	67.00	67.00	Seoul
Dakos Co., Ltd.	Railway equipment manufacturing	-	81.00	81.00	-	81.00	81.00	Seongnam
Kwang Yang SPFC Co., Ltd.	Steel manufacturing	-	65.84	65.84	-	100.00	100.00	Gwangyang
POSCALCIUM Company, Ltd.	Non metallic minerals manufacturing	-	70.00	70.00	-	70.00	70.00	Pohang
Plant Engineering service Technology Co., Ltd.	Engineering service	-	100.00	100.00	-	100.00	100.00	Pohang
9Digit Co., Ltd.	Steel manufacturing	-	86.49	86.49	-	-	-	Incheon
Postech Early Stage Fund [*2]	Financial investment	-	10.00	10.00	-	10.00	10.00	Pohang
Busan E&E Co., Ltd.	Handling & disposal of waste matter	70.00	-	70.00	70.00	-	70.00	Busan
POSCO Family Strategy Funds	Financial investment	69.93	30.07	100.00	69.93	30.07	100.00	Pohang
POREKA Co., Ltd.	Advertising agency	100.00	-	100.00	100.00	-	100.00	Seoul
Songdo SE Co., Ltd.	Cleaning service	100.00	-	100.00	100.00	-	100.00	Incheon
Posgreen Co., Ltd.	Plastic manufacuring	-	60.00	60.00	-	60.00	60.00	Gwangyang
Daewoo International Corporation	Trading, energy & resource development	66.56	-	66.56	67.96	-	67.96	Seoul
POSCOLED Co., Ltd.	LED lightning	16.70	63.33	80.03	16.70	63.33	80.03	Seongnam
Gunsan SPFC Co., Ltd.	Steel manufacturing	-	70.09	70.09	-	100.00	100.00	Gunsan
POSCO NST Co., Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	100.00	Busan
Pohang Scrap Recycling Center Co., Ltd.	Steel manufacturing	-	51.00	51.00	-	51.00	51.00	Pohang
PSC energy global Co., Ltd.	Business service	-	100.00	100.00	-	-	-	Pohang
Suncheon Ecotrans Co., Ltd.	Train manufacturing & management	-	100.00	100.00	-	-	-	Suncheon
Shinan Energy Co., Ltd.	Manufacturing & management	-	100.00	100.00	-	-	-	Mokpo
Reco Metal Co., Ltd.	Steel manufacturing	-	88.58	88.58	-	-	-	Hwasung
NewAltec Co., Ltd.	Aluminum products manufacturing and sales	-	60.10	60.10	-	-	-	Incheon
PONUtech Co., Ltd.	Nuclear power generation design and repair service	-	100.00	100.00	-	-	-	Ulsan
BLUE O&M Co., Ltd	Service	-	100.00	100.00	-	-	-	Ulsan

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		POSCO	Sub-sidiaries	Total	POSCO	Sub-sidiaries	Total	
[Foreign]								
POSCO America Corporation	Steel trading	99.45	0.55	100.00	99.45	0.55	100.00	USA
POSCO Australia Pty. Ltd.	Iron ore sales & mine development	100.00	-	100.00	100.00	-	100.00	Australia
POSCO Canada Ltd.	Coal sales	-	100.00	100.00	-	100.00	100.00	Canada
POSCAN Elkveiw Coal Ltd.	Coal sales	-	100.00	100.00	-	100.00	100.00	Canada
POSCO Asia Co., Ltd.	Steel transit trading	100.00	-	100.00	100.00	-	100.00	HongKong
Dalian POSCO Steel Co., Ltd	Steel manufacturing	30.00	55.00	85.00	30.00	55.00	85.00	China
POSCO-CTPC Co., Ltd.	Steel manufacturing	56.60	43.40	100.00	56.60	43.40	100.00	China
POSCO-JKPC Co., Ltd.	Steel manufacturing	-	95.00	95.00	-	95.00	95.00	Japan
International Business Center Corporation	Leasing service	-	60.00	60.00	-	60.00	60.00	Vietnam
POSCO E&C Vietnam Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	Vietnam
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	58.60	23.88	82.48	58.60	23.88	82.48	China
Guangdong Pohang Coated Steel Co., Ltd.	Plating steel sheet manufacturing	84.52	10.01	94.53	89.35	6.11	95.46	China
POSCO (Thailand) Company Ltd.	Steel manufacturing	85.62	14.38	100.00	85.62	14.38	100.00	Thailand
Myanmar POSCO Steel Co., Ltd	Zinc relief manufacturing	70.00	-	70.00	70.00	-	70.00	Myanmar
POSCO-JOPC Co., Ltd.	Steel manufacturing	-	56.84	56.84	-	56.84	56.84	Japan
POSCO Investment Co., Ltd.	Financial services	100.00	-	100.00	100.00	-	100.00	HongKong
POSCO-MKPC SDN BHD.	Steel manufacturing	44.69	25.31	70.00	44.69	25.31	70.00	Malaysia
Qingdao Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	70.00	30.00	100.00	70.00	30.00	100.00	China
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China
POSCO BioVentures L.P.	Bio tech industry	-	100.00	100.00	-	100.00	100.00	USA
PT. POSNESIA	Steel manufacturing	70.00	-	70.00	70.00	-	70.00	Indonesia
POSCO E&C - Hawaii Inc.	Real estate industry	-	100.00	100.00	-	100.00	100.00	USA
POS-Qingdao Coil Center Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	China
POS-Ore Pty. Ltd.	Iron ore sales & mine development	-	100.00	100.00	-	100.00	100.00	Australia
POSCO-China Holding Corp.	A holding company	100.00	-	100.00	100.00	-	100.00	China
POSCO-Japan Co., Ltd.	Steel trading	100.00	-	100.00	100.00	-	100.00	Japan
POS-CD Pty. Ltd.	Coal sales	-	100.00	100.00	-	100.00	100.00	Australia
POS-GC Pty. Ltd.	Coal sales	-	100.00	100.00	-	100.00	100.00	Australia
POSCO-India Private Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	100.00	India
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	Steel manufacturing	65.00	-	65.00	65.00	-	65.00	India
POSCO-JNPC Co., Ltd.	Steel manufacturing	-	90.00	90.00	-	90.00	90.00	Japan
POSCO-Foshan Steel Processing Center Co., Ltd.	Steel manufacturing	39.60	60.40	100.00	39.60	60.40	100.00	China
POSCO E&C (China) Co., Ltd.	Construction and civil engineering	-	100.00	100.00	-	100.00	100.00	China

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		POSCO	Sub-sidiaries	Total	POSCO	Sub-sidiaries	Total	
[Foreign]								
POSCO MPC S.A. de C.V.	Steel manufacturing	-	90.00	90.00	-	90.00	90.00	Mexico
Zhangjigang Pohang Port Co., Ltd.	Load and unload industry	-	100.00	100.00	-	100.00	100.00	China
Qingdao Pujin Steel Material Co., Ltd	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	China
POSCO-Vietnam Co., Ltd.	Steel manufacturing	85.00	-	85.00	85.00	-	85.00	Vietnam
POSCO-Mexico Co., Ltd.	Mobile steel sheet manufacturing	80.68	19.32	100.00	84.67	15.33	100.00	Mexico
POSCO-India Delhi Steel Processing Centre Pvt. Ltd	Steel manufacturing	76.40	-	76.40	76.40	-	76.40	India
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd	Steel manufacturing	60.00	-	60.00	60.00	-	60.00	Poland
POS-NP Pty. Ltd.	Coal sales	-	100.00	100.00	-	100.00	100.00	Australia
POSCO-Vietnam Processing Center Co., Ltd.	Steel manufacturing	89.58	-	89.58	89.58	-	89.58	Vietnam
POSCO (Chongqing) Automotive Processing Center Co, Ltd.	Steel manufacturing	100.00	-	100.00	90.00	10.00	100.00	China
Suzhou POS-CORE Technology Co., Ltd.	Component manufacturing	-	100.00	100.00	-	100.00	100.00	China
POSCO-JYPC Co., Ltd.	Steel manufacturing	-	82.37	82.37	-	82.37	82.37	Japan
POSCO-Malaysia SDN. BHD.	Steel manufacturing	80.07	13.34	93.41	80.07	13.34	93.41	Malaysia
POS-Minerals Corporation	Mine development & sales	-	100.00	100.00	-	100.00	100.00	USA
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	Steel manufacturing	68.57	31.43	100.00	68.57	31.43	100.00	China
POSCO E&C India Private Ltd.	Construction and engineering	-	100.00	100.00	-	100.00	100.00	India
POSCO E&C SMART	Construction and engineering	-	100.00	100.00	-	100.00	100.00	Mexico
POSCO-Philippine Manila Processing Center Inc.	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	Philippines
Dalian POSCON Dongbang Automatic Co., Ltd.	Electrical control equipment manufacturing	-	70.00	70.00	-	70.00	70.00	China
SANPU TRADING CO., LTD.	Transit trade	-	70.04	70.04	-	70.04	70.04	China
Zhangjiagang BLZ Pohang International Trading Co., Ltd.	Steel transit trading	-	100.00	100.00	-	100.00	100.00	China
POSCO Mexico Human Tech.	Service	80.00	20.00	100.00	80.00	20.00	100.00	Mexico
POSCO Mexico East Steel Distribution Center Co., Ltd	Steel product sales	-	56.81	56.81	-	66.24	66.24	Mexico
POSCO Gulf Logistics LLC.	Steel product sales	-	-	-	-	100.00	100.00	UAE
POSCO ICT-China	IT service and DVR business	-	100.00	100.00	-	100.00	100.00	China
DWEMEX S.A.DE C.V.	Construction	-	99.00	99.00	-	99.00	99.00	Mexico
POS MPC Servicios de C.V.	Steel manufacturing	-	61.00	61.00	-	61.00	61.00	Mexico
EUROTALY S.A.	Lumber manufacturing & sales	98.00	-	98.00	98.00	-	98.00	Uruguay
POSCO South East Asia Pte. Ltd.	Steel transit trading	-	51.00	51.00	-	51.00	51.00	Singapore
Europe Steel Distribution Center	Steel product sales	50.00	20.00	70.00	50.00	20.00	70.00	Slovenia
VECTUS Ltd.	PRT test track construction	-	99.57	99.57	-	99.57	99.57	England

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		POSCO	Sub-sidiaries	Total	POSCO	Sub-sidiaries	Total	
[Foreign]								
Zeus (Cayman)	Service	100.00	-	100.00	100.00	-	100.00	Island
POSCO VST Co., Ltd.	Stainless steel manufacturing	95.65	-	95.65	92.97	-	92.97	Vietnam
POSCO Maharashtra Steel Pvt. Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	100.00	India
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	100.00	India
POSCO Turkey Nilufer Processing Center Co., Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	100.00	Turkey
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	Steel manufacturing	70.00	-	70.00	70.00	-	70.00	Vietnam
POSCO (Liaoning) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China
POSCO-Indonesia Jakarta Processing Center	Steel manufacturing	65.00	20.00	85.00	65.00	20.00	85.00	Indonesia
POSCO E&C Venezuela C.A	Construction and engineering	-	100.00	100.00	-	100.00	100.00	Venezuela
PT. MRI.	Mine development	65.00	-	65.00	65.00	-	65.00	Indonesia
POSCORE-INDIA	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	India
POSCO America Alabama Processing Center Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	USA
PT DEC Indonesia	Construction	-	95.00	95.00	-	95.00	95.00	Indonesia
POSCO (Yantai) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China
POSCO India Steel Distribution Center Private Ltd.	Steel logistics	-	100.00	100.00	-	100.00	100.00	India
POSCO China Dalian Plate Processing Center Co., Ltd.	Steel manufacturing	80.00	10.00	90.00	80.00	10.00	90.00	China
POSCO-South Asia Co., Ltd.	Steel product sales	100.00	-	100.00	100.00	-	100.00	Thailand
POSCO SS-VINA Co., LTD	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	Vietnam
POSCO-NCR Coal Ltd.	Coal sales	-	100.00	100.0	-	100.00	100.00	Canada
POSCO WA Pty. Ltd.	Iron ore sales & mine development	100.00	-	100.00	100.00	-	100.00	Australia
POSCO E&C - UZ	Construction	-	100.00	100.00	-	100.00	100.00	Uzbekistan
POSCO Australia GP Limited	Resource development	-	100.00	100.00	-	100.00	100.00	Australia
Daewoo International America Corp.	Trading business	-	100.00	100.00	-	100.00	100.00	USA
Daewoo International Deutschland GmbH	Trading business	-	100.00	100.00	-	100.00	100.00	Germany
Daewoo International Japan Corp.	Trading business	-	100.00	100.00	-	100.00	100.00	Japan
Daewoo International Singapore Pte. Ltd.	Trading business	-	100.00	100.00	-	100.00	100.00	Singapore
Daewoo Italia S.r.l.	Trading business	-	100.00	100.00	-	100.00	100.00	Italia
Daewoo Cement (Shandong) Co., Ltd.	Cement manufacturing	-	100.00	100.00	-	100.00	100.00	China
Daewoo (China) Co., Ltd.	Trading business	-	100.00	100.00	-	100.00	100.00	China
PT. RISMAR Daewoo Apparel	Clothing business	-	100.00	100.00	-	100.00	100.00	Indonesia

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For the years ended December 31, 2011 and 2010

	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		POSCO	Sub-sidiaries	Total	POSCO	Sub-sidiaries	Total	
[Foreign]								
Daewoo Textile Fergana LLC	Textile manufacturing	-	100.00	100.00	-	100.00	100.00	Uzbekistan
Daewoo Textile Bukhara LLC	Textile manufacturing	-	100.00	100.00	-	100.00	100.00	Uzbekistan
Daewoo International Australia Holdings Pty. Ltd.	Resource development	-	100.00	100.00	-	100.00	100.00	Australia
Daewoo Paper Manufacturing Co., Ltd.	Paper industry	-	66.70	66.70	-	66.70	66.70	China
Tianjin Daewoo. Paper Co., Ltd	Paper industry	-	68.00	68.00	-	68.00	68.00	China
POSCO Mauritius Ltd.	Mine development & sales	-	100.00	100.00	-	100.00	100.00	Mauritius
PT. KRAKATAU STEEL POSCO	Steel manufacturing	70.00	-	70.00	70.00	-	70.00	Indonesia
MYANMAR Daewoo LTD.	Trading business	-	100.00	100.00	-	100.00	100.00	Myanmar
Dawwoo International MEXICO S.A. de C.V.	Trading business	-	100.00	100.00	-	100.00	100.00	Mexico
Daewoo International Guangzhou Corp.	Trading business	-	100.00	100.00	-	100.00	100.00	China
Daewoo Energy Central Asia	Resource development	-	100.00	100.00	-	100.00	100.00	Uzbekistan
Daewoo STC & Apparel Vietnam Ltd.	Textile manufacturing	-	100.00	100.00	-	100.00	100.00	Vietnam
MYANMAR Daewoo International Ltd.	Textile manufacturing	-	55.00	55.00	-	55.00	55.00	Myanmar
DAYTEK ELECTRONICS CORP.	Trading business	-	100.00	100.00	-	100.00	100.00	Canada
Daewoo (M) SDN. BHD.	Trading business	-	100.00	100.00	-	100.00	100.00	Malaysia
Daewoo CANADA LTD.	Trading business	-	100.00	100.00	-	100.00	100.00	Canada
Daewoo EL SALVADOR S.A. DE C.V.	Trading business	-	88.00	88.00	-	88.00	88.00	El Salvador
GEZIRA TANNERY CO., LTD.	Leather manufacturing	-	60.00	60.00	-	60.00	60.00	Sudan
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	China
Daewoo International Corporation (M) SDN BHD	Trading business	-	100.00	100.00	-	100.00	100.00	Malaysia
Daewoo International SHANGHAI CO., LTD.	Trading business	-	100.00	100.00	-	100.00	100.00	China
PGSF, LLC	Bio tech Industry	-	100.00	100.00	-	100.00	100.00	USA
Xenesys Inc.	Power generation equipment manufacturing	29.58	21.36	50.94	29.58	21.36	50.94	Japan
Daewoo International INDIA Private Ltd.	Trading business	-	100.00	100.00	-	100.00	100.00	India
TECHREN Solar, LLC	Electrical Industry	-	99.97	99.97	-	99.97	99.97	USA
PT. POSCO E&C Indonesia	Construction	-	100.00	100.00	-	100.00	100.00	Indonesia
Hume Coal Pty. Ltd.	Raw material manufacturing	-	70.00	70.00	-	70.00	70.00	Australia
Daewoo HANDELS GmbH	Trading business	-	100.00	100.00	-	100.00	100.00	Germany
POSCO Foundation	Non-profit charitable organization	-	100.00	100.00	-	100.00	100.00	India
EPC EQUITIES LLP	Construction	-	70.00	70.00	-	-	-	England
SANTOS CMI Construction Trading LLP	Construction	-	99.90	99.90	-	-	-	England
SANTOS CMI INC. USA	Construction	-	100.00	100.00	-	-	-	USA

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		POSCO	Sub-sidiaries	Total	POSCO	Sub-sidiaries	Total	
[Foreign]								
SANTOS CMI ENGENHARIA E CONSTRUÇOES LTDA	Construction	-	99.98	99.98	-	-	-	Brazil
SANTOS CMI PERU S.A.	Construction	-	99.99	99.99	-	-	-	Peru
SANTOS CMI COSTA RICA S.A.	Construction	-	100.00	100.00	-	-	-	Costa Rica
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)	Construction	-	100.00	100.00	-	-	-	Uruguay
GENTECH International INC.	Construction	-	90.00	90.00	-	-	-	Panama
EPC INVESTMENTS C.V.	Construction	-	99.99	99.99	-	-	-	Netherlands
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.	Construction	-	99.90	99.90	-	-	-	Ecuador
ASESORIA Y SERVICIOS EPC S.A CHILE	Construction	-	99.00	99.00	-	-	-	Chile
SANTOS CMI S.A.	Construction	-	70.00	70.00	-	-	-	Ecuador
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	Construction	-	99.00	99.00	-	-	-	Chile
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)	Construction	-	99.00	99.00	-	-	-	Mexico
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.	Construction	-	90.00	90.00	-	-	-	Ecuador
VAUTIDAMERICAS S.A.	Construction	-	51.00	51.00	-	-	-	Ecuador
SANTOS CMI Construccions Argentina S.A.	Construction	-	95.00	95.00	-	-	-	Argentina
POSCO E&C Brazil Ltd.	Construction	-	100.00	100.00	-	-	-	Brazil
POSCO Electrical Steel Inida Private Limited	Electrical Steel Manufacturing	100.00	-	100.00	-	-	-	India
Daewoo International Cameroon PLC	Resource Development	-	100.00	100.00	-	-	-	Cameroon
POSCO ASSAN TST STEEL Industry	Resource Development	60.00	10.00	70.00	-	-	-	Turkey
HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	Investment	-	100.00	100.00	-	-	-	HongKong
POSCO Klappan Coal Ltd.	Coal sales	-	100.00	100.00	-	-	-	Canada
DAESAN (Cambodia) Co., Ltd.	Investment	-	100.00	100.00	-	-	-	Cambodia
Brazil Sao Paulo Steel Processing Center Co., Ltd	Steel manufacturing	-	76.00	76.00	-	-	-	Brazil
POSCO (Dalian) IT Center Development Co., Ltd.	Investment	-	100.00	100.00	-	-	-	China
PT.POSCO Resources Indonesia	Mine development	100.00	-	100.00	-	-	-	Indonesia
PT. POSCO ICT Indonesia	IT service and Electric Control Engineering	-	100.00	100.00	-	-	-	Indonesia
PT. POSCO M-Tech Indonesia	Steel manufacturing	-	100.00	100.00	-	-	-	Indonesia
PT. KRAKATAU POSCOPOWER	manufacturing & management	-	70.00	70.00	-	-	-	Indonesia
POSCO RUS LLC.	Trading business	90.00	10.00	100.00	-	-	-	Russia
POSCO Thainox Co., Ltd.	Steel manufacturing	94.93	-	94.93	-	-	-	Thailand

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		POSCO	Sub-sidiaries	Total	POSCO	Sub-sidiaries	Total	
[Foreign]								
Daewoo International Shanghai Waigaoqiao Co., Ltd.	Merchandising trade	-	100.00	100.00	-	-	-	China
PT. Bio Inti Agrindo	Forest resources Development	-	85.00	85.00	-	-	-	Indonesia
POSCO E&C Australia Pty Ltd.	Iron ore sales	-	100.00	100.00	-	-	-	Australia
POSCO-TISCO (Jilin) Processing Center Co., Ltd.	Steel manufacturing	73.53	14.71	88.24	-	-	-	China
Hunchun POSCO Logistics Co., Ltd.	Logistics	-	80.00	80.00	-	-	-	China
USA SRDC Corporation	Scrap sale	-	100.00	100.00	-	-	-	USA
Daewoo International Vietnam Co., Ltd.	Trading business	-	100.00	100.00	-	-	-	Vietnam

[*1] In 2011, this company was included as a subsidiary as the Company has the power over more than half of the voting rights by virtue of an agreement with Postech, which has 4.72% of ownership.

[*2] These subsidiaries are included in the consolidated financial statements as the controlling company has control over them in consideration of the board of directors' composition and others.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(c) Summarized financial information of subsidiaries as of December 31, 2011 and 2010 are as follows:
1) December 31, 2011

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
POSCO E&C Co., Ltd.	6,819,542	4,260,627	2,558,915	6,142,026	109,921
POSCO P&S Co., Ltd.	1,017,070	472,175	544,895	3,141,999	19,234
POSCO Coated & Color Steel Co., Ltd.	521,471	297,947	223,524	956,179	[24,713]
POSCO Plant Engineering Co., Ltd.	208,084	117,629	90,455	597,508	6,758
POSCO ICT Co., Ltd.	687,657	446,640	241,017	983,649	30,578
POSCO Research Institute	29,320	6,304	23,016	30,844	216
Seoung Gwang Co., Ltd.	82,671	34,868	47,803	14,652	2,522
POSCO Architects & Consultants Co., Ltd.	93,268	40,458	52,810	196,794	7,236
POSCO Specialty Steel Co., Ltd.	1,582,832	691,581	891,251	1,662,896	127,573
POSTECH Venture Capital Corp.	34,222	1,094	33,128	-	1,041
eNtoB Co., Ltd.	99,382	69,607	29,775	634,830	1,249
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	479,615	152,416	327,199	1,186,623	92,391
POSCO Terminal Co., Ltd.	96,806	15,145	81,661	100,710	22,955
POSCO M-TECH Co., Ltd.	316,953	153,876	163,077	602,155	12,447
POSCO ENERGY Co., Ltd. (formerly, POSCO Power Corp.)	2,891,382	2,327,398	563,984	1,863,670	25,152
Postech 2006 Energy Fund	21,662	1,042	20,620	-	[202]
PHP Co., Ltd.	66,461	58,521	7,940	4,456	483
POSCO TMC Co., Ltd.	204,738	113,595	91,143	219,580	5,746
PNR Co., Ltd.	159,076	129,198	29,878	74,013	13,366
Megaasset Co., Ltd.	23,757	9,354	14,403	63,667	5,794
POSCO Engineering Company (formerly Daewoo Engineering Company)	508,290	341,946	166,344	980,340	3,225
Pohang Feul Cell Co. Ltd.	12,061	8,592	3,469	2,235	[286]
Pohang SPFC Co., Ltd.	10,021	4,221	5,800	38,117	1,170
POSWITH Co., Ltd.	5,129	2,460	2,669	13,745	151
BASYS INDUSTRY Co., Ltd.	967	266	701	2,500	369
POSTECH BD Newundertaking fund	90	-	90	-	[1]
POSBRO Co., Ltd.	126	-	126	-	[54]
POSCO AST Co., Ltd.	316,695	163,548	153,147	365,682	4,972
DaiMyung TMS Co., Ltd.	28,350	52,497	[24,147]	6,265	[3,695]
POS-HIMETAL Co., Ltd.	309,369	268,788	40,581	34,682	[28,857]
POSCO E&E Co., Ltd.	22,435	127	22,308	-	508
POMIC Co., Ltd.	4,411	2,431	1,980	21,111	317
POSFINE Co., Ltd.	62,775	48,146	14,629	2,285	[3,847]
POS ECO HOUSING Co., Ltd.	8,190	1,846	6,344	13,629	265
Mapo high broad parking Co., Ltd.	1,676	110	1,566	-	[355]
Dakos Co., Ltd.	783	321	462	225	[58]
Kwang Yang SPFC Co., Ltd.	68,279	52,806	15,473	4,686	[2,156]

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
POSCALCIUM Company, Ltd.	8,403	7,004	1,399	106	(1,353)
Plant Engineering service Technology Co., Ltd.	2,327	500	1,827	6,259	354
9Digit Co., Ltd.	33,820	27,091	6,729	58,341	(308)
Postech Early Stage Fund	10,034	65	9,969	-	(31)
Busan E&E Co., Ltd.	44,731	1,687	43,044	-	127
POSCO Family Strategy Funds	57,678	250	57,428	-	290
POREKA Co., Ltd.	15,131	12,880	2,251	20,785	1,158
Songdo SE Co., Ltd.	1,652	282	1,370	2,761	77
Posgreen Co., Ltd.	8,225	4,280	3,945	2,944	(33)
Daewoo International Corporation	7,823,738	6,302,994	1,520,744	18,758,511	160,088
POSCOLED Co., Ltd.	28,717	5,917	22,800	14,063	(5,355)
Gunsan SPFC Co., Ltd.	51,483	30,673	20,810	53,797	(236)
POSCO NST Co., Ltd.	158,470	121,493	36,977	202,334	(803)
Pohang Scrap Recycling Center Co., Ltd.	17,842	2,863	14,979	1,748	143
PSC energy global Co., Ltd.	38,780	-	38,780	-	(1,595)
Suncheon Ecotrans Co., Ltd.	25,526	2,878	22,648	-	48
Shinan Energy Co., Ltd.	8,494	-	8,494	-	(56)
Reco Metal Co., Ltd.	15,043	13,280	1,763	6,761	(2,658)
NewAltec Co., Ltd.	114,744	17,171	97,573	92,849	638
PONUTech Co., Ltd.	9,919	182	9,737	-	(263)
BLUE O&M Co., Ltd	988	-	988	-	(12)
[Foreign]					
POSCO America Corporation	416,078	223,968	192,110	419,258	8,866
POSCO Australia Pty. Ltd.	1,161,366	462,383	698,983	136,144	283,875
POSCO Canada Ltd.	565,424	82,867	482,557	304,274	133,660
POSCO Asia Co., Ltd.	540,685	504,059	36,626	2,968,097	6,523
Dalian POSCO Steel Co., Ltd	49,104	58,254	(9,150)	90,990	(8,711)
POSCO-CTPC Co., Ltd.	84,966	52,546	32,420	134,930	1,320
POSCO-JKPC Co., Ltd.	93,668	75,512	18,156	87,203	1,405
International Business Center Corporation	90,577	51,831	38,746	25,889	11,655
POSCO E&C Vietnam Co., Ltd.	77,583	77,679	[96]	114,350	6,670
Zhangjiagang Pohang Stainless Steel Co., Ltd.	1,569,551	986,798	582,753	2,808,722	4,444
Guangdong Pohang Coated Steel Co., Ltd.	394,452	163,785	230,667	275,521	(7,849)
POSCO (Thailand) Company Ltd.	140,260	98,044	42,216	231,144	1,227
Myanmar POSCO Steel Co., Ltd	27,519	9,580	17,939	30,967	5,885
POSCO-JOPC Co., Ltd.	80,896	76,118	4,778	92,296	768
POSCO Investment Co., Ltd.	787,069	688,482	98,587	10,792	10,509
POSCO-MKPC SDN BHD.	165,789	116,928	48,861	177,822	1,763
Qingdao Pohang Stainless Steel Co., Ltd.	268,411	155,877	112,534	615,532	(3,110)
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	305,690	220,468	85,222	384,705	11,046
POSCO BioVentures L.P.	16,851	-	16,851	-	(4,226)
PT. POSNESIA	14,129	20	14,109	-	(28)

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Foreign]					
POSCO E&C - Hawaii Inc.	914	503	411	-	(304)
POS-Qingdao Coil Center Co., Ltd.	56,062	40,314	15,748	117,470	65
POS-Ore Pty. Ltd.	75,312	66,851	8,461	250,347	132,737
POSCO-China Holding Corp.	427,447	160,423	267,024	173,639	3,617
POSCO-Japan Co., Ltd.	1,157,755	1,017,990	139,765	1,686,385	13,518
POS-CD Pty. Ltd.	72,582	68,030	4,552	22,575	557
POS-GC Pty. Ltd.	79,517	32,397	47,120	10,263	(4,344)
POSCO-India Private Ltd.	147,359	421	146,938	-	(1,034)
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	168,309	145,655	22,654	211,417	(16,626)
POSCO-JNPC Co., Ltd.	192,177	176,268	15,909	207,654	716
POSCO-Foshan Steel Processing Center Co., Ltd.	178,488	135,213	43,275	529,788	227
POSCO E&C (China) Co., Ltd.	120,135	82,361	37,774	104,055	1,898
POSCO MPC S.A. de C.V.	192,538	182,180	10,358	316,446	(6,587)
Zhangjigang Pohang Port Co., Ltd.	26,801	11,327	15,474	6,244	222
Qingdao Pujin Steel Material Co., Ltd	14,209	11,997	2,212	79,732	13
POSCO-Vietnam Co., Ltd.	659,931	576,657	83,274	962,490	(46,976)
POSCO-Mexico Co., Ltd.	488,782	422,155	66,627	396,897	(43,298)
POSC O-China Holding Corp.	427,447	160,423	267,024	173,639	3,617
POSCO-Japan Co., Ltd.	1,157,755	1,017,990	139,765	1,686,385	13,518
POS-CD Pty. Ltd.	72,582	68,030	4,552	22,575	557
POS-GC Pty. Ltd.	79,517	32,397	47,120	10,263	(4,344)
POSCO-India Private Ltd.	147,359	421	146,938	-	(1,034)
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	168,309	145,655	22,654	211,417	(16,626)
POSCO-JNPC Co., Ltd.	192,177	176,268	15,909	207,654	716
POSCO-Foshan Steel Processing Center Co., Ltd.	178,488	135,213	43,275	529,788	227
POSCO E&C (China) Co., Ltd.	120,135	82,361	37,774	104,055	1,898
POSCO MPC S.A. de C.V.	192,538	182,180	10,358	316,446	(6,587)
Zhangjigang Pohang Port Co., Ltd.	26,801	11,327	15,474	6,244	222
Qingdao Pujin Steel Material Co., Ltd	14,209	11,997	2,212	79,732	13
POSCO-Vietnam Co., Ltd.	659,931	576,657	83,274	962,490	(46,976)
POSCO-Mexico Co., Ltd.	488,782	422,155	66,627	396,897	(43,298)
POSCO-India Delhi Steel Processing Centre Pvt. Ltd	85,349	75,582	9,767	129,434	(9,824)
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd	62,709	49,981	12,728	71,871	(1,483)
POS-NP Pty. Ltd.	57,890	15,003	42,887	48,404	9,480
POSCO-Vietnam Processing Center Co., Ltd.	71,203	50,417	20,786	159,369	26
POSCO (Chongqing) Automotive Processing Center Co, Ltd.	69,253	59,468	9,785	62,795	(1,622)
Suzhou POS-CORE Technology Co., Ltd.	60,082	33,980	26,102	96,008	781
POSCO-JYPC Co., Ltd.	67,587	64,165	3,422	102,700	781
POSCO-Malaysia SDN. BHD.	88,635	112,566	(23,931)	140,709	(4,114)
POS-Minerals Corporation	113,694	-	113,694	-	(808)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	69,613	45,766	23,847	92,554	618
POSCO E&C India Private Ltd.	35,982	31,304	4,678	4,966	1,135

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Foreign]					
POSCO E&C SMART	4,670	4,034	636	4,421	135
POSCO-Philippine Manila Processing Center Inc.	27,412	17,492	9,920	45,680	266
Dalian POSCON Dongbang Automatic Co., Ltd.	8,083	2,996	5,087	5,104	382
SANPU TRADING CO., LTD.	1,842	5	1,837	73	3
Zhangjiagang BLZ Pohang International Trading Co., Ltd.	15,720	10,881	4,839	100,833	116
POSCO Mexico Human Tech.	787	481	306	5,378	221
POSCO Mexico East Steel Distribution Center Co., Ltd	13,186	1,353	11,833	5,638	110
POSCO ICT-China	1,737	1,294	443	4,920	114
DWEMEX S.A.DE C.V.	226	62	164	2	(29)
POS MPC Servicios de C.V.	667	458	209	4,902	90
EUROTALY S.A.	16,733	127	16,606	24	(898)
POSCO South East Asia Pte. Ltd.	5,232	2,633	2,599	62,235	256
Europe Steel Distribution Center	6,775	991	5,784	13,354	322
VECTUS Ltd.	3,066	5,126	(2,060)	3,560	(1,530)
POSCO VST Co., Ltd.	356,484	268,005	88,479	264,616	(10,669)
POSCO Maharashtra Steel Pvt. Ltd.	372,434	149,442	222,992	44	2,036
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	89,782	80,514	9,268	134,409	(3,232)
POSCO Turkey Nilufer Processing Center Co., Ltd.	49,588	40,578	9,010	38,729	(3,971)
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	47,931	40,500	7,431	55,239	902
POSCO (Liaoning) Automotive Processing Center Co., Ltd.	84,315	61,131	23,184	117,395	3,267
POSCO-Indonesia Jakarta Processing Center	62,550	55,069	7,481	64,597	216
POSCO E&C Venezuela C.A	138	-	138	-	-
PT. MRI	12,251	17,626	(5,375)	458	(3,854)
POSCORE-INDIA	10,917	8,446	2,471	15,186	(48)
POSCO America Alabama Processing Center Co., Ltd.	63,014	50,007	13,007	85,381	(858)
PT DEC Indonesia	4,577	4,752	(175)	13,962	(267)
POSCO (Yantai) Automotive Processing Center Co., Ltd.	40,586	24,355	16,231	32,301	172
POSCO India Steel Distribution Center Private Ltd.	5,224	2,204	3,020	786	(427)
POSCO China Dalian Plate Processing Center Co., Ltd.	106,525	65,888	40,637	66,113	(165)
POSCO-South Asia Co., Ltd.	13,703	199	13,504	8,015	1,039
POSCO SS-VINA Co., LTD	74,438	409	74,029	-	(1,122)
POSCO WA Pty. Ltd.	212,984	9	212,975	-	(33,142)
POSCO E&C - UZ	2,279	1,789	490	2,046	104
POSCO Australia GP Limited	97,196	5	97,191	-	(8)
Daewoo International America Corp.	283,653	241,259	42,394	984,378	5,372
Daewoo International Deutschland GmbH	115,256	105,288	9,968	482,585	314
Daewoo International Japan Corp.	245,086	236,533	8,553	804,864	981
Daewoo International Singapore Pte. Ltd.	43,647	38,982	4,665	902,315	481
Daewoo Italia S.r.l.	63,859	60,247	3,612	361,821	145
Daewoo Cement (Shandong) Co., Ltd.	221,807	291,000	(69,193)	133,502	20,361
Daewoo (China) Co., Ltd.	150,079	101,449	48,630	54,521	726
PT. RISMAR Daewoo Apparel	17,767	18,417	(650)	58,182	1,246

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Foreign]					
Daewoo Textile Fergana LLC	64,437	65,968	(1,531)	132,866	(11,994)
Daewoo Textile Bukhara LLC	51,939	49,630	2,309	51,312	(11,500)
Daewoo International Australia Holdings Pty. Ltd.	151,462	12,964	138,498	1,935	199
Daewoo Paper Manufacturing Co., Ltd.	76,855	72,385	4,470	76,632	(5,210)
Tianjin Daewoo. Paper Co., Ltd	14,589	33,029	(18,440)	-	-
POSCO Mauritius Ltd.	24,648	2,839	21,809	-	(22)
PT. KRAKATAU STEEL POSCO	819,899	44,918	774,981	-	(2,385)
MYANMAR Daewoo LTD.	6,030	41	5,989	1,373	152
Dawwoo International MEXICO S.A. de C.V.	68,030	64,189	3,841	240,448	299
Daewoo International Guangzhou Corp.	7,666	7,473	193	61,554	(1,265)
Daewoo Energy Central Asia	15,571	322	15,249	-	-
Daewoo STC & Apparel Vietnam Ltd.	3,848	1,313	2,535	9,435	94
MYANMAR Daewoo International Ltd.	7,651	2,240	5,411	11,947	759
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.	63,505	51,088	12,417	67,175	15
Daewoo International Corporation (M) SDN BHD	8,831	6,469	2,362	21,190	157
Daewoo International SHANGHAI CO., LTD.	63,694	52,656	11,038	91,541	1,286
PGSF, LLC	3,138	1	3,137	-	280
Xenesys Inc.	11,804	240	11,564	2,494	(3,865)
Daewoo International INDIA Private Ltd.	3,285	1,277	2,008	3,343	69
TECHREN Solar, LLC	5,184	-	5,184	-	(506)
PT. POSCO E&C Indonesia	37,495	34,094	3,401	46,665	2,114
Hume Coal Pty. Ltd.	24,316	2,499	21,817	-	(9)
POSCO Foundation	213	3	210	-	3
EPC EQUITIES LLP	11,391	11,283	108	438	(2,743)
SANTOS CMI Construction Trading LLP	13,851	13,742	109	2,750	(1,323)
SANTOS CMI INC. USA	23,418	22,260	1,158	11,604	(155)
SANTOS CMI ENGENHARIA E CONSTRUÇOES LTDA	18,771	9,381	9,390	14,823	7,484
SANTOS CMI PERU S.A.	26,074	20,500	5,574	59,091	4,779
SANTOS CMI COSTA RICA S.A.	11,856	11,480	376	1,228	(1,794)
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)	122	73	49	-	(9)
GENTECH International INC.	1,595	1,166	429	1,800	728
EPC INVESTMENTS C.V.	115	18	97	-	(6)
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.	115	2	113	-	(2)
ASESORIA Y SERVICIOS EPC S.A CHILE	468	285	183	635	88
SANTOS CMI S.A.	42,766	30,495	12,271	34,879	(5,430)
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	8,430	2,669	5,761	13,009	1,703
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)	125	14	111	203	(208)
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.	10,982	8,392	2,590	14,588	923
VAUTIDAMERICAS S.A.	2,374	1,620	754	1,765	141
SANTOS CMI Constructions Argentina S.A.	82	46	36	-	1

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Foreign]					
POSCO E&C Brazil Ltd.	87,817	87,284	533	6,200	(465)
POSCO Electrical Steel Inida Private Limited	26,448	138	26,310	-	346
Daewoo International Cameroon PLC	1,233	-	1,233	-	-
POSCO-Philippine Manila Processing Center Inc.	27,412	17,492	9,920	45,680	266
Dalian POSCON Dongbang Automatic Co., Ltd.	8,083	2,996	5,087	5,104	382
POSCO ASSAN TST STEEL Industry	59,415	1,897	57,518	-	1,724
HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	171,127	174,814	[3,687]	-	[3,466]
DAESAN (Cambodia) Co., Ltd.	30,145	35,652	[5,507]	-	(946)
Brazil Sao Paulo Steel Processing Center Co., Ltd	26,987	-	26,987	-	-
POSCO (Dalian) IT Center Development Co., Ltd.	152,725	1,271	151,454	-	(1,464)
PT.POSCO Resources Indonesia	4,048	92	3,956	-	(415)
PT. POSCO ICT Indonesia	3,480	2,661	819	-	[80]
PT. POSCO M-Tech Indonesia	2,865	149	2,716	3,329	61
PT. KRAKATAU POSCOPOWER	45,041	42,874	2,167	-	(134)
POSCO RUS LLC.	3,639	5	3,634	-	(273)
POSCO Thainox Co., Ltd.	500,214	164,464	335,750	401,257	(22,466)
Daewoo International Shanghai Waigaoqiao Co., Ltd.	13,804	13,256	548	22,354	343
PT. Bio Inti Agrindo	18,900	9,714	9,186	-	(1,486)
POSCO E&C Australia Pty Ltd.	381	624	[243]	-	(237)
POSCO-TISCO (Jilin) Processing Center Co., Ltd.	12,587	12	12,575	-	(375)
Hunchun POSCO Logistics Co., Ltd.	23,725	7	23,718	-	(229)
USA SRDC Corporation	311	-	311	-	-
Daewoo International Vietnam Co., Ltd.	4,613	-	4,613	-	-

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

2) December 31, 2010

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
POSCO E&C Co., Ltd.	5,374,601	2,890,916	2,483,685	6,248,379	174,483
POSCO P&S Co., Ltd.	954,120	425,125	528,995	2,062,495	4,311
POSCO Coated & Color Steel Co., Ltd.	500,115	250,341	249,774	1,001,774	6,409
POSCO Plant Engineering Co., Ltd.	192,073	104,657	87,416	439,529	11,986
POSCO ICT Co., Ltd.	650,864	439,011	211,853	839,802	17,929
POSCO Research Institute	27,708	4,548	23,160	23,207	319
Seoung Gwang Co., Ltd.	79,894	34,281	45,613	15,567	2,601
POSCO Architects & Consultants Co., Ltd.	88,792	41,247	47,545	128,118	4,431
POSCO Specialty Steel Co., Ltd.	1,307,535	536,934	770,601	1,543,122	101,901
POSTECH Venture Capital Corp.	33,170	877	32,293	-	274
eNtoB Co., Ltd.	66,039	36,728	29,311	603,684	2,516
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	371,160	128,254	242,906	756,053	57,191
POSCO Terminal Co., Ltd.	68,503	8,494	60,009	78,478	14,475
POSCO ENERGY Co., Ltd. (formerly, POSCO Power Corp.)	2,459,195	1,908,801	550,394	827,534	[35,641]
Postech 2006 Energy Fund	26,869	324	26,545	-	(964)
PHP Co., Ltd.	66,001	58,545	7,456	2,091	(583)
POSCO TMC Co., Ltd.	139,908	54,785	85,123	189,686	6,138
PNR Co., Ltd.	167,789	151,229	16,560	27,281	[17,813]
Megaasset Co., Ltd.	67,875	58,958	8,917	100,865	4,559
POSCO Engineering Company (formerly Daewoo Engineering Company)	434,122	276,845	157,277	774,791	45,099
Pohang Feul Cell Co. Ltd.	13,091	9,337	3,754	4,049	[276]
Pohang SPFC Co., Ltd.	13,471	8,732	4,739	28,933	[32]
POSWITH Co., Ltd.	4,248	1,731	2,517	12,317	442
BASYS INDUSTRY Co., Ltd.	825	311	514	990	72
POSTECH BD Newundertaking fund	90	-	90	-	(1)
POSBRO Co., Ltd.	181	-	181	-	[78]
POSCO AST Co., Ltd.	238,881	134,526	104,355	330,425	7,285
DaiMyung TMS Co., Ltd.	22,663	43,097	[20,434]	15,985	[3,059]
POS-HiMETAL Co., Ltd.	86,291	43,532	42,759	-	[5,771]
POSCO E&E Co., Ltd.	17,777	69	17,708	-	405
POMIC Co., Ltd.	3,888	2,126	1,762	19,922	403
POSFINE Co., Ltd.	31,541	13,093	18,448	-	[883]
POS ECO HOUSING Co., Ltd.	6,976	897	6,079	2,231	[738]
Mapo high broad parking Co., Ltd.	1,690	4	1,686	-	[237]
Dakos Co., Ltd.	3,102	2,582	520	4,314	274
Kwang Yang SPFC Co., Ltd.	10,065	13	10,052	-	52
POSCALCIUM Company, Ltd.	8,526	5,755	2,771	-	[226]
Plant Engineering service Technology Co., Ltd.	1,912	440	1,472	3,063	472
Postech Early Stage Fund	10,000	-	10,000	-	-

(in millions of Won)

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Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
Busan E&E Co., Ltd.	14,193	638	13,555	-	(140)
POSCO Family Strategy Funds	28,538	-	28,538	-	(62)
POREKA Co., Ltd.	3,784	2,684	1,100	6,274	100
Songdo SE Co., Ltd.	1,758	465	1,293	1,021	(7)
Posgreen Co., Ltd.	3,978	-	3,978	-	(22)
Daewoo International Corporation	6,249,151	4,921,296	1,327,855	4,094,039	94,359
POSCOLED Co., Ltd.	28,591	638	27,953	138	(1,763)
Gunsan SPFC Co., Ltd.	30,040	15,309	14,731	89	(196)
POSCO NST Co., Ltd.	94,757	57,002	37,755	33,164	55
Pohang Scrap Recycling Center Co., Ltd.	14,841	-	14,841	-	(80)
[Foreign]					
POSCO America Corporation	297,181	139,360	157,821	288,907	9,039
POSCO Australia Pty. Ltd.	1,226,058	619,031	607,027	106,387	50,288
POSCO Canada Ltd.	424,571	65,608	358,963	170,421	65,299
POSCO Asia Co., Ltd.	510,844	481,379	29,465	2,335,842	1,376
Dalian POSCO Steel Co., Ltd	155,703	155,589	114	68,149	(4,932)
POSCO-CTPC Co., Ltd.	77,281	47,763	29,518	149,810	2,398
POSCO-JKPC Co., Ltd.	86,911	70,353	16,558	75,831	2,391
International Business Center Corporation	95,860	56,088	39,772	28,354	13,884
POSCO E&C Vietnam Co., Ltd.	53,600	72,731	(19,131)	72,865	3,753
Zhangjiagang Pohang Stainless Steel Co., Ltd.	1,384,622	838,301	546,321	2,461,020	44,034
Guangdong Pohang Coated Steel Co., Ltd.	183,036	79,330	103,706	251,416	25,547
POSCO (Thailand) Company Ltd.	163,287	118,332	44,955	224,630	10,117
Myanmar POSCO Steel Co., Ltd	21,556	10,245	11,311	24,321	3,481
POSCO-JOPC Co., Ltd.	71,955	68,233	3,722	76,947	766
POSCO Investment Co., Ltd.	674,018	587,339	86,679	-	4,451
POSCO-MKPC SDN BHD.	116,837	69,179	47,658	135,852	3,395
Qingdao Pohang Stainless Steel Co., Ltd.	233,241	124,372	108,869	542,446	5,047
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	219,427	149,199	70,228	352,367	13,688
POSCO BioVentures L.P.	20,553	72	20,481	-	(10,536)
PT. POSNESIA	13,900	21	13,879	-	(14)
POSCO E&C - Hawaii Inc.	1,234	509	725	-	(793)
POS-Qingdao Coil Center Co., Ltd.	60,395	45,576	14,819	149,653	1,089
POS-Ore Pty. Ltd.	104,226	12,717	91,509	118,687	55,491
POSCO-China Holding Corp.	288,754	55,571	233,183	148,503	459
POSCO-Japan Co., Ltd.	793,265	675,363	117,902	1,490,633	9,850
POS-CD Pty. Ltd.	69,439	65,494	3,945	15,214	(1,771)
POS-GC Pty. Ltd.	34,274	8,686	25,588	12,475	664
POSCO-India Private Ltd.	92,865	181	92,684	-	(21,612)
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	176,716	132,501	44,215	206,138	8,761
POSCO-JNPC Co., Ltd.	153,189	138,864	14,325	179,031	2,499
POSCO-Foshan Steel Processing Center Co., Ltd.	129,474	88,799	40,675	518,268	6,229

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Foreign]					
POSCO E&C (China) Co., Ltd.	80,201	57,311	22,890	117,558	889
POSCO MPC S.A. de C.V.	178,641	160,551	18,090	240,277	(2,161)
Zhangjigang Pohang Port Co., Ltd.	26,905	12,502	14,403	5,200	(789)
Qingdao Pujin Steel Material Co., Ltd	7,092	5,019	2,073	73,408	114
POSCO-Vietnam Co., Ltd.	745,465	619,297	126,168	813,637	(64,111)
POSCO-Mexico Co., Ltd.	425,200	346,865	78,335	302,595	(24,004)
POSCO-India Delhi Steel Processing Centre Pvt. Ltd	92,712	70,813	21,899	113,056	8,919
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd	49,691	33,788	15,903	53,941	1,929
POS-NP Pty. Ltd.	57,987	13,771	44,216	44,773	5,282
POSCO-Vietnam Processing Center Co., Ltd.	58,283	36,039	22,244	85,698	4,419
POSCO (Chongqing) Automotive Processing Center Co, Ltd.	73,480	62,378	11,102	84,385	694
Suzhou POS-CORE Technology Co., Ltd.	56,718	32,833	23,885	89,248	1,559
POSCO-JYPC Co., Ltd.	55,319	53,396	1,923	74,565	(1,017)
POSCO-Malaysia SDN. BHD.	78,027	98,183	(20,156)	125,209	(6,022)
POS-Minerals Corporation	113,105	-	113,105	-	(1,188)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	50,592	28,674	21,918	124,687	2,872
POSCO E&C India Private Ltd.	2,612	677	1,935	463	(1,508)
POSCO E&C SMART	532	-	532	-	(203)
POSCO-Philippine Manila Processing Center Inc.	25,448	15,888	9,560	37,558	1,462
Dalian POSCON Dongbang Automatic Co., Ltd.	7,181	2,647	4,534	4,013	393
SANPU TRADING CO., LTD.	2,424	691	1,733	89	(156)
Zhangjiagang BLZ Pohang International Trading Co., Ltd.	10,274	5,817	4,457	70,923	29
POSCO Mexico Human Tech.	522	269	253	4,206	166
POSCO Mexico East Steel Distribution Center Co., Ltd	13,872	2,370	11,502	5,547	696
POSCO Gulf Logistics LLC.	772	1	771	40	(86)
POSCO ICT-China	1,787	1,476	311	3,884	26
DWEMEX S.A.DE C.V.	370	171	199	2,084	45
POS MPC Servicios de C.V.	747	545	202	4,837	115
EUROTALY S.A.	4,628	107	4,521	32	(846)
POSCO South East Asia Pte. Ltd.	1,816	41	1,775	34,196	121
Europe Steel Distribution Center	6,863	1,217	5,646	11,789	513
VECTUS Ltd.	1,255	1,721	(466)	1,886	(2,352)
POSCO VST Co., Ltd.	195,191	131,450	63,741	210,656	(8,333)
POSCO Maharashtra Steel Pvt. Ltd.	159,641	79,556	80,085	-	(895)
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	78,906	64,493	14,413	52,221	73
POSCO Turkey Nilufer Processing Center Co., Ltd.	37,285	21,919	15,366	3,032	(2,220)
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	42,885	36,710	6,175	39,675	(836)
POSCO (Liaoning) Automotive Processing Center Co., Ltd.	75,444	56,654	18,790	45,933	-
POSCO-Indonesia Jakarta Processing Center	34,309	27,026	7,283	42,882	1,023
POSCO E&C Venezuela C.A	137	-	137	-	-
PT. MRI	15,933	17,380	(1,447)	1,738	(931)
POSCORE-INDIA	6,175	3,264	2,911	2,936	(113)

(in millions of Won)

Notes to Consolidated Financial Statements

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Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Foreign]					
POSCO America Alabama Processing Center Co., Ltd.	46,133	32,406	13,727	29,350	(1,443)
PT DEC Indonesia	10,439	10,345	94	-	(208)
POSCO (Yantai) Automotive Processing Center Co., Ltd.	23,072	7,904	15,168	-	(885)
POSCO India Steel Distribution Center Private Ltd.	3,887	130	3,757	7	(67)
POSCO China Dalian Plate Processing Center Co., Ltd.	55,631	17,056	38,575	-	(3,631)
POSCO-South Asia Co., Ltd.	14,009	919	13,090	2,954	(479)
POSCO SS-VINA Co., LTD	38,598	(851)	39,449	-	166
POSCO WA Pty. Ltd.	225,645	808	224,837	-	(637)
POSCO E&C - UZ	168	-	168	-	1
POSCO Australia GP Limited	26	-	26	-	3
Daewoo International America Corp.	224,042	187,747	36,295	163,615	(769)
Daewoo International Deutschland GmbH	111,603	101,814	9,789	115,421	428
Daewoo International Japan Corp.	172,547	165,486	7,061	184,725	(638)
Daewoo International Singapore Pte. Ltd.	86,642	82,455	4,187	259,530	109
Daewoo Italia S.r.l.	99,538	95,826	3,712	96,203	139
Daewoo Cement (Shandong) Co., Ltd	210,277	296,165	(85,888)	-	-
Daewoo (China) Co., Ltd.	43,392	6,425	36,967	1,417	(874)
PT. RISMAR Daewoo Apparel	15,757	17,416	(1,659)	12,843	(2,278)
Daewoo Textile Fergana LLC	82,983	71,895	11,088	38,614	3,486
Daewoo Textile Bukhara LLC	64,283	49,522	14,761	15,156	(887)
Daewoo International Australia Holdings Pty. Ltd.	132,221	4,947	127,274	293	139
Daewoo Paper Manufacturing Co., Ltd.	79,383	67,741	11,642	22,311	(18,788)
Tianjin Daewoo. Paper Co., Ltd	13,789	31,217	(17,428)	8,388	(368)
POSCO Mauritius Ltd.	21,548	-	21,548	-	-
PT. KRAKATAU STEEL POSCO	3,091	1,021	2,070	-	(198)
MYANMAR Daewoo LTD.	6,242	462	5,780	203	(17)
Dawwoo International MEXICO S.A. de C.V.	50,298	46,319	3,979	50,566	(118)
Daewoo International Guangzhou Corp.	10,549	9,094	1,455	4,702	(30)
Daewoo Energy Central Asia	15,686	627	15,059	-	-
Daewoo STC & Apparel Vietnam Ltd.	4,057	1,454	2,603	2,262	(27)
MYANMAR Daewoo International Ltd.	6,190	2,020	4,170	2,233	35
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.	11,841	111	11,730	-	-
Daewoo International Corporation (M) SDN BHD	1,138	-	1,138	-	-
Daewoo International SHANGHAI CO., LTD.	6,916	-	6,916	-	-
PGSF, LLC	2,922	1	2,921	-	(619)
Xenesys Inc.	18,333	2,653	15,680	935	(3,624)
Daewoo International INDIA Private Ltd.	2,273	-	2,273	-	-
TECHREN Solar, LLC	230	-	230	-	-
PT. POSCO E&C Indonesia	1,216	29	1,187	-	(235)
POSCO Foundation	244	2	242	-	(12)

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(d) Details of associates

Details of associates as of December 31, 2011 and 2010 are as follows:

Investee	Category of Business	Ownership [%]		Region
		December 31, 2011	December 31, 2010	
[Domestic]				
MIDAS Information Technology Co., Ltd.	Engineering	25.46	25.46	Seoul
Metapolis Co., Ltd.	Multiplex development	40.05	40.05	Hwaseong
Songdo New City Development Inc.	Real estate	29.90	29.90	Seoul
POSMATE Co., Ltd.	Services	30.00	30.00	Seoul
POSCO M-TECH Co., Ltd.	Packing materials manufacturing	-	48.85	Pohang
Gail International Korea Ltd.	Real estate	29.90	29.90	Seoul
SNNC Co., Ltd.	Raw material manufacturing and sale	49.00	49.00	Gwangyang
Chungju enterprise city development Co., Ltd.	Real estate	25.10	25.10	Chungju
Taegisan Wind Power Corporation	Wind power plant construction and management	50.00	50.00	Hoengseong
KOREASOLARPARK Co., Ltd.	Solar power plant construction and management	37.50	37.50	Youngam
Garolim Tidal Power Plant Co., Ltd.	Generation of electricity	32.13	32.13	Seosan
Cheongna IBT Co., Ltd. [*2]	Multiplex development	18.58	18.58	Incheon
PSIB Co., Ltd.	Non-resident building lease	49.00	49.00	Seoul
Universal Studios Resort Development Co., Ltd.	Construction	22.10	22.10	Hwaseong
Universal Studios Resort Asset Management Corp.	Real estate services	26.16	26.16	Seoul
Daewoo National Car Gwangju Selling Co., Ltd.	Real estate	50.00	50.00	Gwangju
Uitrans Co., Ltd.	Transporting	38.19	38.19	Seoul
Suwon Green Environment Co., Ltd.	Construction	27.50	27.50	Hwaseong
Pajoo & Viro Co., Ltd.	Construction	40.00	40.00	Paju
Green Gimpo Co., Ltd.	Construction	31.84	29.90	Gimpo
Busan-Gimhae Light Rail Transit Co., Ltd.	Transporting	25.00	25.00	Gimhae
Incheon-Gimpo Highway Co., Ltd.	Construction	25.82	25.00	Anyang
Green Jangryang Co., Ltd.	Sewerage treatment	25.00	25.00	Pohang
Green Tongyeong Enviro Co., Ltd.	Sewerage treatment	20.40	20.40	Tongyoung
POSPLATE Co., Ltd.	Services	48.95	48.95	Gwangyang
Pure Gimpo Co., Ltd.	Construction	28.79	29.13	Seoul
Pohang Techno Valley AMC Co., Ltd.	Construction	29.50	29.50	Pohang
Sungjin Geotec Co., Ltd.	Industrial machinery manufacturing	36.69	43.11	Ulsan
Kyobo Life Insurance Co., Ltd.	Life insurance	24.00	24.00	Seoul
Dongbang Special Steel Co., Ltd.	Steel processing and sales	35.82	35.82	Pohang
Pure Iksan Co., Ltd.	Construction	23.50	31.71	Pohang
Chuncheon Clean Water Load CO., Ltd	Sewerage treatment	-	26.55	Chuncheon
DAERYUN POWER CO., LTD	Gas production and sales	-	20.85	Yangju

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Investee	Category of Business	Ownership (%)		Region
		December 31, 2011	December 31, 2010	
[Domestic]				
Gyeonggi CES Co., Ltd.	Facility construction	21.84	21.84	Yangju
Sunjin Gonghak Baeumteo Co., Ltd.	Domitories management	-	22.38	Gwangju
Inje Autopia Co., Ltd.	Management	-	27.53	Inje
Innovalley Co., Ltd.	Real estate development	28.77	28.77	Yongin
Applied Science Corp.	Machinery manufacturing	29.30	29.30	Paju
SENTECH KOREA Corp.	Manufacturing	20.25	20.25	Paju
AROMA POSTECH RENEWABLE ENERGY Co., Ltd.	Other science research	28.57	28.57	Seoul
Hyundai Investment Network Private Equity Fund (*1)	Mine investment	50.00	-	Seoul
Pohang Techno Valley PFV Corporation (*1)	Real estate development	28.65	-	Pohang
BLUE OCEAN Private Equity Fund (*1)	Private equity financial	27.52	-	Seoul
SUNAM Co., Ltd. (*1)	Power supply manufacturing	23.91	-	Seoul
Kones Corporation (*1)	Technical service	41.67	-	Gyeongju
[Foreign]				
VSC POSCO Steel Corporation	Steel manufacturing and Sale	50.00	50.00	Vietnam
KOBRASCO	Facility lease	50.00	50.00	Brazil
USS-POSCO Industries	Material manufacturing and sale	50.00	50.00	USA
Poschrome Pty. Ltd.	Raw material manufacturing and sale	50.00	50.00	Republic of South Africa
POS-Hyundai Steel Manufacturing India Private Ltd.	Steel processing and sale	29.50	29.50	India
POSVINA Co., Ltd.	Plating steel sheet manufacturing	50.00	50.00	Vietnam
PT. POSMI Steel Indonesia	Steel processing and sale	36.69	36.69	Indonesia
CAML Resources Pty. Ltd.	Raw material manufacturing and sale	33.34	33.34	Australia
Nickel Mining Company SAS	Raw material manufacturing and sale	49.00	49.00	New Caledonia
Liaoning Rongyuan Posco Refractories Co., Ltd.	Manufacturing and sale	35.00	35.00	China
POSK (PingHu) Processing Center Co., Ltd	Steel processing and sale	20.00	20.00	China
AN KHANH NEW CITY DEVELOPMENT	Highway construction and new town development	50.00	50.00	Vietnam
Henan Tsingpu Ferro Alloy Co., Ltd.	Raw material manufacturing and sale	49.00	49.00	China
United Spiral Pipe, LLC	Material manufacturing and sale	35.00	35.00	USA
Zhongyue POSCO (Qinhuangdau) Tinplate Industrial Co., Ltd.	Plating sheet manufacturing	34.00	34.00	China
BX STEEL POSCO Cold RolledSheet Co., Ltd.	Steel processing and sale	25.00	25.00	China
POSCO-SAMSUNG-Slovakia Processing Center	Steel processing and sale	30.00	30.00	Slovakia
Eureka Moly LLC	Raw material manufacturing and sale	20.00	20.00	USA
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd.	Steel processing and sale	30.00	30.00	China

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Investee	Category of Business	Ownership [%]		Region
		December 31, 2011	December 31, 2010	
[Foreign]				
POSCO SeAH Steel Wire (Nantong) Co., Ltd.	Steel processing and sale	25.00	25.00	China
POS-GSFC LLC	Steel processing and sale	48.98	48.98	UAE
Yingkou Posrec Refractories Co., Ltd.	Refractory manufacturing	25.00	25.00	China
Zhangjiagang Pohang Refractories Co., Ltd.	Refractory manufacturing	50.00	50.00	China
Daewoo Engineering (THAILAND) Co., Ltd.	Development and contract	48.90	48.90	Thailand
Sebang Steel	Scrap sale	49.00	49.00	Japan
NCR LLC	Coal sale	20.00	20.00	Canada
AMCI (WA) Pty Ltd.	Iron ore sale & mine development	49.00	49.00	Australia
POSCO YongXin Rare Earth Metal Co., Ltd.	Energy & Resource development	31.00	31.00	China
Shanghai Lansheng Daewoo Corporation	Trading	49.00	49.00	China
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	Trading	49.00	49.00	China
Hanjung Power Pty., Ltd	Electric power manufacturing and sale	49.00	49.00	Papua New Guinea
Myanmar Korea Timber International Ltd.	Plating sheet manufacturing	45.00	45.00	Myanmar
General Medicines Company Ltd.	Medicine manufacturing and sale	33.00	33.00	Myanmar
KOREA LNG Ltd.	Gas production and sales	20.00	20.00	England
DMSA, AMSA (*2)	Energy & Resource development	4.00	4.00	Madagascar
KG Power(M) SDN. BHD	Energy & Resource development	20.00	20.00	Malaysia
Daewoo (THAILAND) CO., LTD.	Trading	49.00	49.00	Thailand
N.I.CO., LTD.	Trading	50.00	50.00	North Korea
South-East Asia Gas Pipeline Company Ltd.	Pipeline construction	25.04	25.04	Myanmar
GLOBAL KOMSCO Daewoo LLC	Mintage	35.00	35.00	Uzbekistan
POSUK TITANIUM B.V	Steel manufacturing	50.00	50.00	Netherland
POSCO-NPS Niobium LLC (*1)	Mine development	50.00	-	USA
POSCO-POGEN AMP (*1)	Steel manufacturing	26.00	-	India
Klappan Coal Joint Venture	Coal sale	20.00	-	Canada
AES-VCM Mong Duong Power Company Ltd.	Coal sale	30.00	-	Vietnam
CSP(Compania Siderurgica do Pecem)	Steel manufacturing and sale	20.00	-	Brazil
PT.INDONESIA POS CHOSUN Ref	Refractory manufacturing and sale	30.00	-	Indonesia
NS-Thainox Auto Co., Ltd.	Steel manufacturing and sale	49.00	-	Thailand
Korea-Siberia Wood	Forest resources Development	50.00	-	Russia
PT. Tanggamus Electric Power (*1)	Construction and engineering service	20.00	-	Indonesia
PT. Wampu Electric Power	Construction and engineering service	20.00	-	Indonesia

(*1) These securities are newly established or acquired in 2011.
(*2) These securities are accounted for under the equity method of accounting even though the controlling company's percentage of ownership is below 20%, because it is able to exercise significant influence on the investees.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(e) Consolidated subsidiaries acquired during the year ended December 31, 2011 are as follows:

Company	Date of Acquisition	Ownership (%)	Reason
PSC energy global Co., Ltd.	2011. 2.	100.00	new investment
Suncheon Ecotrans Co., Ltd.	2011. 2.	100.00	new investment
POSCO M-TECH Co., Ltd.	2011. 5.	48.85	delegation of voting rights
9Digit Co., Ltd.	2011. 5.	86.49	delegation of voting rights
Shinan Energy Co., Ltd.	2011. 4.	100.00	new investment
Reco Metal Co., Ltd.	2011. 6.	88.60	acquisition
NewAltec Co., Ltd.	2011. 7.	60.10	acquisition
PONUTech Co., Ltd.	2011. 8.	100.00	new investment
EPC EQUITIES LLP	2011. 2.	70.00	acquisition
SANTOS CMI Construction Trading LLP	2011. 2.	99.90	acquisition
SANTOS CMI INC. USA	2011. 2.	100.00	acquisition
SANTOS CMI ENGENHARIA E CONSTRUÇOES LTDA	2011. 2.	99.98	acquisition
SANTOS CMI PERU S.A.	2011. 2.	99.99	acquisition
SANTOS CMI COSTA RICA S.A.	2011. 2.	100.00	acquisition
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)	2011. 2.	100.00	acquisition
GENTECH International INC.	2011. 2.	90.00	acquisition
EPC INVESTMENTS C.V.	2011. 2.	99.99	acquisition
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.	2011. 2.	99.90	acquisition
ASESORIA Y SERVICIOS EPC S.A CHILE	2011. 2.	99.00	acquisition
SANTOS CMI S.A.	2011. 2.	70.00	acquisition
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	2011. 2.	99.00	acquisition
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)	2011. 2.	99.00	acquisition
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.	2011. 2.	90.00	acquisition
VAUTIDAMERICAS S.A.	2011. 2.	51.00	acquisition
SANTOS CMI Constructions Argentina S.A.	2011. 2.	95.00	acquisition
HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	2011. 3.	100.00	new investment
POSCO ASSAN TST STEEL Industry	2011. 3.	70.00	new investment
POSCO E&C Brazil Ltd.	2011. 5.	100.00	new investment
POSCO Electrical Steel Inida Private Limited	2011. 6.	100.00	new investment
Daewoo International Cameroon PLC	2011. 6.	100.00	new investment
POSCO Klappan Coal Ltd.	2011. 7.	100.00	new investment
DAESAN (Cambodia) Co., Ltd.	2011. 7.	100.00	acquisition
Brazil Sao Paulo Steel Processing Center Co., Ltd	2011. 7.	76.00	new investment
POSCO (Dalian) IT Center Development Co., Ltd.	2011. 7.	100.00	new investment
PT.POSCO Resources Indonesia	2011. 7.	99.80	new investment
PT. POSCO ICT Indonesia	2011. 8.	95.00	new investment
PT. POSCO M-Tech Indonesia	2011. 8.	100.00	new investment
PT. KRAKATAU POSCOPOWER	2011. 8.	90.00	new investment
POSCO RUS LLC.	2011. 9.	100.00	new investment
POSCO Thainox Co., Ltd.	2011. 9.	94.93	acquisition
Daewoo International Shanghai Waigaoqiao Co., Ltd.	2011. 9.	100.00	new investment

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Company	Date of Acquisition	Ownership (%)	Reason
PT. Bio Inti Agrindo	2011. 9.	85.00	acquisition
POSCO E&C Australia Pty Ltd.	2011. 9.	100.00	new investment
POSCO-TISCO (Jilin) Processing Center Co., Ltd.	2011. 9.	60.00	new investment
Hunchun POSCO Logistics Co., Ltd.	2011. 10.	80.00	new investment
BLUE O&M Co., Ltd	2011. 12.	100.00	new investment
USA SRDC Corporation	2011. 12.	100.00	new investment
Daewoo International Vietnam Co., Ltd.	2011. 12.	100.00	new investment

(f) Cash outflows caused by the acquisitions

	Amounts
Consideration transferred	551,732
Less: cash and cash equivalents acquired	(114,268)
Total	437,464

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

2. Statement of Compliance

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board. These are the Company’s first consolidated financial statements prepared in accordance with IFRSs and IFRS No. 1 “First-time adoption of International Financial Reporting Standards” (“IFRS No. 1”) has been applied.

The Company’s date of transition to IFRSs in accordance with IFRS 1 is January 1, 2010. Prior to the adoption of IFRSs, the Company prepared consolidated financial statements in accordance with Korean Generally Accepted Accounting Principles (“K-GAAP”). An explanation of how the transition to IFRSs has affected the Company’s reported financial position, financial performance and cash flows is provided in note 38.

Basis of measurement

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

- (a) Derivatives instruments are measured at fair value
- (b) Financial instruments at fair value through profit or loss (FVTPL) are measured at fair value
- (c) Available-for-sale financial assets are measured at fair value
- (d) The liability for a cash-settled stock appreciation rights is measured at fair value
- (e) Defined benefit obligations are measured at the present value of the defined benefit obligation less the fair value of the plan assets

Functional and presentation currency

These consolidated financial statements are presented in Korean won, which is POSCO’s functional currency and the currency of the primary economic environment in which POSCO operates.

Use of estimates and judgements

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

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

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

- Note 11 - Investment property
- Note 12 - Property, plant and equipment, net
- Note 13 - Impairment losses of goodwill

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

- Note 17 - Provisions
- Note 18 - Employee Benefits
- Note 25 - Construction Contracts
- Note 34 - Commitments and Contingencies

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

3. Summary of Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purpose of the transition to IFRSs, unless otherwise indicated.

Consolidation policy

(a) Subsidiaries

A subsidiary is an entity that is controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of the other entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

If a member of the Company uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

(b) Non-controlling interests

Non-controlling interests in a subsidiary are accounted for separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the allocation reduces the non-controlling interest balance below zero.

(c) Associates

An associate is an entity in which the Company has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. The investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and changes in equity of the associate after the date of acquisition. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

If an associate uses accounting policies different from those of the Company for like transactions and events in similar circumstances, appropriate adjustments are made to the Company's consolidated financial statements in applying the equity method.

When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has to make payments on behalf of the investee for further losses.

(d) Joint Ventures

Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreement, and require unanimous consent for strategic financial and operating decisions. The Company recognizes its interest in a jointly controlled entity using proportionate consolidation by including separate line items for its share of the assets, liabilities, income and expenses of the jointly controlled entity in the consolidated financial statements.

Business combination

(a) Business combination

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

Each identifiable asset and liability is measured at its acquisition-date fair value except for below:

- Leases and insurance contracts are required to be classified on the basis of the contractual terms and other factors
- Only those contingent liabilities assumed in a business combination that are a present obligation and can be measured reliably are recognized
- Deferred tax assets or liabilities are recognized and measured in accordance with IAS No. 12 *"Income Taxes"*
- Employee benefit arrangements are recognized and measured in accordance with IAS No. 19 *"Employee Benefits"*
- Indemnification assets are recognized and measured on the same basis as the indemnified liability or asset
- Reacquired rights are measured in accordance with special provisions
- Liabilities or equity instruments related to share-based payment transactions are measured in accordance with the method in IFRS No. 2 *"Share-based Payment"*
- Assets held for sale are measured at fair value less costs to sell in accordance with IFRS No. 5 *"Non-current Assets Held for Sale"*

As of the acquisition date, non-controlling interests in the acquiree are measured as the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed in the periods in which the costs are incurred and the services are received. The costs to issue debt or equity securities are recognized in accordance with IAS No. 32 *"Financial Instruments: Presentation"* and IAS No. 39 *"Financial Instruments: Recognition and Measurement"*.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(b) Goodwill

The Company measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, bargain purchase gain is recognized immediately in profit or loss.

As part of its transition to IFRS, the Company elected to restate only those business combinations which occurred on or after January 1, 2010 in accordance with IFRS. In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP, K-GAAP.

Foreign currency transactions and translation

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

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

Foreign operations

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, investment in highly liquid securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, investment in highly liquid securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Non-derivative financial assets

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

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

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

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

(b) Held-to-maturity financial assets

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

(c) Loans and receivables

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

(d) Available-for-sale financial assets

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

(e) De-recognition of non-derivative financial assets

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

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

(f) Offsetting a financial asset and a financial liability

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

Inventories

Inventories are measured at the lower of cost and net realizable value. Costs are determined by using the moving-weighted average method. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The allocation of fixed production overheads to the costs of finished goods or work in progress are based on the normal capacity of the production facilities.

When inventories are sold, the carrying amount of those inventories is recognized as cost of goods sold in the period in which the related revenue is recognized and the amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realizable value is recognized as a reduction in the amount of inventories recognized as a cost of goods sold in the period in which the reversal occurs.

Investment property

Property held for the purpose of earning rentals is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. In addition, in the preparation of the opening IFRS consolidated statement of financial position on the date of transition to IFRS, the Company measures certain machinery and equipment at fair value at the date of transition, which is deemed cost, in accordance with IFRS No. 1.

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

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

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized. The estimated useful lives for the current and comparative periods are as follows:

Buildings	10-60 years
Structures	4-50 years
Machinery and equipment	2-25 years
Vehicles	3-10 years
Tools	4-10 years
Furniture and fixtures	3-10 years
Lease assets	3-18 years

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

Borrowing costs

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

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. The Company immediately recognizes other borrowing costs as an expense. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset.

The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

Intangible assets

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

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

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

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(a) Research and development

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

(b) Subsequent expenditures

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

Exploration for and evaluation of mineral resources

The Company is engaged in exploration projects for mineral resources through equity ownership in the mines or other contractual arrangements. Expenditures related to the development of mineral resources are recognized as exploration or development intangible assets. The nature of these intangible assets are as follows:

(a) Exploration and evaluation assets

Exploration and evaluation assets consist of expenditures for topographical studies, geophysical studies and trenching. These assets are reclassified as development assets when it is proved that the exploration has identified an economically feasible mine.

(b) Development assets

Development assets consist of expenditures for the evaluation of oil fields, facility construction, drilling for viability and others. These development assets are reclassified as industrial rights (mining rights) at inception of the extraction.

Impairment for financial assets

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or

- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

In addition, for an equity instrument classified as available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses are measured and recognized.

(a) Financial assets carried at amortized cost

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

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Impairments for non-financial assets

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

Management estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then management estimates the recoverable amount of a cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. The value-in-use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

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

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

Non-current assets held for sale

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

The Company recognizes an impairment loss for any initial or subsequent write-down of disposal group to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with IAS No. 36 *"Impairment of Assets"*.

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

Non-derivative financial liabilities

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

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

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Convertible bonds

The convertible bonds issued by the Company can be converted into equity securities at the option of the bond holders. The number of shares to be issued is adjusted according to the fair value of the common shares. The convertible bonds, which are compound financial instruments of bonds and conversion rights, are designated and measured at fair value through profit or loss.

Derivative financial instruments and hedges

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

(a) Embedded derivatives

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

(b) Other derivatives

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Leases

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

(a) Finance leases

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

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

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

(b) Operating leases

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

(c) Determining whether an arrangement contains a lease

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

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

Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade accounts and notes receivable in the consolidated statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as amounts due to customers for contract work in the consolidated statement of financial position.

Government grants

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

Other government grants that compensate the Company for expenses incurred are recognized in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which it becomes receivable.

Employee benefits

(a) Short-term employee benefits

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

(b) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. The present value is determined by discounting the expected future cash flows using the interest rate of corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(c) Retirement benefits: Defined contribution plans

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(d) Retirement benefits: Defined benefit plans

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

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

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

Past service costs, which are the change in the present value of the defined benefits obligation for employee service in prior periods, resulting in the current period from the introduction of, or change to post-employment benefits, are recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the Company recognizes the past service cost immediately.

Stock appreciation rights

The Company granted share options to executives as part of the reward for their services and is accounting for the options as cash-settled share-based payment transactions. For cash-settled share-based payment transactions, the Company measures the goods or services acquired and the liability incurred at the fair value of the liability and recognizes the employment benefits and the liability during the vesting period. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognized in profit or loss for the period as well.

Provisions

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

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

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

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

A provision for product warranties is recognized when the underlying products are sold. Management determines the Company's provision for product warranties based on historical warranty data and a weighting of possible outcomes against their associated probabilities. Regarding the provision for construction warranties, the warranty period starts from the completion of construction in accordance with construction contracts. If the Company has an obligation for warranties, a provision for warranties is estimated based on historical warranty data and recorded as cost of construction and provision for warranties during the construction period.

Share capital

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

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

Revenue

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

(a) Sale of goods

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

(b) Services rendered

Service sales are recognized when services are rendered.

(c) Construction contracts

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

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.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(d) Rental income

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

Finance income and finance costs

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

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

Income tax

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

(a) Current tax

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

(b)Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income. The Company recognizes a deferred tax liability for all taxable temporary differences associated with securities in subsidiaries and associates except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred tax asset for deductible temporary differences arising from securities in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer

probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

Earnings per share

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

Operating segments

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

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning after January 1, 2011, and the Company has not early adopted them.

(a) Amendments to IFRS No. 7 “*Financial Instruments: Disclosures*”

The amendments require disclosing the nature of the transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Company derecognizes transferred financial assets but still has their specific risks and rewards, the amendments require additional disclosures on their effect of risks. The amendments will be applied prospectively for the Company’s annual periods beginning on or after July 1, 2011.

(b) Amendments to IAS No. 19 “*Employee Benefits*”

The standard requires recognition of actuarial gains and losses immediately in other comprehensive income and to calculate expected return on plan assets based on the rate used to discount the defined benefit obligation. The standard will be applied retrospectively for the Company’s annual periods beginning on or after January 1, 2013. Management is currently analyzing the effects of adopting this standard.

(c) Amendments to IAS No. 32 “*Financial Instruments: Presentation*” and “*Financial Instruments: Disclosures*”

On December 16, 2011 the IASB published amendments to IAS No. 32 “*Financial Instruments: Presentation*” to clarify the application of the offsetting of financial assets and financial liabilities requirement. The IASB also published amendments to IFRS No. 7 “*Financial Instruments: Disclosures*” including new disclosures requirements regarding the offsetting of financial assets and financial liabilities. These amendments are effective for annual periods beginning on or after January 1, 2014, and January 1, 2013, respectively. Management believes that there will be no significant impact on the Company’s financial upon applying of this new standard.

(d) IFRS No. 9, “*Financial instruments*”

IFRS No. 9, “*Financial instruments*”, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS No. 9 was issued in November 2009 and October 2010. It replaces the parts of IAS No. 39 that relate to the classification and measurement of financial instruments. IFRS No. 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS No. 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. Management is currently analyzing the effects and intends to adopt IFRS No. 9 no later than the accounting period beginning on or after January 1, 2013.

(e) IFRS No. 10, “*Consolidated financial statements*”

IFRS No. 10, “*Consolidated financial statements*” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Management is currently analyzing the effects and intends to adopt IFRS No. 10 no later than the accounting period beginning on or after January 1, 2013.

(f) IFRS No. 12, “*Disclosures of interests in other entities*”

IFRS No. 12, “*Disclosures of interests in other entities*” includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company intends to adopt the disclosures required by IFRS No. 12 no later than the accounting period beginning on or after January 1, 2013.

(g) IFRS No. 13 “*Fair Value Measurement*”

The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements. The standard will be applied prospectively for the Company’s annual periods beginning on or after January 1, 2013.

4. Financial risk management

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

- credit risk
- liquidity risk
- market risk
- operational risk

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

(a) Risk management policy

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

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

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables from customers and investment securities. The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of a nation or an industry in which a customer operates its business does not have a significant influence on credit risk. The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness.

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(c) Liquidity risk management

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

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

(d) Market risk management

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

1) Currency risk

Each segment is influenced by a risk factor of changes in foreign currency exchange rates for the different directions due to the difference in structure of each industry regarding the cash inflows and cash outflows in foreign currency. The steel segment generally has a lack of foreign currency cash outflows, while the engineering and construction segments generally have excessive foreign currency inflows due to the nature of their respective business. Therefore, the result of the business is affected by the changes of foreign exchange rates. The trading segment is structured such that the cash inflows and outflows of foreign currencies are to be offset; however, the trading segment is exposed to a risk of changes in foreign currency exchange rates when there are differences in currencies on receiving and paying the foreign currency amount and time differences.

The Company's policy in respect of foreign currency risks is a natural hedge whereby foreign currency income is offset with foreign currency expenditures. The remaining net exposures after the natural hedge have been hedged using derivative contracts such as forward exchange contracts. In addition, the Company's derivative transactions are limited to hedging actual foreign currency transactions and speculative hedging is not permitted. Based on this policy, the Company entities have performed currency risk management specific to various characteristics of different segments. The entities in the steel industry, which has a lack of foreign currency cash flows, has foreign currency borrowings from banks and hedges foreign currency risks of the foreign currency borrowings by using foreign currency swaps. The entities in the engineering and construction segments, which have excessive foreign currency cash flows, have hedged foreign currency risks by using forward exchange contracts. Entities in the trading industry have hedged foreign currency risks by using forward exchange contracts when the foreign currencies received and paid are different.

2) Interest rate risk

The Company mostly borrows at fixed interest rates. The Company's management monitors interest rate risks regularly.

(e) Management of capital risk

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

The equity attributable to owners as of December 31, 2011, 2010 and January 1, 2010 is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Total borrowings	26,811,717	21,140,241	12,199,485
Less: Cash and cash equivalents	4,598,682	3,521,045	2,273,059
Net borrowings	22,213,035	17,619,196	9,926,426
Total equity	40,729,920	38,537,167	33,333,681
Net borrowings-to-equity ratio	54.54%	45.72%	29.78%

(in millions of Won)

5. Cash and Cash Equivalents

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

	December 31, 2011	December 31, 2010	January 1, 2010
Cash	23,954	4,931	339,240
Demand deposit and checking accounts	1,855,929	1,426,715	735,759
Time deposits	2,664,335	1,816,853	1,166,610
Other financial cash equivalents	54,464	272,546	31,450
	4,598,682	3,521,045	2,273,059

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

6. Trade Accounts and Notes Receivable

(a) Trade accounts and notes receivable as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Current			
Unbilled trade accounts and notes receivable	10,265,421	8,415,973	4,740,600
Capital lease receivables	117,230	57,374	59,686
Due from customers for contract work	1,361,416	974,631	699,293
Less: Allowance for doubtful accounts	(293,552)	(228,967)	(199,346)
	11,450,515	9,219,011	5,300,233
Non-current			
Unbilled trade accounts and notes receivable	45,061	28,792	24,391
Unbilled capital lease receivables	147,634	258,664	504,633
Less: Allowance for doubtful accounts	(9,634)	(13,834)	(6,249)
	183,061	273,622	522,775
	11,633,576	9,492,633	5,823,008

(in millions of Won)

The trade accounts and notes receivable sold to financial institution, for which the derecognition conditions were not met, amounted to (Won)132,908 million, (Won)358,676 million and (Won)30,600 million as of December 31, 2011, 2010 and January 1, 2010, respectively and are included in bank borrowings (note 15).

(b) Capital lease receivables are as follows:

Customer	Contents	December 31, 2011	December 31, 2010	January 1, 2010
Korea Electric Power	Combined thermal power cycle 1~4	199,141	253,055	307,191
Tenant of EXPO	Lease contract	65,723	62,983	257,128
		264,864	316,038	564,319

(in millions of Won)

(c) The gross amount and present value of minimum lease payments as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Less than 1 year	141,670	82,927	89,244
1 year – 5 years	169,265	283,566	532,044
Greater than 5 year	24,519	51,534	83,812
Unrealized interest income	(70,590)	(101,989)	(140,781)
Present value of minimum lease payment	264,864	316,038	564,319

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

7. Other Financial Assets

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

	December 31, 2011	December 31, 2010	January 1, 2010
Financial assets at fair value through profit or loss			
Financial assets held for trading	50,861	182,208	795,811
Derivatives assets held for trading	92,055	133,731	26,641
Available-for-sale financial assets			
Short-term available-for-sale securities (bonds)	31,651	42,831	35,643
Held-to-maturity investments			
Current portion of held-to-maturity securities (bonds)	876	3,657	20,717
Loans and other receivables			
Short-term financial instruments (*1,2)	1,739,186	2,803,492	5,491,352
Special purpose deposits (*3)	18,558	42,967	49,809
Short-term loans	367,330	278,029	198,878
Other accounts receivable	1,067,163	744,785	462,529
Accrued income	59,028	47,828	58,119
Deposits	73,343	21,230	21,343
Other receivables	221,125	145,780	106,852
Allowance for bad debt accounts	(64,906)	(63,236)	(56,671)
	3,656,270	4,383,302	7,211,023

(in millions of Won)

(*1) As of December 31, 2011 and 2010, short-term financial instruments of (Won)1,670 million and (Won)830 million are secured related to long-term borrowings of forestry association, respectively.

(*2) Short-term financial instruments of DaeMyung TMS of (Won)400 million are provided as collateral to Kookmin bank related to a derivative instrument deposit.

(*3) As of December 31, 2011 and 2010, (Won)17,175 million and (Won)14,101 million, respectively, are restricted for the use in a government project.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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

	December 31, 2011	December 31, 2010	January 1, 2010
Financial assets at fair value through profit or loss			
Derivatives assets held for trading	16,696	6,300	60,422
Available-for-sale financial assets			
Long-term available-for-sale securities (equity instruments) (*1, 2)	4,509,197	6,022,945	4,786,401
Long-term available-for-sale securities (bonds)	25,847	7,827	120,812
Long-term available-for-sale securities (others)	41,902	53,323	91,381
Held-to-maturity investments			
Held-to-maturity securities (bonds)	34,698	36,156	91,844
Loan and other receivables			
Long-term financial instruments	37,074	4,154	140
Cash deposits (*3)	658	89	340
Long-term loans	298,106	174,982	123,907
Long-term other accounts receivable	86,922	68,652	6,121
Accrued income	956	3,523	2,245
Deposits	112,245	90,113	49,125
Allowance for bad debt accounts	(38,629)	(51,026)	(24,078)
	5,125,672	6,417,038	5,308,660

(in millions of Won)

(*1) As of December 31, 2011, 2,186,546 shares equivalent to 19,678,919 American depository receipts ("ADRs") of SK Telecom Co., Ltd. have been pledged as collateral for the exchangeable bonds issued.

(*2) The Company recorded impairment loss for securities of SK Telecom Co., Ltd. amounting to (Won)503,058 million prior to January 1, 2010. During the year ended December 31, 2011, there was a further significant decline in the fair value of shares of SK Telecom Co., Ltd. for a prolonged period, which was considered as objective evidence of impairment. As a result, an impairment losses of (Won)107,377 million was recognized in profit or loss in 2011.

(*3) The Company is required to provide deposits to maintain checking accounts and, accordingly, the withdrawal of these deposits is restricted. As of December 31, 2011 and 2010, (Won)40 million are restricted, respectively.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

8. Inventories

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

	December 31, 2011	December 31, 2010	January 1, 2010
Finished goods	1,556,573	1,093,446	616,803
Merchandise	1,185,496	854,624	171,586
Semi-finished goods	2,163,124	1,695,522	1,034,206
Raw materials	2,563,837	2,516,167	1,118,235
Fuel and materials	758,333	670,218	556,545
Construction inventories	1,245,546	478,973	402,361
Materials-in-transit	2,857,434	2,252,136	1,018,461
Others	168,895	86,015	45,263
	12,499,238	9,647,101	4,963,460
Less: allowance for inventories valuation	(215,594)	(87,895)	(45,047)
	12,283,644	9,559,206	4,918,413

(in millions of Won)

The amounts of valuation losses of inventories recognized as cost of goods sold during the years ended December 31, 2011 and 2010 are (Won)140,391 million and (Won)38,762 million, respectively.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

9. Non-Current Assets Held for Sale

Details of non-current assets held for sale and related liabilities as of December 31, 2011 are as follows:

	The Controlling Company (*1)	Subsidiaries (*2)	Total
Assets			
Trade accounts and notes receivable and other financial assets	—	63,154	63,154
Inventories	—	23,186	23,186
Property, plant and equipment	16,887	172,538	189,425
Intangible assets	—	7,389	7,389
Other assets	—	45,883	45,883
	16,887	312,150	329,037
Liabilities			
Trade accounts and note payables and other financial liabilities	—	28,509	28,509
Borrowings	—	144,920	144,920
Other liabilities	—	53,178	53,178
	—	226,607	226,607
Net assets	16,887	85,543	102,430

(in millions of Won)

(*1) The controlling company plans to dispose of equipments of existing steel manufacturing plants due to the completion and expected use of new plant. Book value of property, plant and equipment which are expected to be sold by the first half of 2012, net of impairment recorded, in the amount of (Won)16,887 million, are reclassified as non-current assets held for sale.

(*2) Daewoo International Corporation, one of the controlling company's subsidiaries, determined to dispose of Daewoo Cement (Shandong) Co., Ltd. in order to close down its non-core business and collect long-term receivables and securities, with the board of director's resolution on July 28, 2011. Daewoo International Corporation entered into a sales contract with China United Cement Group Co., Ltd. on August 9, 2011 and requested approval from the Ministry of Commerce of the People's Republic of China is in progress as of December 31, 2011.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

10. Investments in Associates and Joint Ventures

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

Company	December 31, 2011				December 31, 2011	January 1, 2010
	Number of shares	Ownership(%)	Acquisition cost	Book value	Book value	Book value
[Domestic]						
Kyobo Life Insurance Co., Ltd.	4,920,000	24.00	1,266,900	1,377,114	1,314,808	—
Sungjin Geotec Co., Ltd.	17,193,510	36.69	239,877	194,942	227,245	—
SNNC Co., Ltd.	18,130,000	49.00	90,650	154,131	145,466	94,520
Busan-Gimhae Light Rail Transit Co., Ltd.	9,160,000	25.00	45,800	34,227	42,151	42,715
Cheongna IBT Co., Ltd.	4,528,384	18.58	45,651	35,564	39,607	2,067
Blue ocean PEF	333	27.52	33,300	35,971	—	—
METAPOLIS Co., Ltd.	4,229,280	40.05	15,410	15,674	32,666	38,490
POSMATE Co., Ltd.	214,286	30.00	7,233	22,409	20,989	13,059
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	2,008,000	25.10	10,040	21,026	21,317	13,527
Others	—	—	—	94,507	156,712	91,442
				1,985,565	2,000,961	295,820
[Foreign]						
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	374,868	—	—
AMCI (WA) Pty Ltd.	—	49.00	213,446	168,212	213,446	—
Nickel Mining Company SAS	3,234,698	49.00	157,585	168,292	180,671	190,149
KOBRASCO	2,010,719,185	50.00	32,950	128,884	141,939	98,943
KOREA LNG Ltd.	2,400	20.00	137,993	127,901	133,793	—
Eureka Moly LLC	—	20.00	121,209	109,772	109,177	113,105
DMSA, AMSA	—	4.00	100,770	119,556	100,536	—
BX STEEL POSCO Cold RolledSheet Co., Ltd.	—	25.00	61,961	95,577	89,313	63,667
CAML Resources Pty. Ltd.	3,239	33.34	40,388	55,465	67,401	41,496
South-East Asia Gas Pipeline Company Ltd.	118,099,219	25.04	131,531	136,175	56,636	—
POSCHROME	43,350	50.00	19,859	24,674	29,201	11,441
USS-POSCO Industries	254,649	50.00	277,715	16,880	40,000	45,961
NCR LLC	—	20.00	23,744	24,107	23,931	—
Others	—	—	—	295,731	119,420	89,867
	129,474	88,799	40,675	518,268	6,229	

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(b) The fair value of investments in associates for which there are published price quotations as of December 31, 2011 are as follows:

Company	Fair value
Sungjin Geotec Co., Ltd.	184,830
(in millions of Won)	

(c) The movements of investments in associates for the years ended December 31, 2011 and 2010 are as follows:

1) December 31, 2011

Company	Dec. 31, 2010 Book Value	Equity method Profits (Losses)	Other Increase (Decrease) (*1)	Dec. 31, 2011 Book Value
[Domestic]				
Kyobo Life Insurance Co., Ltd.	1,314,808	82,450	(20,144)	1,377,114
Sungjin Geotec Co., Ltd.	227,245	(33,650)	1,347	194,942
SNNC Co., Ltd.	145,466	49,605	(40,940)	154,131
Busan-Gimhae Light Rail Transit Co., Ltd.	42,151	(7,924)	—	34,227
Cheongna IBT Co., Ltd.	39,607	(4,043)	—	35,564
Blue ocean PEF	—	1,478	34,493	35,971
METAPOLIS Co., Ltd.	32,666	(16,992)	—	15,674
POSMATE Co., Ltd.	20,989	3,141	(1,721)	22,409
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	21,317	(146)	(145)	21,026
Others	156,712	(4,290)	(57,915)	94,507
	2,000,961	69,629	(85,025)	1,985,565
[Foreign]				
POSCO-NPS Niobium LLC	—	5,658	369,210	374,868
AMCI (WA) Pty Ltd.	213,446	(32,879)	(12,355)	168,212
Nickel Mining Company SAS	180,671	(7,073)	(5,306)	168,292
KOBRASCO	141,939	36,911	(49,966)	128,884
KOREA LNG Ltd.	133,793	8,026	(13,918)	127,901
Eureka Moly LLC	109,177	(754)	1,349	109,772
DMSA, AMSA	100,536	38	18,982	119,556
BX STEEL POSCO Cold RolledSheet Co., Ltd.	89,313	1,797	4,467	95,577
CAML Resources Pty. Ltd.	67,401	15,517	(27,453)	55,465
South-East Asia Gas Pipeline Company Ltd.	56,636	(25)	79,564	136,175
POSCHROME	29,201	1,422	(5,949)	24,674
USS-POSCO Industries	40,000	(31,585)	8,465	16,880
NCR LLC	23,931	(85)	261	24,107
Others	119,420	(16,028)	192,339	295,731
	1,305,464	(19,060)	559,690	1,846,094
	3,306,425	50,569	474,665	3,831,659
(in millions of Won)				

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

2) December 31, 2010

Company	Jan. 1, 2010 Book Value	Equity method Profits (Losses)	Other Increase (Decrease)	Dec. 31, 2010 Book Value
[Domestic]				
Kyobo Life Insurance Co., Ltd.	—	54,168	1,260,640	1,314,808
Sungjin Geotec Co., Ltd.	—	(9,108)	236,353	227,245
SNNC Co., Ltd.	94,520	63,680	(12,734)	145,466
Busan-Gimhae Light Rail Transit Co., Ltd.	42,715	(563)	(1)	42,151
Cheongna IBT Co., Ltd.	2,067	(4,201)	41,741	39,607
METAPOLIS Co., Ltd.	38,490	(5,824)	—	32,666
POSMATE Co., Ltd.	13,059	(558)	8,488	20,989
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	13,527	7,135	655	21,317
Others	91,442	3,349	61,921	156,712
	295,820	108,078	1,597,063	2,000,961
[Foreign]				
AMCI (WA) Pty Ltd.	—	—	213,446	213,446
Nickel Mining Company SAS	190,149	9,581	(19,059)	180,671
KOBRASCO	98,943	51,210	(8,214)	141,939
KOREA LNG Ltd.	—	2,934	130,859	133,793
Eureka Moly LLC	113,105	(1,165)	(2,763)	109,177
DMSA, AMSA	—	(39)	100,575	100,536
BX STEEL POSCO Cold RolledSheet Co., Ltd.	63,667	24,411	1,235	89,313
CAML Resources Pty. Ltd.	41,496	15,660	10,245	67,401
South-East Asia Gas Pipeline Company Ltd.	—	—	56,636	56,636
POSCHROME	11,441	783	16,977	29,201
USS-POSCO Industries	45,961	(9,165)	3,204	40,000
NCR LLC	—	(40)	23,971	23,931
Others	89,867	(19,591)	49,144	119,420
	654,629	74,579	576,256	1,305,464
	950,449	182,657	2,173,319	3,306,425
(in millions of Won)				

(*1) Other increase or decrease represents the changes in investment in associates due to acquisitions, disposals, dividends received, change in capital adjustments arising from translations of financial statements of foreign investees and others.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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

1) December 31, 2011

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
Kyobo Life Insurance Co., Ltd.	60,828,181	55,786,580	5,041,601	11,610,607	487,785
Sungjin Geotec Co., Ltd.	717,665	611,548	106,117	663,879	(58,894)
SNNC Co., Ltd.	610,059	269,318	340,741	473,173	81,246
Busan-Gimhae Light Rail Transit Co., Ltd.	817,402	680,492	136,910	3,690	(31,696)
Cheongna IBT Co., Ltd.	433,306	263,377	169,929	305	(20,527)
Blue ocean PEF	385,060	254,353	130,707	79,583	5,371
METAPOLIS Co., Ltd.	579,241	534,775	44,466	21,333	(36,861)
POSMATE Co., Ltd.	90,403	15,317	75,086	116,021	8,592
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	302,887	256,485	46,402	67,459	2,099
[Foreign]					
POSCO-NPS Niobium LLC	749,737	—	749,737	11,433	11,317
Nickel Mining Company SAS	496,518	94,900	401,618	142,456	(12,983)
KOBRASCO	314,458	56,691	257,767	130,725	73,978
KOREA LNG Ltd.	24,169	10,492	13,677	95,385	92,600
DMSA, AMSA	5,807,261	3,979,755	1,827,506	939	939
BX STEEL POSCO Cold RolledSheet Co., Ltd.	1,099,540	745,318	354,222	1,421,784	7,188
CAML Resources Pty. Ltd.	217,677	105,456	112,221	278,778	46,567
South-East Asia Gas Pipeline Company Ltd.	596,972	53,140	543,832	—	(99)
POSCHROME	61,740	4,129	57,611	96,785	1,028
USS-POSCO Industries	470,963	434,722	36,241	1,062,110	(61,478)

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

2) December 31, 2010

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[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., Ltd.	1,003,494	675,931	327,563	1,421,734	97,645
CAML Resources Pty. Ltd.	210,319	65,298	145,021	265,256	46,969
South-East Asia Gas Pipeline Company Ltd.	227,499	17,966	209,533	—	—
POSCHROME	76,611	7,693	68,918	71,316	6,305
USS-POSCO Industries	459,290	369,082	90,208	1,020,538	(15,710)

(in millions of Won)

3) January 1, 2010

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 RolledSheet Co., Ltd.	1,018,978	791,925	227,053
CAML Resources Pty. Ltd.	137,046	52,313	84,733
POSCHROME	64,564	9,494	55,070
USS-POSCO Industries	443,184	338,318	104,866

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(e) Details of significant joint ventures as of December 31, 2011 are as follows:

Joint venture	Business	Region	Ownership (%)
Mt.Thorley J/V	Mining	Australia	20.00%
POSMAC J/V	Mining	Australia	20.00%
CD J/V	Mining	Australia	5.00%
RUM J/V	Mining	Australia	10.00%

11. Investment Property, Net

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

	December 31, 2011	December 31, 2010	January 1, 2010
Cost	766,905	701,005	629,357
Less: Accumulated depreciation and accumulated impairment loss	(239,372)	(207,640)	(71,150)
Carrying value	527,533	493,365	558,207

(in millions of Won)

As of December 31, 2011, the fair value of investment property is (Won)837,511 million, among which the Company evaluated investment property of 7 subsidiaries including International Business Center Corporation as its book value amounted to (Won)82,396 million since it is believed that fair value is approximately same as book value.

(b) Changes in the carrying value of investment property for the years ended December 31, 2011 and 2010 are as follows:

1) For the year ended December 31, 2011

	Beginning	Acquisition	Business combination	Disposal	Depreciation (*1)	Others (*2)	Ending
Land	211,464	41,243	94	(57,905)	(14,010)	38,591	219,477
Buildings	278,361	109,757	—	(56,953)	(22,783)	(6,649)	301,733
Structures	3,540	6,072	—	—	(640)	(2,649)	6,323
Total	493,365	157,072	94	(114,858)	(37,433)	29,293	527,533

(in millions of Won)

(*1) Impairment losses of investment property amounted to (Won)23,048 million are included.

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

2) For the year ended December 31, 2010

	Beginning	Acquisition	Business combination	Disposal	Depreciation (*1)	Others (*2)	Ending
Land	238,682	87,114	7,923	(65,759)	(60,463)	3,967	211,464
Buildings	317,495	47,088	20,548	(47,124)	(84,656)	25,010	278,361
Structures	2,030	—	1,945	—	(809)	374	3,540
Total	558,207	134,202	30,416	(112,883)	(145,928)	29,351	493,365

(in millions of Won)

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

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

12. Property, Plant and Equipment, Net

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

	2011	2010	January 1, 2010
Cost	51,653,789	46,992,804	41,210,602
Less : Accumulated depreciation	(23,134,937)	(21,523,736)	(18,866,625)
Less : Government grants	(65,668)	(31,328)	(1,230)
Book value	28,453,184	25,437,740	22,342,747

(in millions of Won)

(b) The changes in carrying value of property, plant and equipment as for the years ended December 31, 2011 and 2010 are as follows:

1) For the year ended December 31, 2011

	Beginning	Acquisition (*1)	Business combination	Disposal	Depreciation (*2)	Others (*3)	Ending
Land	2,011,851	450,151	92,806	(55,751)	—	50,121	2,549,178
Buildings	3,551,163	701,166	38,382	(38,755)	(278,097)	45,970	4,019,829
Structures	2,070,189	289,524	8,961	(10,775)	(163,072)	65,610	2,260,437
Machinery and equipment	13,777,382	2,892,960	204,871	(45,950)	(1,605,342)	955,463	16,179,384
Vehicles	64,173	21,041	1,981	(1,795)	(17,894)	(763)	66,743
Tools	75,437	38,477	2,259	(1,477)	(37,743)	3,924	80,877
Furniture and fixtures	124,677	66,297	1,995	(1,657)	(28,249)	6,626	169,689
Capital Lease Assets	43,106	8,029	20	(145)	(14,081)	1,613	38,542
Construction-in-progress	3,719,762	4,593,524	10,536	—	—	(5,235,317)	3,088,505
Total	25,437,740	9,061,169	361,811	(156,305)	(2,144,478)	(4,106,753)	28,453,184

(in millions of Won)

(*1) Acquisition includes assets transferred from construction-in-progress.

(*2) Impairment losses of property, plant and equipment amounted to (Won)25,852 million are included.

(*3) Includes reclassification for changing purpose of use, adjustment of foreign currency translation difference and others.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

2) For the year ended December 31, 2010

	Beginning	Acquisition [*1]	Business combination	Disposal	Depreciation	Others [*2]	Ending
Land	1,767,579	169,090	94,126	(26,396)	—	7,452	2,011,851
Buildings	2,754,487	442,607	278,812	(68,791)	(217,835)	361,883	3,551,163
Structures	1,579,212	592,421	12,059	(9,410)	(131,556)	27,463	2,070,189
Machinery and equipment	11,735,492	4,170,812	247,224	(54,912)	(2,480,608)	159,374	13,777,382
Vehicles	52,113	39,444	11,221	(3,524)	(27,359)	(7,722)	64,173
Tools	67,107	43,480	1,520	(26,324)	(20,479)	10,133	75,437
Furniture and fixtures	84,232	67,128	2,559	(7,063)	(52,601)	30,422	124,677
Capital Lease Assets	23,060	20,948	88	(556)	(11,699)	11,265	43,106
Construction-in-progress	4,279,465	5,493,240	72,485	(24,796)	—	(6,100,632)	3,719,762
Total	22,342,747	11,039,170	720,094	(221,772)	(2,942,137)	(5,500,362)	25,437,740

(in millions of Won)

[*1] Acquisition includes assets transferred from construction-in-progress.

[*2] Includes reclassification for changing purpose of use, adjustment of foreign currency translation difference and others.

(c) Borrowing costs capitalized and the capitalized interest rate for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Average expenditure costs	1,433,877	350,000
Capitalized borrowing costs	78,777	12,897
Capitalized interest rate	5.49%	3.68%

(in millions of Won)

(d) Pledged as collateral assets

	Collateral right holder	December 31, 2011	December 31, 2010	January 1, 2010
Land [*1]	Korean Development Bank and others	381,096	235,486	220,732
Buildings and structures [*1]	Korean Development Bank and others	139,169	165,251	105,465
Machinery and equipment	The Export-Import Bank of Korea and others	218,816	231,521	387,828
		739,081	632,258	714,025

(in millions of Won)

[*1] Investment property are included.

(e) Based on an asset life study performed in 2011, the Company changed the estimated useful life of certain machinery and equipments in its steel business from 8 years to 15 years. During the year ended December 31, 2011, the depreciation costs decreased by (Won)1,227,169 million as a result of this change in the estimated useful life.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

13. Goodwill and Other Intangible Assets

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

	December 31, 2011	December 31, 2010	January 1, 2010
Cost	5,457,923	4,697,429	928,520
Less : Accumulated amortization and accumulated impairment loss	(210,923)	(77,634)	(173,895)
Less : Government grants	(2,072)	(626)	(394)
Book value	5,244,928	4,619,169	754,231

(in millions of Won)

(b) The changes in carrying value of goodwill and other intangible assets for the years ended December 31, 2011 and 2010 are as follows:

1) For the year ended December 31, 2011

	Beginning	Increase			Decrease			Others [*3]	Ending
		Acquisition	Development	Business combination	Disposal	Amortization	Impairment		
Goodwill [*1]	1,447,743	—	—	224,032	—	—	(14,958)	—	1,656,817
Intellectual property rights	119,100	171,402	—	—	(7,544)	(16,258)	—	8,207	274,907
Premium in rental [*2]	159,761	15,355	—	9	(3,457)	(8,391)	—	(24,133)	139,144
Development expense	49,275	13,978	252	688	(44)	(20,092)	—	1,526	45,583
Port facilities usage rights	108,161	—	—	—	—	(13,130)	—	(285)	94,746
Exploration and evaluation assets	594,464	10,151	—	—	(38,563)	—	—	(92,860)	473,192
Mining development assets	1,058,354	357,681	—	—	(96)	—	—	(1,624)	1,414,315
Client relationships	778,080	—	—	75,836	—	(46,848)	—	—	807,068
Other intangible assets	304,231	95,557	—	8,160	(5,684)	(28,569)	—	(34,539)	339,156
	4,619,169	664,124	252	308,725	(55,388)	(133,288)	(14,958)	(143,708)	5,244,928

(in millions of Won)

[*1] Acquisition amounts include goodwill amounting to (Won)119,260 million related to the acquisition of POSCO Thainox Co., Ltd. in 2011 (note 37).

[*2] Premium in rental includes memberships with indefinite useful lives.

[*3] Includes translation differences and other adjustments.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

2) For the year ended December 31, 2010

	Beginning	Increase			Decrease		Others (*3)	Ending
		Acquisition	Development	Business combination	Disposal	Amortization		
Goodwill (*1)	268,080	—	—	1,179,663	—	—	—	1,447,743
Intellectual property rights	50,365	7,863	—	58,245	(12)	(1,142)	3,781	119,100
Premium in rental (*2)	168,701	39,309	—	34	(6,015)	(788)	(41,480)	159,761
Development expense	47,648	21,417	28	4,338	(7,522)	(14,611)	(2,023)	49,275
Port facilities usage rights	99,552	28,024	—	—	—	(19,415)	—	108,161
Exploration and evaluation assets	—	84,807	—	509,657	—	—	—	594,464
Mining development assets	—	50,793	—	1,007,561	—	—	—	1,058,354
Client relationships	—	—	—	789,200	—	(11,120)	—	778,080
Other intangible assets	119,885	83,784	—	148,587	(12,424)	(28,268)	(7,333)	304,231
	754,231	315,997	28	3,697,285	(25,973)	(75,344)	(47,055)	4,619,169

(in millions of Won)

(*1) Acquisition amounts include goodwill amounting to (Won)1,163,922 million related to acquisition of Daewoo International Corporation in 2010 (note 37).

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

(*3) Includes translation differences and other adjustments.

(c) For the purpose of impairment testing, goodwill is allocated to individual operating entities determined to be CGUs. The goodwill amount as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Daewoo International Corporation (*1)	1,163,922	1,163,922	—
POSCO Engineering Company (formerly Daewoo Engineering Company) (*2)	194,637	194,637	194,637
POSCO-Thainox Public Company Limited (*3)	119,259	—	—
Multiple units without significant goodwill (*4)	178,999	89,184	73,443
Total	1,656,817	1,447,743	268,080

(in millions of Won)

(*1) Recoverable amounts of Daewoo international Corporation were determined based on value-in- use. As of December 31, 2011, value-in-use is estimated by applying 6.90%~7.40% discount rate and 2.65%~3.15% terminal growth rate with 5 years, the period for the estimated future cash flows, based on management's business plan. No impairment loss of goodwill was recognized during the year ended December 31, 2011 as the recoverable amount exceeded the carrying value of the CGU.

(*2) Recoverable amounts of POSCO Engineering Company were determined based on value-in-use. As of December 31, 201, value-in-use is estimated by applying 11.71%~13.71% discount rate and 1%~3% terminal growth rate with 5 years, the period for the estimated future cash flows based on management's business plan. No impairment loss of goodwill was recognized during the year ended December 31, 2011 as the recoverable amount exceeded the carrying value of the CGU.

(*3) No impairment loss of goodwill was recognized since there was no objective evidence of impairment noted subsequent to September 30, 2011, the date POSCO — Thainox Public Company Limited was acquired.

(*4) Among multiple units without significant goodwill, goodwill in the amount of (Won)14,958 million related to the CGU of DAESAN (CAMBODIA) Co. Ltd is fully impaired during 2011 due to negative capital.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

14. Other Assets

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

	December 31, 2011	December 31, 2010	January 1, 2010
Other current assets			
Advance payment	1,035,846	899,006	650,496
Prepaid expenses	180,369	72,180	35,408
Others	3,927	973	4,282
	1,220,142	972,159	690,186

(in millions of Won)

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

	December 31, 2011	December 31, 2010	January 1, 2010
Other non-current assets			
Long-term advance payment	2,895	141,726	79,444
Long-term prepaid expenses	190,741	109,835	115,447
Others (*1)	436,651	408,253	55,584
	630,287	659,814	250,475

(in millions of Won)

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

15. Borrowings

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

	Bank	Borrowing date	Maturity date	Interest Rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
Short-term borrowings							
Bank overdrafts	BOA, others	March 2011 ~December 2011	March 2012 ~December 2012	0.4~6.1	233,804	200,389	106,069
Bank borrowings (*1)	HSBC, others	January 2011 ~December 2011	January 2012 ~December 2012	0.3~11.4	9,339,182	6,888,796	3,067,103
					9,572,986	7,089,185	3,173,172
Current portion of long-term borrowings							
Current portion of long-term bank borrowings (*1)	NH Bank, others	December 2000 ~September 2011	February 2012 ~December 2012	0.7~11.0	428,409	394,227	468,996
Current portion of foreign loan	NATIXIS	June 1984	December 2012	2.0	951	963	1,065
Current portion of debentures (*1)	KB Investment & Securities, others	May 2007 ~ November 2009	February 2012 ~November 2012	5.2~7.3	790,050	2,995,726	315,085
Less : Current portion of discount on debentures issued					(886)	(3,801)	(219)
					1,218,524	3,387,115	784,927
					10,791,510	10,476,300	3,958,099

(in millions of Won)

(*1) Property, plant and equipment, investment in associates and long-term prepaid expenses amounting to (Won)706,560 million, (Won)103,169 million and (Won)391 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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

	Bank	Borrowing date	Maturity date	Interest Rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
Long-term bank borrowings (*1)	Korean Development Bank, others	December 2000 ~ September 2011	January 2013 ~ August 2039	0.1~13.0	4,614,391	3,431,521	1,381,648
Less : Present value discount					(302,118)	(81,610)	(746)
Foreign loan (*2)	NATIXIS	June 1984	March 2017	2.0	3,071	4,074	5,572
Debentures (*1,3,4)	Korean Development Bank, others	June 2006 ~ December 2011	May 2013 ~ December 2021	1.6~8.8	11,776,893	7,357,310	6,915,294
Less : Discount on debentures issued					(94,356)	(64,649)	(70,449)
Add : Premium on debentures redemption					21,493	11,138	10,067
Add : Premium on debentures issued					833	6,157	—
					16,020,207	10,663,941	8,241,386

(in millions of Won)

(*1) Property, plant and equipment, investment in associates and long-term prepaid expenses amounting to (Won)706,560 million, (Won)103,169 million and (Won)391 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

(*2) Korea Development Bank has provided guarantees related to this foreign loan.

(*3) In 2009, one of the controlling company's subsidiaries, Daewoo International Corporation, issued convertible bonds with a face value of USD 300 million and a 5 year maturity. They are classified as fair value through profit or loss and measured at fair value [(Won)333,004 million] as of December 31, 2011.

(*4) The Company redeemed JPY 39,970,000,000 (75.7% of total face value) exchangeable bonds in August 2011. The Company issued exchangeable bonds with SK Telecom Co., Ltd. ADRs in August 2011. The Company accounted for these exchangeable bonds as long-term debts under IFRS. The exchangeable bonds may be redeemed prior to maturity at 105.11% of their face value for three years from the issuance date at the option of the bondholders.

(c) Certain borrowing agreements require the Company to maintain certain financial covenants. Management believes the Company has been in compliance with these financial covenants for all periods presented.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

16. Other Financial Liabilities

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

	December 31, 2011	December 31, 2010	January 1, 2010
Short-term financial liabilities			
Accounts payable	1,048,895	874,629	650,767
Accrued expenses	457,070	415,657	352,060
Dividends payable	5,822	6,176	10,194
Derivatives liabilities	146,903	90,384	34,880
Finance lease liabilities	15,295	14,073	6,813
Financial guarantee liabilities	7,510	8,919	—
Withholding	129,695	111,039	—
	1,811,190	1,520,877	1,054,714

(in millions of Won)

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

	December 31, 2011	December 31, 2010	January 1, 2010
Long-term financial liabilities			
Accounts payable	149,308	2,438	4,027
Accrued expenses	20,068	22,348	74,482
Derivatives liabilities	48,934	11,925	8,831
Finance lease liabilities	29,504	27,039	17,074
Financial guarantee liabilities	24,732	19,046	6,295
Long-term withholding	78,014	92,978	94,387
	350,560	175,774	205,096

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

17. Provisions

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

	December 31, 2011		December 31, 2010		January 1, 2010	
	Current	Non-current	Current	Non-current	Current	Non-current
Provision for bonus payments	47,682	—	37,978	—	20,861	—
Provision for construction warranties	19,656	30,967	25,804	23,264	38,594	9,035
Provision for legal contingencies and claims (*1)	—	38,847	—	126,626	—	—
Others	2,094	39,529	27	2,259	3,850	2,970
	69,432	109,343	63,809	152,149	63,305	12,005

(in millions of Won)

(*1) As of December 31, 2011 and 2010, includes provision of (Won)38,847 million and (Won)75,817 million, respectively, for a potential claim in connection to the spin-off of the trading division of Daewoo International Corporation in 2000 (note 34).

(b) Changes in provisions for the year ended December 31, 2011 are as follows:

	Beginning	Increase	Decrease	Others (*1)	Ending
Provision for bonus payments	37,978	30,592	(20,888)	—	47,682
Provision for construction warranties	49,068	30,724	(12,958)	(16,211)	50,623
Provision for legal contingencies and claims	126,626	—	—	(87,779)	38,847
Others	2,286	34,820	(272)	4,789	41,623
	215,958	96,136	(34,118)	(99,201)	178,775

(in millions of Won)

(*1) Include adjustments of foreign currency translation difference and transfer to non-current liability held for sale.

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

	Beginning	Increase	Decrease	Others (*1)	Ending
Provision for bonus payments	20,861	373,335	(356,134)	(84)	37,978
Provision for construction warranties	47,629	17,216	(15,705)	(72)	49,068
Provision for legal contingencies and claims	—	—	—	126,626	126,626
Others	6,820	6,486	(14,843)	3,823	2,286
	75,310	397,037	(386,682)	130,293	215,958

(in millions of Won)

(*1) Include adjustments of foreign currency translation difference and increase due to acquisition of Daewoo International Corporation.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

18. 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 the Company's assets. The expense related to post-employment benefit plans under defined contribution plans during the year ended December 31, 2011 is (Won)8,874 million, which is included in profit or loss based on the function of the related employees.

(b) Defined Benefit Plan

The Company partially operates a defined benefit pension plan for employees and uses the projected unit credit method in the actuarial valuation of plan assets and the defined benefit obligation.

(c) The amounts recognized in relation to defined benefit obligations in the statements of financial position as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Present value of funded obligations	1,158,329	1,443,954	1,098,475
Fair value of plan assets	(832,771)	(964,727)	(790,509)
Present value of non-funded obligations	14,909	23,899	7,452
Net defined benefit obligations	340,467	503,126	315,418

(in millions of Won)

(d) The changes in present value of defined benefit obligations for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Defined benefit obligation at the beginning of year	1,467,853	1,105,927
Current service costs (*1)	207,871	156,308
Interest costs	67,372	57,473
Actuarial losses	43,166	189,501
Business combinations	221	52,641
Benefits paid	(593,369)	(102,837)
Others	(19,876)	8,840
Defined benefit obligation at the end of year	1,173,238	1,467,853

(in millions of Won)

(*1) This amount includes loss from a plan settlement in the amount of (Won)3,704 million for the year ended December 31, 2011.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(e) The changes in fair value of plan assets for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Fair value of plan assets at the beginning of period	964,727	790,509
Expected return on plan assets	38,244	39,810
Actuarial gains and losses	3,073	22,390
Contributions of participants	190,909	148,354
Business combination	354	38,805
Others	14,059	3,473
Benefits paid	(378,595)	(78,614)
Fair value of plan assets at the end of period	832,771	964,727

(in millions of Won)

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

	December 31, 2011	December 31, 2010	January 1, 2010
Equity instruments	7,703	512,850	455,563
Debt instruments	103,074	289,907	288,282
Deposits	538,260	—	—
Others	183,734	161,970	46,664
	832,771	964,727	790,509

(in millions of Won)

(g) The amounts recognized in profit or loss for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Current service costs	207,871	156,308
Interest costs	67,372	57,473
Expected return on plan assets	(38,244)	(39,810)
	236,999	173,971

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(h) The above expenses recognized in profit or loss are as follows:

	December 31, 2011	December 31, 2010
Cost of goods sold	177,020	137,263
Selling and administrative expenses	59,979	36,708
	236,999	173,971
	236,999	173,971

(in millions of Won)

(i) Accumulated actuarial gains and losses, net of tax, recognized in other comprehensive income as of and for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Beginning balance	(152,125)	—
Current actuarial gains and losses	(30,577)	(152,125)
Ending balance	(182,702)	(152,125)
	236,999	173,971

(in millions of Won)

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

	December 31, 2011	December 31, 2010	January 1, 2010
Discount rate	3.86~5.42	3.22~5.66	3.22~5.66
Expected return on plan assets	2.00~5.29	3.38~6.19	3.38~6.19
Expected future salary increases	1.03~7.35	1.00~5.90	1.00~5.90
Others	183,734	161,970	46,664
	832,771	964,727	790,509

(%)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

19. Other Liabilities

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

	December 31, 2011	December 31, 2010	January 1, 2010
Due to customers for contract work	449,470	703,900	516,611
Advances received	973,427	484,155	320,825
Unearned revenue	36,935	26,338	8,497
Withholding accounts	114,941	105,079	194,856
Deferred revenue	362	378	225
Others (*1)	224,496	136,221	114,428
	1,799,631	1,456,071	1,155,442

(in millions of Won)

(*1) Includes other current liabilities amounting to (Won)204,653 million, (Won)129,318 million and (Won)94,749 million as of December 31, 2011, 2010 and January 1, 2010, respectively, due to proportionate consolidation of joint ventures which are owned by POSCO's subsidiaries.

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

	December 31, 2011	December 31, 2010	January 1, 2010
Advances received	1,547	3,583	40
Unearned revenue	1,200	1,539	2,364
Others (*1)	81,756	75,264	25,987
	84,503	80,386	28,391

(in millions of Won)

(*1) Includes other long-term liabilities amounting to (Won)14,857 million, (Won)12,254 million and (Won)10,957 million as of December 31, 2011, 2010 and January 1, 2010, respectively, due to proportionate consolidation of joint ventures which are owned by POSCO's subsidiaries.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

20. Financial Instruments

(a) Classification of financial instruments

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

	December 31, 2011	December 31, 2010	January 1, 2010
Financial assets at fair value through profit or loss			
Financial assets held for trading	50,861	182,208	795,811
Derivatives assets held for trading	108,751	140,031	87,063
	159,612	322,239	882,874
Available-for-sale financial assets	4,608,597	6,126,926	5,034,237
Held-to-maturity securities	35,574	39,813	112,561
Loans and receivables	20,210,417	17,325,040	14,586,078
	25,014,200	23,814,018	20,615,750

(in millions of Won)

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

	December 31, 2011	December 31, 2010	January 1, 2010
Financial liabilities at fair value through profit or loss			
Derivatives liabilities held for trading	195,837	102,309	43,711
Designated as financial liabilities at fair value through profit or loss	333,004	447,308	—
	528,841	549,617	43,711
Financial liabilities evaluated as amortized cost			
Trade accounts and notes payable	4,397,662	3,981,079	2,392,317
Borrowings	26,478,713	20,692,933	12,199,485
Financial guarantee liabilities	32,242	27,965	6,295
Others	1,933,671	1,566,377	1,209,803
	32,842,288	26,268,354	15,807,900
	33,371,129	26,817,971	15,851,611

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

3) Financial profit and loss by category of financial instrument for the years ended December 31, 2011 and 2010 is as follows:

December 31, 2011

	Financial income and costs							Other comprehensive loss
	Interest income (cost)	Dividend income	loss on foreign currency transactions	Gain and loss on foreign currency translations	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	3	—	—	—	544,913	70,656	615,572	—
Available-for-sale financial assets	768	143,880	—	—	453,540	(152,804)	445,384	(1,231,758)
Held-to-maturity securities	1,749	—	—	—	—	(311)	1,438	—
Loans and receivables	213,714	—	(26,239)	46,971	(41,171)	(95)	193,180	—
Financial liabilities at fair value through profit or loss	—	—	—	—	(506,664)	(150,963)	(657,627)	—
Financial liabilities are evaluated as amortized cost	(788,348)	—	(140,052)	(317,867)	—	(27,956)	(1,274,223)	—
	(572,114)	143,880	(166,291)	(270,896)	450,618	(261,473)	(676,276)	(1,231,758)

(in millions of Won)

December 31, 2010

	Financial income and costs							Other comprehensive loss
	Interest income (cost)	Dividend income	loss on foreign currency transactions	Gain and loss on foreign currency translations	Gain and loss on disposal	Others	Total	
Financial assets at fair value through profit or loss	196	—	—	—	195,543	63,568	259,307	—
Available-for-sale financial assets	9,822	102,161	—	—	624	(57,133)	55,474	589,601
Held-to-maturity securities	64	—	—	—	465	—	529	—
Loans and receivables	282,846	—	(18,628)	20,483	(2,827)	(430)	281,444	—
Financial liabilities at fair value through profit or loss	—	—	—	—	(174,943)	7,319	(167,624)	—
Financial liabilities are evaluated as amortized cost	(586,883)	—	54,231	(239,375)	—	(6,157)	(778,184)	—
	(293,955)	102,161	35,603	(218,892)	18,862	7,167	(349,054)	589,601

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(b) Credit risk

1) Credit risk exposure

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

	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents	4,598,682	3,521,045	2,273,059
Financial assets at fair value through profit or loss	159,612	322,239	882,874
Available-for-sale financial assets	4,608,597	6,126,926	5,034,237
Held-to-maturity investments	35,574	39,813	112,561
Loans and other receivables	3,978,159	4,311,362	6,490,011
Trade accounts and notes receivable	11,450,515	9,219,011	5,300,233
Long-term trade accounts and notes receivable	183,061	273,622	522,775
	25,014,200	23,814,018	20,615,750

(in millions of Won)

The Company provides financial guarantees to subsidiaries and has exposure to credit risk. The maximum credit exposures as December 31, 2011, 2010 and January 1, 2010 are (Won)4,542,734 million, (Won)3,468,336 million and (Won)3,993,115 million, respectively.

2) Impairment losses on financial assets

Allowance for doubtful accounts as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Trade accounts and notes receivable	303,186	242,801	205,595
Other accounts receivable	36,453	58,934	25,443
Long-term loans	61,222	51,244	23,595
Other assets	5,860	4,084	31,711
	406,721	357,063	286,344

(in millions of Won)

Impairment losses on financial assets for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Bad debt expenses on trade receivables	103,848	51,185
Impairment of available-for-sale financial assets	152,804	57,172
Impairment of held to maturity financial assets	579	—
Other bad debt expenses (*1)	28,081	12,877
Less: Reversal of allowance for doubtful accounts	(86,452)	(3,796)
Less: Impairment of available-for-sale financial assets	—	(38)
Less: Impairment of held to maturity financial assets	(268)	—
	198,592	117,400

(in millions of Won)

(*1) Other bad debt expenses are mainly related to other receivables and long-term loans.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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

	December 31, 2011		December 31, 2010		January 1, 2010	
	Trade accounts and notes receivable	Impairment	Trade accounts and notes receivable	Impairment	Trade accounts and notes receivable	Impairment
Not due	6,154,045	8,137	5,105,514	—	4,754,288	—
Over due less than 1 month	4,868,928	233	3,749,035	5,964	445,823	129
1 month – 3 months	256,022	1,506	191,386	2,018	75,132	497
3 months – 12 months	301,875	37,032	465,134	15,597	292,699	25,291
over 12 months	355,892	256,278	224,365	219,222	460,661	179,678
	11,936,762	303,186	9,735,434	242,801	6,028,603	205,595
	(572,114)	143,880	(166,291)	(270,896)	450,618	(261,473)

(in millions of Won)

Changes in the allowance for doubtful accounts for the years ended December 31, 2011 and 2010 were as follows:

	December 31, 2011	December 31, 2010
Beginning	357,063	286,344
Bad debt expenses	103,848	51,185
Other bad debt expenses	28,081	12,877
Reversal of bad debt expenses	(86,452)	(3,796)
Other increase (decrease)	4,181	10,453
Ending	406,721	357,063

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(c) Liquidity risk

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

	Book value	Cash flow for contracts	Due within 1 year	1 year - 5 years	later than 5 years	Total
Non-derivative financial liabilities						
Trade accounts payable	4,397,662	4,397,662	4,397,279	383	—	4,397,662
Financial guarantee liabilities (*1)	32,242	4,547,734	4,547,732	—	—	4,547,734
Other financial liabilities	1,933,671	1,933,671	1,656,778	266,837	10,056	1,933,671
Borrowings (*2)	26,811,717	29,673,269	11,991,293	13,463,085	4,218,891	29,673,269
	33,175,292	40,552,336	22,593,082	13,730,305	4,228,947	40,552,336

(in millions of Won)

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

(*2) Includes cash flows of embedded derivative instruments in relation to exchangeable bonds (exchange right).

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

	Over due less than 1 year	1 year - 5 years	later than 5 years	Total
Derivative financial liabilities				
Currency forward	135,813	20,986	—	156,799
Currency futures	141	—	—	141
Currency swaps	—	14,885	149	15,034
Others	10,949	12,914	—	23,863
	146,903	48,785	149	195,837

(in millions of Won)

(d) Currency risk

1) The Company has exposure to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The exposure to currency risk as of December 31, 2011, 2010 and January 1, 2010 is as follows:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
USD	3,852,909	10,912,882	3,485,974	8,440,832	1,114,116	2,911,218
EUR	275,012	610,454	382,573	518,244	61,989	90,200
JPY	236,046	2,353,794	188,060	2,642,725	67,496	2,268,593
Others	130,753	136,294	60,066	41,011	59,923	30,754

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

2) As of December 31, 2011 and 2010, provided that functional currency against foreign currencies other than functional currency hypothetically strengthens or weakens by 10%, the changes in gain or loss during the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011		December 31, 2010	
	10% increase	10% decrease	10% increase	10% decrease
USD	(705,997)	705,997	(495,486)	495,486
EUR	(33,544)	33,544	(13,567)	13,567
JPY	(211,775)	211,775	(245,467)	245,467

(in millions of Won)

(e) Interest rate risk

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

	December 31, 2011	December 31, 2010	January 1, 2010
Fixed rate			
Financial assets	7,086,835	7,008,969	8,839,475
Financial liabilities	(24,169,245)	(19,495,665)	(11,475,986)
	(17,082,410)	(12,486,696)	(2,636,511)
Variable rate			
Financial liabilities	(2,642,472)	(1,644,576)	(723,499)

(in millions of Won)

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

As of December 31, 2011 and 2010, provided that other factors remain the same and the interest rate of borrowings with floating rates increases or decreases by 1%, the changes in gain or loss during the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011		December 31, 2010	
	1% increase	1% decrease	1% increase	1% decrease
Variable rate financial instruments	(26,425)	26,425	(16,446)	16,446

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(f) Fair value

1) Fair value and book value

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

	December 31, 2011		December 31, 2010		January 1, 2010	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Assets measured fair value						
Financial assets held for trading	50,861	50,861	182,208	182,208	795,811	795,811
Available-for-sale financial assets	4,390,224	4,390,224	5,766,998	5,766,998	4,612,580	4,612,580
Derivatives assets held for trading	108,751	108,751	140,031	140,031	87,063	87,063
	4,549,836	4,549,836	6,089,237	6,089,237	5,495,454	5,495,454
Assets measured amortized cost						
Cash and cash equivalents	4,598,682	4,598,682	3,521,045	3,521,045	2,273,059	2,273,059
Trade accounts and notes receivable	11,633,576	11,633,576	9,492,633	9,492,633	5,823,008	5,823,008
Loans and other receivables	3,978,159	3,978,159	4,311,362	4,311,362	6,490,011	6,490,011
Held-to-maturity investments	35,574	35,574	39,813	39,813	112,561	112,561
	20,245,991	20,245,991	17,364,853	17,364,853	14,698,639	14,698,639
Liabilities measured fair value						
Derivatives liabilities held for trading	195,837	195,837	102,309	102,309	43,711	43,711
Convertible bonds	333,004	333,004	447,308	447,308	—	—
	528,841	528,841	549,617	549,617	43,711	43,711
Liabilities measured amortized cost						
Trade accounts and notes payable	4,397,662	4,397,662	3,981,079	3,981,079	2,392,317	2,392,317
Borrowings	26,478,713	26,793,230	20,692,933	20,549,483	12,199,485	12,210,969
Financial guarantee liabilities	32,242	32,242	27,965	27,965	6,295	6,295
Others	1,933,671	1,933,671	1,566,377	1,566,377	1,209,803	1,209,804
	32,842,288	33,156,805	26,268,354	26,124,904	15,807,900	15,819,385

(in millions of Won)

2) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Interest rate of Borrowings (%)	1.8 ~ 4.62	1.19 ~ 5.14	1.28 ~ 5.38

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

3) The fair value hierarchy

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in measurements.

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

The fair values of financial instruments, by valuation method as of December 31, 2011, 2010 and January 1, 2010 are as follows:

a. December 31, 2011

	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets held for trading	—	50,861	—	50,861
Available-for-sale financial assets	3,419,961	31,022	939,241	4,390,224
Derivatives assets held for trading	—	108,751	—	108,751
	3,419,961	190,634	939,241	4,549,836
Financial Liabilities				
Derivatives liabilities held for trading	—	195,837	—	195,837
Convertible bonds	333,004	—	—	333,004
	333,004	195,837	—	528,841

(in millions of Won)

b. December 31, 2010

	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
	4,944,644	339,433	805,160	6,089,237
Financial Liabilities				
Derivatives liabilities held for trading	—	102,309	—	102,309
Convertible bonds	447,308	—	—	447,308
	447,308	102,309	—	549,617

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

c. January 1, 2010

	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets held for trading	—	795,811	—	795,811
Available-for-sale financial assets	3,967,463	6,714	638,403	4,612,580
Derivatives assets held for trading	—	87,063	—	87,063
	3,967,463	599,588	638,403	5,205,454
Financial Liabilities				
Derivatives liabilities held for trading	—	43,711	—	43,711

(in millions of Won)

Changes in fair value of financial instruments measured by Level 3 for the years ended December 31, 2011 and 2010 are as follows:

a. December 31, 2011

	Beginning	Valuation	Acquisition, others (*1)	Disposal, others (*1)	Ending
Available-for-sale financial assets	805,160	157,329	98,242	(121,490)	939,241

(in millions of Won)

(*1) Included change in amounts due to change of fair value level.

b. December 31, 2010

	Beginning	Valuation	Acquisition, others (*1)	Disposal, others (*1)	Ending
Available-for-sale financial assets	638,403	11,568	164,382	(9,193)	805,160

(in millions of Won)

(*1) Included change in amounts due to change of fair value level.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

21. Share Capital and Contributed Surplus

(a) Share capital

Under the Articles of Incorporation, the Company is authorized to issue 200 million shares of capital stock with par value of (Won)5,000 per share. As of December 31, 2011, exclusive of retired stock, 87,186,835 shares of common stock have been issued.

The Company is authorized, with the Board of Directors' approval, to retire treasury stock in accordance with applicable laws up to the maximum amount of certain undistributed earnings. The 9,293,790 shares of common stock were retired with the Board of Directors' approval.

As of December 31, 2011, total shares of ADRs are 52,974,264 equivalents to 13,243,566 of common shares.

As of December 31, 2011, ending balance of capital stock amounts to (Won)482,403 million; however, it is different from par value of issued common stock, which amounted to (Won)435,934 million, due to retirement of treasury stock.

(b) Capital surplus

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

	December 31, 2011	December 31, 2010	January 1, 2010
Share premium	463,825	463,825	463,825
Gains on sale of treasury stock	763,867	694,714	694,714
Capital surplus	(77,240)	(56,978)	41,127
	1,150,452	1,101,561	1,199,666

(in millions of Won)

22. Reserves

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

	December 31, 2011	December 31, 2010	January 1, 2010
Accumulated comprehensive income (loss) of investments in associates	(16,186)	(3,909)	33,747
Fair value of available-for-sale financial investments	154,617	1,381,667	804,716
Currency translation differences	283,516	136,669	—
Others	(16,521)	(7,139)	(4,657)
	405,426	1,507,288	833,806

(in millions of Won)

(b) Changes in fair value of available-for-sale securities as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010
Beginning balance	1,381,667	804,716
Changes in fair-value of available-for-sale securities	(974,031)	593,946
Reclassification to profit or loss upon disposal	(252,102)	(1,665)
Others	(917)	(15,330)
Ending balance	154,617	1,381,667

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

23. Treasury Shares

In January 2011, the Company sold 342,955 shares of treasury stock for (Won)164,384 million and recognized (Won)69,153 million, net of tax, as a gain on sale of treasury stock in capital surplus. Also, the Company acquired 131,389 shares of treasury stock for (Won)61,296 million in 2011. As of December 31, 2011, the Company holds 9,942,391 shares of treasury stock for price stabilization in accordance with the Board of Director's resolution.

24. 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

	6th Grant
Granted	90,000
Exercised	64,000
Unexercised	26,000
Exercise price	194,900
Exercise period	2007.4.29~2012.4.28

(per share, won)

(b) Reversal of stock compensation expenses for the years ended December 31, 2011 and 2010 are (Won)4,223 million and (Won)13,227 million. Also, the Company's liabilities arising from stock appreciation rights as of December 31, 2011, 2010 and January 1, 2010 are (Won)4,788 million, (Won)22,286 million and (Won)58,356 million, respectively.

(c) The Company uses a fair value approach for calculating remuneration cost. The method and assumption for computing fair value of stock appreciation rights are as follows:

	6th Grant
Risk-free interest rate	3.43%
Option life	104
Expected volatility	0.1659
Rate of expected dividends	2.63%
Stock price	(Won) 380,000
Fair value of share options	(Won) 184,157

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

25. Construction Contracts

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

	December 31, 2011	December 31, 2010	January 1, 2010
Aggregate amount of costs incurred	14,457,692	12,778,567	8,846,030
Add : Recognized profits	1,345,850	1,202,835	948,616
Less : Recognized losses	(305,287)	(197,818)	(202,275)
Cumulative construction revenue	15,498,255	13,783,584	9,592,371
Less : Progress billing	(14,577,258)	(13,505,203)	(9,388,120)
Foreign currency gains and losses	(1,957)	(1,744)	1
Others	(7,094)	(5,906)	(21,570)
	911,946	270,731	182,682

(in millions of Won)

(b) Amount due from and due to customers for contract work as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Due from customers for contract work	1,361,416	974,631	699,293
Due to customers for contract work	(449,470)	(703,900)	(516,611)
	911,946	270,731	182,682

(in millions of Won)

26. Revenue

Details of revenue for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Revenues		
Goods sales	61,001,789	41,848,201
Services sales	2,440,639	1,604,524
Construction sales	5,297,892	4,130,984
Rental income	39,862	42,898
Others	158,543	260,648
	68,938,725	47,887,255

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

27. Selling and Administrative Expenses

(a) Administrative expenses

Administrative expenses for years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Wages and salaries	606,819	446,023
Expenses related to defined benefit plan	60,271	36,708
Other employee benefits	164,508	116,293
Travel	56,635	43,592
Depreciation	172,807	110,093
Communication	13,061	9,195
Electric power	7,529	5,269
Taxes and public dues	50,617	34,869
Rental	65,559	54,739
Repairs	14,919	9,660
Insurance premium	18,239	10,252
Entertainment	17,905	17,050
Advertising	70,939	96,305
Research & development	212,472	141,314
Service fees	286,635	192,979
Supplies	14,357	17,012
Vehicles maintenance	21,491	15,851
Industry association Fee	10,200	10,403
Training	24,375	24,762
Conference	21,739	17,659
Warranty expense	14,166	19,733
Bad debt expense	103,848	51,186
Others	19,173	19,423
	2,048,264	1,500,370

(in millions of Won)

(b) Selling expenses

Selling expenses for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Freight	1,406,269	948,891
Operating expenses for distribution center	8,115	8,694
Sales commissions	85,410	69,823
Sales advertising	1,204	1,483
Sales promotion	16,179	12,096
Sample	7,321	3,478
Sales insurance premium	19,915	14,579
Contract cost	62,986	58,340
Others	4,729	2,956
	1,612,128	1,120,340

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

28. Other Operating Income and Expenses

(a) Other operating income

Details of other operating income for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Gain on disposal of property, plant and equipment	13,812	26,366
Gain on disposal of investment of equity-accounted investees	2,247	2,942
Reversal of allowance for doubtful accounts	86,451	3,796
Outsourcing income	42,136	11,055
Gain on disposal of wastes	9,641	2,997
Gain from claim compensation	33,103	58,200
Penalty income from early termination of contracts	38,570	14,081
Others	111,118	111,950
	337,078	231,387

(in millions of Won)

(b) Other operating expenses

Details of other operating expenses for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Loss on disposal of property, plant and equipment	60,550	83,494
Loss on disposal of investment property	8,826	11,896
Cost of idle assets	16,881	795
Other bad debt expenses	28,081	12,877
Contributions	66,558	74,343
Loss on disposal of wastes	17,648	15,245
Impairment loss of property, plant and equipment and others	99,072	128,083
Others	85,843	15,218
	383,459	341,951

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

29. Expenses by Nature

Expenses by nature in the statements of comprehensive income for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Changes in inventories	40,166,313	19,496,278
Employee benefits expenses	2,639,966	2,363,727
Depreciation (*1)	2,133,011	2,960,550
Amortization	133,288	75,344
Outsourcing fee	7,823,815	7,270,872
Electricity and water expenses	692,544	504,308
Research and development expenses	592,649	537,025
Freight and custody expenses	1,406,268	948,891
Losses on disposition	60,550	83,494
Donation	66,559	74,344
Other operating expenses	256,350	184,114
Other expenses	7,896,389	8,186,175
	63,867,702	42,685,122

(in millions of Won)

(*1) Includes depreciation expense of investment properties.

30. Finance Income and Costs

Details of finance income and costs for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Finance income		
Interest income	216,234	292,928
Dividend income	143,880	102,161
Gain on foreign currency transaction	1,454,103	844,321
Gain on foreign currency translation	259,014	204,568
Gain on derivatives transactions	549,439	180,933
Gain on valuation of derivatives	111,637	86,823
Gain on disposal of available-for-sale financial assets	454,543	2,590
Others	1,569	24,480
	3,190,419	1,738,804
Finance costs		
Interest expenses	788,348	586,883
Loss on foreign currency transaction	1,620,394	808,718
Loss on foreign currency translation	529,910	423,460
Loss on derivatives transactions	512,882	175,196
Loss on valuation of derivatives	188,742	17,784
Impairment of available-for-sale financial assets	152,804	57,172
Others	73,615	18,645
	3,866,695	2,087,858

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

31. Income Taxes

(a) The Company was subject to income taxes on taxable income at the following normal tax rates.

	2010	2011	Thereafter
	Taxable income		
Up to (Won)200 million	11.00%	11.00%	11.00%
Over (Won)200 million up to (Won)20 billion	24.20%	24.20%	22.00%
Over (Won)20 billion	24.20%	24.20%	24.20%

In December 2011, the Korean government changed the corporate income tax rate (including resident tax) for taxable income exceeding (Won)20 billion from 22.0% to 24.2% prospectively from 2012.

(b) Income tax expense for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Current income taxes	1,069,240	1,111,427
Deferred income tax due to temporary differences	(318,722)	103,054
Less: Items recorded directly to equity	317,591	(133,009)
Income tax expense	1,068,109	1,081,472

(in millions of Won)

(c) The following table reconciles the expected amount of income tax expense based on statutory rates (24.2%) to the actual amount of taxes recorded by the Company for the years ended December 31, 2011 and 2010:

	December 31, 2011	December 31, 2010
Net income before income tax expense	4,782,395	5,267,123
Income tax expense computed at statutory rate	1,157,340	1,274,644
Adjustments:	(89,231)	(193,172)
Tax effects due to permanent differences	(13,798)	(28,973)
Tax credit	(193,633)	(268,873)
Unrecognised deferred tax assets	68,905	49,196
Tax rate change effect	17,661	—
Foreign tax rate differential	56,010	24,693
Difference in tax rate of equity method accounted for investments	(27,669)	(12,753)
Over (under) provision from prior years	(15,739)	40,315
Others	19,032	3,223
Income tax expense	1,068,109	1,081,472
Effective rate (%)	22.33	20.53

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

31. Income Taxes

(a) The Company was subject to income taxes on taxable income at the following normal tax rates.

	2010	2011	Thereafter
	Taxable income		
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Over (Won)200 million up to (Won)20 billion	24.20%	24.20%	22.00%
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(in millions of Won)

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Adjustments:	(89,231)	(193,172)
Tax effects due to permanent differences	(13,798)	(28,973)
Tax credit	(193,633)	(268,873)
Unrecognised deferred tax assets	68,905	49,196
Tax rate change effect	17,661	—
Foreign tax rate differential	56,010	24,693
Difference in tax rate of equity method accounted for investments	(27,669)	(12,753)
Over (under) provision from prior years	(15,739)	40,315
Others	19,032	3,223
Income tax expense	1,068,109	1,081,472
Effective rate [%]	22.33	20.53

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(d) The income taxes (charged) credited directly in equity for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
(Loss) gain on valuation of available-for-sale investments	(306,827)	122,651
Gains on sale of treasury stock	22,078	—
Others	(31,628)	(27,199)
	(316,377)	95,452

(in millions of Won)

(e) The movements in deferred tax assets (liabilities) for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011			December 31, 2010		
	Dec. 31, 2010	Inc (Dec)	Dec. 31, 2011	Dec. 31, 2009	Inc (Dec)	Dec. 31, 2010
Deferred income tax due to temporary differences						
Reserve for special repairs	(27,776)	(1,883)	(29,659)	(39,500)	11,724	(27,776)
Allowance for doubtful accounts	80,349	24,272	104,621	38,283	42,066	80,349
Reserve for technology developments	(269,892)	(96,340)	(366,232)	(179,828)	(90,064)	(269,892)
Depreciation expense	(61,129)	2,841	(58,288)	(78,485)	17,356	(61,129)
Share of profit or loss of equity-accounted investees	(170,016)	(54,120)	(224,136)	(52,151)	(117,865)	(170,016)
Reserve for inventory valuation	1,484	(2,998)	(1,514)	987	497	1,484
Revaluation of assets	(362,949)	(207,454)	(570,403)	(436,051)	73,102	(362,949)
Prepaid expenses	18,733	2,704	21,437	17,669	1,064	18,733
Impairment loss on property, plant and equipment	24,858	634	25,492	11,080	13,778	24,858
Loss on foreign currency translation	90,656	5,131	95,787	45,306	45,350	90,656
Accrued severance benefits	40,710	14,343	55,053	53,374	(12,664)	40,710
Group severance insurance deposits	(36,232)	(6,859)	(43,091)	(30,199)	(6,033)	(36,232)
Provision for construction losses	1,697	1,155	2,852	263	1,434	1,697
Provision for construction warranty	13,056	2,846	15,902	13,040	16	13,056
Appropriated retained earnings for technological development	(246)	81	(165)	(242)	(4)	(246)
Accrued income	(1,061)	(888)	(1,949)	(570)	(491)	(1,061)
Others	317,876	58,231	376,107	318,235	(359)	317,876
	(339,882)	(258,304)	(598,186)	(318,789)	(21,093)	(339,882)
Deferred income taxes recognized directly to equity						
Gain (loss) on valuation of available-for-sale securities	(305,406)	306,827	1,421	(182,755)	(122,651)	(305,406)
Others	4,141	31,628	35,769	(23,058)	27,199	4,141
	(301,265)	338,455	37,190	(205,813)	(95,452)	(301,265)
Deferred tax from tax credit						
Tax credit carryforward and others	280,295	(23,418)	256,877	322,085	(41,790)	280,295
Deferred tax effect due to unrealized gains (losses) and others	(129,000)	120,625	(8,375)	234,726	(363,726)	(129,000)
	(489,852)	177,358	(312,494)	32,209	(522,061)	(489,852)

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(f) Deferred tax assets and liabilities as of December 31, 2011, 2010 and January 1, 2010 are as follows:

1) December 31, 2011

	December 31, 2011		
	Assets	Liabilities	Net
Deferred income tax due to temporary differences			
Reserve for special repairs	—	[29,659]	[29,659]
Allowance for doubtful accounts	104,672	[51]	104,621
Reserve for technology developments	—	[366,232]	[366,232]
Depreciation expense	12,319	[70,607]	[58,288]
Share of profit or loss of equity-accounted investees	—	[224,136]	[224,136]
Reserve for inventory valuation	4,319	[5,833]	[1,514]
Revaluation of assets	—	[570,403]	[570,403]
Prepaid expenses	23,045	[1,608]	21,437
Impairment loss on property, plant and equipment	25,492	—	25,492
Loss on foreign currency translation	176,621	[80,834]	95,787
Accrued severance benefits	75,912	[20,859]	55,053
Group severance insurance deposits	—	[43,091]	[43,091]
Provision for construction losses	2,852	—	2,852
Provision for construction warranty	15,902	—	15,902
Appropriated retained earnings for technological development	—	[165]	[165]
Accrued income	—	[1,949]	[1,949]
Others	382,735	[6,628]	376,107
	823,869	[1,422,055]	[598,186]
Deferred income taxes recognized directly to equity			
Gain (loss) on valuation of available-for-sale investments	199,317	[197,896]	1,421
Others	49,898	[14,129]	35,769
	249,215	[212,025]	37,190
Deferred tax from tax credit			
Tax credit carryforward and others	292,255	[35,378]	256,877
Deferred tax effect due to unrealized gains (losses) and others	494,450	[502,825]	[8,375]
	1,859,789	[2,172,283]	[312,494]

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

2) December 31, 2010

	December 31, 2010		
	Assets	Liabilities	Net
Deferred income tax due to temporary differences			
Reserve for special repairs	—	[27,776]	[27,776]
Allowance for doubtful accounts	80,349	—	80,349
Reserve for technology developments	—	[269,892]	[269,892]
Depreciation expense	7,555	[68,684]	[61,129]
Share of profit or loss of equity-accounted investees	—	[170,016]	[170,016]
Reserve for inventory valuation	1,484	—	1,484
Revaluation of assets	—	[362,949]	[362,949]
Prepaid expenses	18,852	[119]	18,733
Impairment loss on property, plant and equipment	24,858	—	24,858
Loss on foreign currency translation	193,582	[102,926]	90,656
Accrued severance benefits	61,414	[20,704]	40,710
Group severance insurance deposits	—	[36,232]	[36,232]
Provision for construction losses	1,697	—	1,697
Provision for construction warranty	13,056	—	13,056
Appropriated retained earnings for technological development	—	[246]	[246]
Accrued income	—	[1,061]	[1,061]
Others	345,109	[27,233]	317,876
	747,956	[1,087,838]	[339,882]
Deferred income taxes recognized directly to equity			
Gain (loss) on valuation of available-for-sale securities	266	[305,672]	[305,406]
Others	30,112	[25,971]	4,141
	30,378	[331,643]	[301,265]
Deferred tax from tax credit			
Tax credit carryforward and others	315,140	[34,845]	280,295
Deferred tax effect due to unrealized gains (losses) and others	341,471	[470,471]	[129,000]
	1,434,945	[1,924,797]	[489,852]

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

3) January 1, 2010

	January 1, 2010		
	Assets	Liabilities	Net
Deferred income tax due to temporary differences			
Reserve for special repairs	—	(39,500)	(39,500)
Allowance for doubtful accounts	38,283	—	38,283
Reserve for technology developments	—	(179,828)	(179,828)
Depreciation expense	3,103	(81,588)	(78,485)
Share of profit or loss of equity-accounted investees	—	(52,151)	(52,151)
Reserve for inventory valuation	987	—	987
Revaluation of assets	—	(436,051)	(436,051)
Prepaid expenses	17,756	(87)	17,669
Impairment loss on property, plant and equipment	11,080	—	11,080
Loss on foreign currency translation	132,071	(86,765)	45,306
Accrued severance benefits	53,374	—	53,374
Group severance insurance deposits	—	(30,199)	(30,199)
Provision for construction losses	263	—	263
Provision for construction warranty	13,040	—	13,040
Appropriated retained earnings for technological development	—	(242)	(242)
Accrued income	—	(570)	(570)
Others	263,171	55,064	318,235
	533,128	(851,917)	(318,789)
Deferred income taxes recognized directly to equity			
Gain (loss) on valuation of available-for-sale investments	9,821	(192,576)	(182,755)
Others	4,874	(27,932)	(23,058)
	14,695	(220,508)	(205,813)
Deferred tax from tax credit			
Tax credit carryforward and others	362,608	(40,523)	322,085
Deferred tax effect due to unrealized gains (losses) and others	338,150	(103,424)	234,726
	1,248,581	(1,216,372)	32,209

(in millions of Won)

(g) As of December 31, 2011, the Company did not recognize income tax effects associated with taxable temporary differences of (Won)3,121,101 million (deferred tax liability (Won)777,328 million) mainly relating to increase in retained earnings of subsidiaries since it is probable that the temporary difference will not reverse in the foreseeable future. As of December 31, 2011, the Company did not recognize income tax effect associated with deductible temporary differences of (Won)1,352,764 million (deferred tax assets (Won)327,369 million) mainly relating to loss of subsidiaries and affiliates due to remote possibility of realization.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

32. Earnings per Share

(a) Basic and diluted earnings per share for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Profit attribute to controlling interest	3,648,136	4,105,623
Weighted-average number of common shares outstanding (*1)	77,251,818	77,032,878
Basic and diluted earnings per share	47,224	53,297

(In millions of Won, except per share information)

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

	2011	2010
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	(9,935,017)	(10,153,957)
Weighted-average number of common shares outstanding	77,251,818	77,032,878

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

33. Related Party Transactions

(a) Significant transactions with related companies for the year ended December 31, 2011 and 2010 are as follows:

	Sales and others (*1)		Purchases and others (*2)	
	2011	2010	2011	2010
Subsidiaries (*3)				
POSCO E&C Co., Ltd.	26,536	7,441	1,687,665	2,292,524
POSCO Processing & Service Co., Ltd.	1,181,088	1,082,903	1,406,245	478,030
POSCO Coated & Color Steel Co., Ltd.	593,656	685,698	1,890	3,178
POSCO ICT Co., Ltd.	1,537	1,212	507,883	485,525
POSCO Chemtech Company Ltd.	423,643	142,677	755,515	573,973
POSCO TMC Co., Ltd.	168,314	151,323	884	91
POSCO AST Co., Ltd.	319,258	267,323	58,475	57,180
Daewoo International Corp.	3,896,857	867,916	5,599	3,799
POSCO NST Co., Ltd.	186,809	9,256	4,734	—
POSCO America Corporation	353,904	233,594	1	—
POSCO Canada Ltd.	—	—	289,047	170,842
POSCO Asia Co., Ltd.	2,029,781	1,377,802	178,395	148,706
POSCO-Japan Co., Ltd.	1,628,069	1,161,919	34,860	272,282
POSCO-IPPC Pvt. Ltd.	148,343	164,628	—	—
POSCO-Mexico Co., Ltd.	347,915	273,241	176	—
Daewoo International Singapore Pte. Ltd.	—	—	149,029	12,447
Others	927,595	1,432,296	1,198,091	750,526
	12,233,305	7,859,229	6,278,489	5,249,103
Associates (*3)				
SNNC Co., Ltd.	4,787	1,763	447,130	519,871
USS-POSCO Industries	342,594	308,998	29	264
Poschrome(Proprietary) Ltd.	—	—	72,502	80,282
Others	213,232	31,528	59,444	303,446
	560,613	342,289	579,105	903,863
	12,793,918	8,201,518	6,857,594	6,152,966

(in millions of Won)

(*1) Sales and others include sales and insignificant other operating income. Sales are mainly sales of steel products and these are priced on an arm's length basis.

(*2) Purchases and others includes purchases and overhead costs. Purchases and others are mainly related to purchases of construction services and purchases of raw materials to manufacture steel products. These are priced on an arm's length basis.

(*3) As of December 31, 2011, the Company provided guarantees to related parties (note 34).

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(b) Significant transactions with related companies the related account balances as of December 31, 2011, 2010 and January 1, 2010 are as follows:

	Receivables (*1)			Payables (*1)		
	2011	2010	January 1, 2010	2011	2010	January 1, 2010
Subsidiaries						
POSCO E&C Co., Ltd.	647	293	480	241,918	190,081	437,819
POSCO Processing & Service Co., Ltd.	88,838	129,133	114,783	1,512	6,842	2,696
POSCO Plantec Co., Ltd.	65	—	9	42,534	48,058	2,839
POSCO ICT Co., Ltd.	30	—	1	62,583	63,627	54,529
POSCO Coated & Color Steel Co., Ltd.	116,252	104,755	109,616	335	437	199
POSCO Chemtech Company Ltd.	37,808	33,743	6,880	82,048	62,669	66,008
POSCO TMC Co., Ltd.	21,601	11,823	11,678	134	15	24
POSCO AST Co., Ltd.	33,266	19,065	17,492	7,090	8,255	7,572
Daewoo International Corp.	284,125	139,756	—	1,589	—	—
POSCO NST Co., Ltd.	64,012	—	—	676	—	—
POSCO America Corporation	32,346	12,211	6,163	—	—	—
POSCO Asia Co., Ltd.	227,476	122,626	40,548	1,407	3,767	1,170
POSCO-TBPC Co., Ltd.	27,381	18,376	—	—	—	—
Qingdao Pohang Stainless Steel Co., Ltd.	6,713	13,805	24,404	—	—	—
POSCO-Vietnam Co., Ltd.	422	683	95,781	—	—	—
POSCO-Japan Co., Ltd.	52,362	28,515	25,972	1,546	4,958	6,701
POSCO-IPPC Pvt. Ltd.	3,484	10,412	12,356	—	—	—
POSCO-Mexico Co., Ltd.	171,908	80,443	16,247	—	—	—
Others	81,255	15,167	26,073	83,201	32,209	17,840
	1,249,991	748,349	526,859	526,573	420,918	617,397
Associates						
Posmate Co., Ltd.	—	1,396	48	7,198	6,391	5,222
SNNC Co., Ltd.	223	182	1,974	23,187	57,512	26,963
USS-POSCO Industries	—	58,347	39,100	—	—	—
Others	21,160	7,231	176	809	29,714	78
	21,383	67,156	41,298	31,194	93,617	32,263
	1,271,374	815,505	568,157	557,767	514,535	649,660

(in millions of Won)

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(c) Compensation to key management, which consists of normal wages and salaries, bonus and employee benefits for the years ended December 31, 2011 and 2010, details of compensation to key management officers are as follows:

	2011	2010
Short-term benefits	93,231	72,753
Other long-term benefits	23,407	16,757
Retirement benefits	26,971	21,110
	143,609	110,620

(in millions of Won)

Key management officers include directors (including non-standing directors), executive officials and fellow officials who have significant influence and responsibilities in the Company's business and operations. In addition to compensation described above, the Company provided stock appreciation rights to its executive officers and recorded reversal of stock compensation expenses amounted to (Won)4,223 million and (Won)13,227 million, respectively, for the years ended December 31, 2011 and 2010 (note 24).

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

34. Commitments and Contingencies

(a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of December 31, 2011, are as follows:

Guarantors	Guarantee beneficiary	Financial institution	Foreign Currency		Won Equivalent
[The Company]					
POSCO	Guangdong Pohang Coated Steel Co., Ltd.	SMBC and others	USD	122,600,000	141,395
	POSCO Investment Co., Ltd.	BOC and others	CNY	630,000,000	114,981
		HSBC	MYR	240,000,000	87,110
		HSBC and others	USD	255,000,000	294,092
	POSCO Maharashtra Steel Pvt. Ltd.	Export-Import Bank of Korea and others	USD	143,000,000	164,922
	POSCO VST Co., Ltd.	ANZ(Tapeil) and others	USD	65,000,000	74,965
	POSCO-Mexico Co., Ltd.	HSBC and others	USD	60,000,000	69,198
	POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea and others	USD	230,000,000	265,259
		Mizuho and others	JPY	4,806,760,000	71,388
	Zhangjiagang Pohang Stainless Steel Co., Ltd	Mizuho and others	USD	160,000,000	184,528
	Zeus (Cayman) Ltd.	Creditor	JPY	12,825,000,000	190,472
	Zeus (Cayman) II Ltd.	Creditor	JPY	24,526,000,000	364,250
Daewoo International Corporation	Daewoo (China) Co., Ltd.	Hana Bank	USD	15,000,000	17,300
	Daewoo Cement (Shandong) Co., Ltd.	Other oversea financial institution	EUR	24,565,296	36,703
		Korea Exchange Bank	CNY	43,000,000	7,848
		Export-Import Bank of Korea and others	USD	29,832,409	34,406
	Daewoo International America Corp.	Shinhan Bank	USD	500,000	577
	Daewoo International Australia Holdings Pty. Ltd.	Korea Exchange Bank	USD	7,198,000	8,301
	Daewoo International Japan Corp.	Shinhan Bank	JPY	1,000,000,000	14,852
		ANZ_KOREA	JPY	1,000,000,000	14,852
		MIZUHO	JPY	1,500,000,000	22,277
		SMBC	JPY	1,500,000,000	22,277
	Daewoo International Shanghai Pty. Ltd.	MIZUHO	USD	10,000,000	11,533
	Daewoo Paper Manufacturing Co., Ltd.	HSBC	USD	12,500,000	14,416
	Daewoo Textile Bukhara LLC	Export-Import Bank of Korea and others	USD	29,100,000	33,561

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Guarantors	Guarantee beneficiary	Financial institution	Foreign Currency		Won Equivalent
	Daewoo Textile Bukhara LLC	Export-Import Bank of Korea and others	USD	29,100,000	33,561
	Daewoo International	SMBC	USD	25,000,000	28,833
	MEXICO S.A. de C.V. PT. Bio Inti Agrindo	Export-Import Bank of Korea	USD	7,000,000	8,073
	POSCO E&C Vietnam Co., Ltd.	Korea Exchange Bank	USD	5,000,000	5,767
POSCO E&C Co., Ltd.		Export-Import Bank of Korea and others	USD	18,000,000	20,759
		POSCO Investment Co., Ltd.	USD	9,500,000	10,956
	HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	Woori Bank	USD	30,000,000	34,599
	International Business Center Corporation	Export-Import Bank of Korea and others	USD	20,000,000	23,066
POSCO P&S Co., Ltd.	POSCO Canada Pty., Ltd.	Hana Bank	USD	12,484,500	14,398
POSCO ICT Co., Ltd.	VECTUS Ltd.	POSCO Investment Co., Ltd.	USD	2,000,000	2,307
	POSCO ICT Indonesia	POSCO Investment Co., Ltd.	USD	1,500,000	1,730
POSCO Energy Co., Ltd	PSC Energy Global Co., Ltd	Other foreign banks	USD	129,879,356	149,790
	TECHREN Solar, LLC	Woori Bank	USD	9,571,600	11,039
Pos Calcium CO., Ltd	Pos Calcium CO., Ltd	Seoul Guarantee Insurance Co., Ltd.	KRW	48,982,500	49
	POSCO-JKPC Co., Ltd.	Higo bank and others	JPY	1,867,200,000	27,731
	POSCO-JNPC Co., Ltd.	Mizuho Bank and others	JPY	2,110,000,000	31,337
POSCO JAPAN Co., Ltd.	POSCO-JOPC Co., Ltd.	Mizuho Bank and others	JPY	1,847,500,000	27,438
	POSCO-JYPC Co., Ltd.	Mizuho Bank and others	JPY	1,333,780,580	19,809
Daewoo Textile Fergana LLC	Daewoo Textile Bukhara LLC	NBU	UZS	6,519,920,000	4,213
POSCO E&C (CHINA) Co., Ltd.	HONG KONG POSCO E&C Co., Ltd.	KB Bank(Seoul)	KRW	102,000,000,000	102,000
	[China] Investment Co., Ltd.	Woori Bank(Beijing branch)	USD	33,000,000	38,059
[Associates]					
POSCO	BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	BOC and others	CNY	316,860,000	57,830
			USD	8,220,000	9,480
	United Spiral Pipe, LLC	Shinhan Bank	USD	24,500,000	28,256
Daewoo International	DMSA, AMSA	Other Bank	USD	123,866,667	142,855
Corporation institution	GLOBAL KOMSCO Daewoo LLC	Export-Import Bank of Korea and others	USD	5,950,000	6,862
POSCO E&C Co., Ltd.	PSIB Co., Ltd.	Hana Bank	KRW	356,600,000,000	356,600
	Taegisan Wind Power Corporation	Korea Development Bank	KRW	7,500,000,000	7,500
	CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	NH Bank	KRW	22,458,760,000	22,459
	Pohang Technovalley Pvf Co., Ltd.	Shinhan Bank	KRW	7,140,000,000	7,140
POSCO P&S Co., Ltd.	Sebang Steel	Fukuoka Bank	JPY	245,000,000	3,639

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For the years ended December 31, 2011 and 2010

Guarantors	Guarantee beneficiary	Financial institution	Foreign Currency		Won Equivalent
POSCO ICT Co., Ltd.	Uitrans LRT Co., Ltd.	Construction Guarantee Cooperative	KRW	64,637,717,095	64,638
	CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	NH Bank	KRW	2,530,000,000	2,530
POSCO China Co., Ltd.	POSCO SeAH Steel Wire (Nantong) Co., Ltd.	POSCO Investment Co., Ltd.	USD	7,500,000	8,650
Daewoo[China] Co., Ltd.	Shanghai Lansheng Daewoo Corporation	China Construction Bank	CNY	100,000,000	18,251
[Others]					
Daewoo International Corporation	Ambatovy Project Investments Limited	Export-Import Bank of Korea and others	USD	46,653,812	53,806
	Sherritt International Corporation	Export-Import Bank of Korea and others	USD	6,090,268	7,024
POSCO E&C Co., Ltd.	Cooperative	NH Bank and others	KRW	3,000,000,000	3,000
	Other cooperatives	ABCP and others	KRW	935,687,702,025	935,688
	1st ALDJ PFV, Ltd	Hana Bank and others	KRW	277,212,000,000	277,212
	THE GALE INVESTMENTS COMPANY, L.L.C. and others	Woori Bank	USD	50,000,000	57,665
POSCO P&S Co., Ltd.	Asia Speciality Steel Co., Ltd.	Yamaguchi Bank	JPY	2,700,000,000	40,099
	GIPI	Bank Muscat, Bank Sohar	USD	12,000,000	13,840
POSCO Plant Engineering Co., Ltd.	Gyeongpo wind power generation and others	KB Bank	KRW	235,638,897,793	235,639
	GS CALTEX HOU and others	Korea Exchange Bank and others	USD	14,025,043	16,175
POSCO ICT Co., Ltd.	BTL business and others	Kyobo Life Insurance Co.,Ltd and ot	KRW	1,604,990,406,464	1,604,990
POSCO M-TECH Co., Ltd.	PYUNGSAN SI Co., Ltd	Seoul Guarantee Insurance Co., Ltd.	KRW	441,611,863	442
	Hyundai Hysco Co., Ltd.	Seoul Guarantee Insurance Co., Ltd.	KRW	2,194,500,000	2,195
Daewoo Engineering Co., Ltd	Kwanma Solar Co., Ltd. and others	Hana Bank	KRW	50,509,662,000	50,510
	Hyundai ENG Co., Ltd.	Engineering Financial Cooperative	KRW	65,937,188,179	65,937
PHP Co., Ltd	Expo apt	KB Bank	KRW	387,849,000,000	387,849
Daewoo Cement (Shandong) Co., Ltd.	SDAC	Bank of China	USD	35,000,000	40,366
			CNY	1,089,860,000	198,910
			EUR	24,565,296	36,703
			JPY	57,261,240,580	850,421
			KRW	4,126,376,427,919	4,126,376
			MYR	240,000,000	87,110
			USD	1,792,604,988	2,067,411
			UZS	6,519,920,000	4,213

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(b) POSCO E&C Co., Ltd. has provided the completion guarantees for Samsung C&T Corporation and Namkwang Engineering & Construction Co., Ltd. amounting to (Won)2,748,647 million. POSCO E&C Co., Ltd. provides payment guarantees on borrowings of customers such as Asset Backed Commercial Paper amounted to (Won)695,343 million and Project Financing loan amounted to (Won)444,836 million as of December 31, 2011.

(c) Other commitments

POSCO

POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. These contracts generally have terms of more than three years and provide for periodic price adjustments to the market price. As of December 31, 2011, 261 million tons of iron ore and 38 million tons of coal remained to be purchased under such long-term contracts.

POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia regarding the commitment to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. Purchase price is subject to change, following the change of the monthly standard oil price (JCC) and also price ceiling is applicable.

As of December 31, 2011, POSCO entered into commitments with Korea National Oil Corporation for long-term foreign currency borrowings, which are limited up to the amount of USD 6.86 million, USD 3.54 million and USD 4.12 million, respectively. The borrowings are related to the exploration of gas hydrates in Aral Sea, Uzbekistan, the exploration of gas hydrates in Namangan-Chust and the exploration of gas hydrates in Chinabad, west-Fergana,, respectively. The repayment of borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the money borrowed if the respective project fails. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by borrowing agreements.

POSCO E&C Co., Ltd

To contractors involved in some of the construction contracts operator and financial institutions by agreement with the work of the operating funds operator 81,254 million deposit. POSCO E&C Co., Ltd manage the deposit accounts as a memorandum account without separate accounting treatment reflecting the economic substance because the operator is the owner of above-mentioned account.

POSCO E&C Co., Ltd has bank overdraft agreements of up to 20,000 million with Woori Bank which is included in the limit of comprehensive loan agreements and 3,000 million with Korea Exchange Bank. Also POSCO E&C Co., Ltd. has comprehensive loan agreements of up to 260,000 million and USD 308 million with Woori Bank and 53,000 million with Korea Exchange Bank.

POSCO ICT Co., Ltd.

POSCO ICT Co., Ltd. has entered into the repayment agreement with SMS Energy Co.,Ltd., which borrowed money from several lenders including Hana Bank, for its new and renewable energy business. According to the agreement, if the borrower cannot redeem the loan, POSCO ICT Co., Ltd. should repay or undertake it amounting to 300,126 million and should take charge of revenues from selling electric power after the repayment. Also, if the borrower cannot run the new and renewable energy business due to default and bankruptcy, POSCO ICT Co., Ltd. may acquire the business unit from the borrower.

POSCO Specialty Steel Co., Ltd.

POSCO Specialty Steel Co., Ltd. has a loan agreement, secured by trade accounts receivable, of up to 280,000 million with Woori Bank and others. POSCO Specialty Steel Co., Ltd. has used 147,547 million of this loan agreement.

POSCO Specialty Steel Co., Ltd. has agreements with Woori Bank and nine other banks for opening letters of credit of up to USD 98 million, and for a loan of up to 102,255 million. POSCO Specialty Steel Co., Ltd. has used USD 0.6 million, CHF 1.6 million, JPY 95 million and EUR 0.6 million for opening letters of credit and 9,737 million for a loan.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(d) Litigation in progress

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

Company	Legal actions	Amount		Legal equivalent amount	Description
POSCO	12	KRW	8,806	8,806	Lawsuit on the claim for damages
POSCO E&C Co., Ltd.	44	KRW	31,067	31,067	Lawsuit on the claim for payment
POSCO P&S Co., Ltd.	1	KRW	931	931	Lawsuit on the claim for damages
POSCO Plant Engineering Co., Ltd.	4	KRW	3,088	3,088	Lawsuit on the claim for payment
POSCO ICT Co., Ltd.	8	KRW	2,211	2,211	Lawsuit on the claim for payment
Seoung Gwang Co., Ltd.	2	KRW	2,277	2,277	Imposed high tax rate
POSCO E&C (China) Co., Ltd.	1	CNY	3,790	692	Lawsuit on the claim for payment of work completed related with the subcontractor and second
POSCO Engineering Co., Ltd. (formerly Daewoo Engineering Co.,	8	KRW	20,774	20,774	Lawsuit on the claim for damages
POSBRO Co., Ltd.	1	KRW	435	435	Lawsuit on the claim for payment
Daewoo International Corporation	1	CNY	30,000	5,475	Lawsuit on the claim for damages
	1	EUR	5,000	7,471	
	1	INR	4,458,849	97,025	
	3	KRW	711	711	
	3	USD	824	951	
	1	UYU	1,103	66	

[in millions of Won, in thousand of foreign currencies]

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

(e) Other contingencies

POSCO has provided five blank promissory notes to Korea Resources Corporation and six blank promissory notes to Korea National Oil Corporation as collateral for outstanding loans.

As of September 31, 2011, POSCO E&C Co., Ltd. has provided ten blank promissory notes, eleven blank checks and six other notes, amounting to (Won)61,704 million approximately, to Korea Housing Guarantee Co., Ltd. and other financial institutions as collateral for agreements and outstanding loans.

Daewoo International Co., Ltd has provided fifty-one blank promissory notes to Korea National Oil Corporation as collateral for the guarantee on performance for contracts and others.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

35. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Trade accounts and notes receivable	(2,402,346)	(538,949)
Other financial assets	(187,607)	226,211
Inventories	(2,538,178)	(3,518,927)
Other current assets	(310,397)	(137,246)
Other long-term assets	47,929	(77,912)
Accounts payable	265,993	(342,177)
Other financial liabilities	260,306	35,008
Other current liabilities	384,943	185,226
Provisions	(36,511)	9,157
Payment of severance benefits	(574,759)	(90,951)
Plan assets	252,671	(140,173)
Other long-term liabilities	(12,791)	(62,737)
	(4,850,747)	(4,453,470)

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

36. Operating Segments

(a) Our operating businesses are organized based on the nature of markets and customers. We have four reportable operating segments — steel, construction, trading and others. The steel segment includes production of steel products and revenue of such products. The engineering and construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. Other segments include power generation, liquefied natural gas production, network and system integration and logistics.

(b) Segment profit and loss is determined the same way that consolidated net after tax profit for the period is determined under IFRS without any adjustment for corporate allocations. The accounting policies used by each segment are consistent with the accounting policies used in the preparation of the consolidated financial statements. Segment assets and liabilities are measured based on total assets and liabilities in accordance with IFRS without any adjustment for corporate allocations. Also, segment assets and liabilities are based on the separate financial statements of the entities instead of on consolidated basis. In addition, there are varying levels of transactions amongst the reportable segments. These transactions include sales of property, plant and assets, and rendering of construction service and so on. Inter-segment transactions are accounted for on an arm’s length basis.

(c) Information about reportable segments as December 31, 2011, 2010 and January 1, 2010 are as follow:

1) For the year ended December 31, 2011

	Steel	Trading	Construction	Others	Total
External revenues	39,151,930	21,097,356	5,476,209	3,213,230	68,938,725
Internal revenues	17,138,610	7,525,555	2,996,933	2,446,417	30,107,515
Total revenues	56,290,540	28,622,911	8,473,142	5,659,647	99,046,240
Interest income	154,671	43,842	22,744	22,025	243,282
Interest expenses	551,478	93,532	69,050	110,615	824,675
Depreciation and amortization	2,128,182	37,320	31,238	178,429	2,375,169
Impairment loss of property, plant and equipment and others	25,177	34,544	23,397	995	84,113
Impairment of available-for-sale financial assets	136,638	—	—	16,166	152,804
Share of profit or loss of investment in subsidiaries and associates (*1)	(33,361)	—	—	(6,888)	(40,249)
Income tax expense	1,111,709	35,322	22,536	16,454	1,186,021
Segments profit	3,689,461	195,298	154,618	155,277	4,194,654
Segments assets	67,961,383	12,120,560	8,764,698	6,663,297	95,509,938
Investment in associates	14,226,687	1,899,762	918,079	186,490	17,231,018
Acquisition of non-current assets	9,385,381	607,076	207,619	594,514	10,794,590
Segments liabilities	23,169,910	9,706,622	5,554,097	4,528,283	42,958,912

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

2) For the year ended December 31, 2010

	Steel	Trading	Construction	Others	Total
External revenues	35,527,373	6,236,030	4,348,796	1,775,056	47,887,255
Internal revenues	10,725,583	3,174,342	3,574,669	1,104,332	18,578,926
Total revenues	46,252,956	9,410,372	7,923,465	2,879,388	66,466,181
Interest income	243,306	5,829	25,312	23,986	298,433
Interest expenses	425,024	27,859	60,292	91,799	604,974
Depreciation and amortization	2,949,227	16,613	30,545	74,079	3,070,464
Impairment loss of property, plant and equipment and others	730	-	127,516	2,636	130,882
Impairment of available-for-sale financial assets	11,627	—	1,754	43,791	57,172
Share of profit or loss of investment in subsidiaries and associates (*1)	(1,324)	(852)	—	(9,516)	(11,692)
Income tax expense	1,025,156	(47,967)	69,780	5,080	1,052,049
Segments profit	4,088,737	94,014	256,183	12,913	4,451,847
Segments assets	60,773,736	9,605,706	6,477,360	4,978,137	81,834,939
Investment in associate	11,694,102	1,664,760	601,559	39,845	14,000,266
Acquisition of non-current assets	10,500,517	669,485	169,591	1,480,715	12,820,308
Segments liabilities	19,570,113	7,519,031	3,632,366	3,407,866	34,129,376

(in millions of Won)

3) For the year ended January 1, 2010

	Steel	Trading	Construction	Others	Total
Segments assets	50,413,387	1,353,462	5,916,985	3,618,611	61,302,445
Segments liabilities	13,795,461	839,222	3,766,113	2,233,248	20,634,044

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(d) Reconciliations of total segment revenues, profit or loss, assets and liabilities, and other significant items to their respective consolidated financial statement line items are as follows:

1) Revenues

	December 31, 2011	December 31, 2010
Total revenue for reportable segments	99,046,240	66,466,181
Elimination of inter-segment revenue	(30,107,515)	(18,578,926)
	68,938,725	47,887,255

(in millions of Won)

2) Profit

	December 31, 2011	December 31, 2010
Total profit for reportable segments	4,194,654	4,451,847
Goodwill and PP&E FV adjustments	(39,490)	(10,873)
Elimination of inter-segment profits	(440,878)	(255,323)
Income tax expense	1,068,109	1,081,472
Profit before income tax expense	4,782,395	5,267,123

(in millions of Won)

3) Assets

	December 31, 2011	December 31, 2010	January 1, 2010
Total assets for reportable segments (*1)	95,509,938	81,834,939	61,302,445
Equity-accounted investees	(13,393,184)	(10,693,841)	(6,539,705)
Goodwill and PP&E FV adjustments	4,357,046	4,053,576	—
Elimination of inter-segment assets	(8,064,963)	(5,776,248)	(3,235,593)
	78,408,837	69,418,426	51,527,147

(in millions of Won)

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

4) Liabilities

	December 31, 2011	December 31, 2010	January 1, 2010
Total liabilities for reportable segments	42,958,912	34,129,376	20,634,044
Goodwill and PP&E FV adjustments	[341,853]	[340,291]	—
Elimination of inter-segment liabilities	[4,938,141]	[2,907,826]	[2,440,579]
	37,678,918	30,881,259	18,193,465

(in millions of Won)

5) Other significant items

	December 31, 2011				December 31, 2010			
	Total Segment	Goodwill and PP&E FV adjustments	Elimination of inter-segment	Consolidated	Total Segment	Goodwill and PP&E FV adjustments	Elimination of inter-segment	Consolidated
Interest income	243,282	—	[27,048]	216,234	298,433	—	[5,505]	292,928
Interest expenses	824,675	[6,312]	[30,015]	788,348	604,974	[1,301]	[16,790]	586,883
Depreciation and amortization	2,375,169	63,691	[172,561]	2,266,299	3,070,464	13,073	[47,642]	3,035,895
Share of profit or loss of equity-accounted investees	[40,249]	—	90,818	50,569	[11,692]	—	194,348	182,656
Income tax expense	1,186,021	[12,194]	[105,718]	1,068,109	1,052,049	—	29,423	1,081,472
Impairment loss of property, plant and equipment and others	84,113	—	14,958	99,071	130,882	—	[2,799]	128,083
Impairment of available-for-sale financial assets	152,804	—	—	152,804	57,172	—	—	57,172
	4,825,815	45,185	[229,566]	4,641,434	5,202,282	11,772	151,035	5,365,089

(in millions of Won)

(e) Revenue by geographic area for years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
Domestic	53,986,926	37,759,641
Japan	2,386,578	1,503,703
China	6,070,588	5,133,279
Asia	2,645,428	1,763,108
North America	1,281,906	426,138
Others	2,567,299	1,301,386
	68,938,725	47,887,255

(in millions of Won)

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(f) Non-current assets by geographic area as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Domestic	29,386,052	27,145,016	21,141,361
Japan	320,009	292,742	267,777
China	1,474,983	1,384,862	1,047,802
Asia	1,752,302	754,191	744,832
North America	110,702	72,809	29,460
Others	1,181,597	900,654	423,953
	34,225,645	30,550,274	23,655,185

(in millions of Won)

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

(g) The are no customers whose revenue is 10% or more of total consolidated revenues.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

37. Business Combinations

(a) Daewoo International Corporation

POSCO acquired a 68.15% controlling financial interest in Daewoo International Corporation, a Korean Company listed on the Korean Securities Exchange ("Daewoo International"), for (Won)3,371,481 million in cash in 2010. There is no contingent consideration. The acquisition was consummated on September 20, 2010. Daewoo International is engaged in various business activities, such as providing export services, export agent services, intermediary trading, manufacturing, distribution and natural resource development. Goodwill arising from the acquisition primarily results from synergies the Company and its subsidiaries expect to realized. The results of operations of Daewoo International Corporation have been consolidated from the date of acquisition. Therefore, comparability with POSCO's consolidated financial statements for prior years is impacted accordingly. The amounts of revenues and net profit of Daewoo International Corporation since the acquisition date to December 31, 2010 included in consolidated revenues and net profit amounted to (Won)3,951,609 million and (Won)870,295 million, respectively.

Goodwill recognized as a result of POSCO's acquisition of Daewoo International Corporation was as follows:

	Amount
I. Consideration transferred	3,371,481
II.Non-controlling interests (*1)	1,042,678
Total	4,414,159
III.Acquired identifiable assets and liabilities	
[Assets]	
Cash and cash equivalents	403,971
Trade accounts and notes receivable and other financial assets	2,881,084
Inventories	722,807
Property, plant and equipment and intangible assets	3,182,679
Other assets	1,642,274
Total	8,832,815
[Liabilities]	
Trade accounts and notes payable and other financial liabilities	1,058,922
Borrowings	3,733,623
Other liabilities	790,033
Total	5,582,578
Total acquired net assets	3,250,237
IV.Goodwill recognized	1,163,922

(in millions of Won)

(*1) The non-controlling interests at the acquisition date were measured using their proportionate share in the recognized amounts of Daewoo International Corporation's identifiable net assets.

Pro-forma Information ; The following summarized pro forma consolidated statement of comprehensive income information assumes that the Daewoo International Corporation acquisition occurred as of January 1, 2010. The pro forma results reflect certain adjustments related to the acquisition, such as increased depreciation and amortization expense on assets acquired from Daewoo International resulting from the fair valuation of assets acquired in place on acquisition date, i.e. September 30, 2010. The pro forma results do not include any anticipated cost synergies or other effects of the planned integration of Daewoo International Corporation.

If the Company had acquired Daewoo International Corporation as of January 1, 2010, pro-forma consolidated revenues and proforma net profit for the year ended December 31, 2010 would have been (Won)57,967,590 million and (Won)4,129,693 million, respectively.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(b) POSCO-Thainox Public Company Limited.

The Company has acquired additional shares in POSCO-Thainox Public Company Limited from its previous largest shareholder on September 23, 2011 in order to expand its footprint in the cold-rolled stainless steel sheets and coils market in Southeast Asia and to achieve its synergy effects with its existing operations in the region. The Company obtained control of POSCO-Thainox Public Company Limited. since its voting interest increased from 15.39% to 75.32%. There is no contingent consideration. The results of operations of POSCO-Thainox Public Company Limited have been consolidated from the date of acquisition. Therefore, comparability with POSCO's consolidated financial statements for prior years is impacted accordingly The amounts of revenues and net profit of POSCO-Thainox Public Company Limited since the acquisition date included in consolidated revenues and net profit amounted to (Won)92,798 million and (Won)11,658 million, respectively. Goodwill recognized in this business combination is as follows:

	Amount
I. Consideration transferred	
Fair value of investment held before acquisition (*1)	99,382
Cash	390,474
Total	489,856
II. Non-controlling interests (*2)	121,413
Total	611,269
III. Acquired identifiable assets and liabilities	
[Assets]	
Cash and cash equivalents	62,080
Trade accounts and notes receivable and other financial assets	102,464
Inventories	149,901
Property, plant and equipment and intangible assets	340,487
Other assets	20,129
Total	675,061
[Liabilities]	790,033
Trade accounts and notes payable and other financial liabilities	147,382
Borrowings	11,803
Other liabilities	23,867
Total	183,052
Total acquired net assets	492,009
IV. Goodwill recognized	119,260

(in millions of Won)

(*1) Upon acquisition of the business, a (Won)57,080 million re-measurement gain on the Company's existing investment in the acquiree prior to acquisition date (acquisition cost: (Won)42,302 million) was recognized as finance income. The fair value of this existing investment was determined using quoted market price of the shares on acquisition date.

(*2) The non-controlling interests at the acquisition date were measured using their proportionate share in the recognized amounts of POSCO-Thainox Public Company Limited's identifiable net assets

After obtaining control, Company acquired additional 19.61% of shares amounting to (Won)126,927 million through tender offer. In results, the percentage of shares increased from 75.32% to 94.93% as of December 31, 2011. Carrying value of POSCO-Thainox Public Company's net assets is (Won)667,571 million. Regarding this transaction, non-controlling interests decreased by (Won)95,885 million and related differential amounts amounting to (Won)31,043 million was deducted from consolidated capital surplus since it is equity transaction between consolidated entities.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

Pro-forma Information ; The following summarized pro forma consolidated statement of comprehensive income information assumes that the POSCO-Thainox Public Company Limited acquisition occurred as of January 1, 2011. The pro forma results reflect certain adjustments related to the acquisition, such as increased depreciation and amortization expense on assets acquired from POSCO-Thainox Public Company Limited resulting from the fair valuation of assets acquired in place on acquisition date, September 23, 2011. The pro forma results do not include any anticipated cost synergies or other effects of the planned integration of POSCO-Thainox Public Company Limited.

If the Company had acquired POSCO-Thainox Public Company Limited as of January 1, 2011, pro-forma consolidated revenues and pro-forma consolidated net profit for the year ended December 31, 2011 would have been (Won)69,243,204 million and (Won)3,726,225 million, respectively.

38. Transition to IFRS

As stated in note 2, these are the Company’s first consolidated financial statements prepared in accordance with IFRSs as issued by International Accounting Standards Board. The accounting policies set out in note 3 have been applied in preparing the financial statements as of and for the year ended December 31, 2011, the comparative information presented in theses consolidated financial statements as of and for the year ended December 31, 2010 and in preparation of an opening IFRS statement of financial position at the date of transition, January 1, 2010.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported in accordance with previous GAAP. An explanation of how the transition from previous GAAP to IFRSs has affected the Company’s reported financial position, financial performance and cash flows is as follows:

(a) Exemptions elected from IFRS No. 1 “First-time Adoption of International Financial Reporting Standards”.

The Company has elected to use one or more of the exemptions in accordance with IFRS No. 1 for the preparation of statements of financial position at the date of transition and applied the following optional exemptions.

- 1) Business combination
- The Company has not retrospectively applied the business combinations that took place prior to the date of transition to IFRS.
- 2) Deemed cost of property, plant and equipment
- The Company has elected to use the revaluations of prior to the date of transition to IFRS as deemed cost at the date of transition for certain items of property, plant and equipment and use the fair value at the date of transition as deemed cost at the date of transition for certain machinery and equipment.
- 3) Borrowing costs
- The Company has capitalized borrowing costs to the qualifying assets for which the commencement date for capitalization is on or after the transition date to IFRS.
- 4) Cumulative translation differences
- The Company has elected to set the previously cumulative translation differences to zero at the date of transition and these exemption are applied to all foreign operations.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

- 5) Share-based payment transactions
- The Company has not retrospectively applied IFRS accounting requirements to cash-settled share-based payment transactions that took place prior to the date of transition to IFRS.
- 6) Leases
- For arrangements existing at the date of transition to IFRS, the Company determined whether the arrangements were lease arrangements based on the facts and circumstances at the date of transition.

(b) The significant adjustments regarding transition to IFRS are as follows:

- 1) Employee Benefits
- Under previous GAAP, the Company recognized the amount of accrued severance benefits assuming all eligible employees and directors with at least one year of service were to terminate their employment as of the date of statement of financial position. Under IFRS, the Company recognized defined benefit obligation based on actuarial assumptions.
- 2) Goodwill acquired in the business combination or a gain from a bargain purchase
- Under previous GAAP, the Company amortized goodwill acquired in a business combination on a straight-line method of less than 20 years and a gain from a bargain purchase reversed in weighted average useful life of depreciable assets. Under IFRS, goodwill is not amortized, but is tested for impairment annually. Also, a gain from a bargain purchase is recognized in profit or loss on the acquisition date.
- 3) Transfer of financial assets
- Under previous GAAP, the Company recognized transfer of the financial assets to financial institution as disposal transaction when the control is transferred. Under IFRS, if the Company retains substantially all the risks and rewards of ownership of the financial asset, it is recognized in the financial liabilities instead of derecognition of financial assets.
- 4) Deferred taxes
- Under previous GAAP, the Company recognized deferred tax assets or deferred tax liabilities as the difference between the book base and its tax base regarding the investment in subsidiaries and others. However, under IFRS, the Company recognizes deferred tax assets or deferred tax liabilities considering how the temporary differences will be realized.
- 5) A lot-solid apartment after rental
- Under previous GAAP, a lot-solid apartment after rental is accounted for as an operating lease. Under IFRS, a lot-solid apartment of the rental is accounted for as a finance lease.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

(c) Changes in scope of subsidiaries

Changes		Subsidiaries
Inclusion (35)	Included in the scope of consolidation under IFRS. These entities were not consolidated under GAAP since their total assets were less than (Won)10 billion.	PT. POSNESIA, Qingdao Pos-metal Co., Ltd., POSCO E&C India Private Ltd., POSCO E&C SMART, Pohang SFC Co., Ltd., POSWITH Co., Ltd., Basis Industries, Dalian POSCON Dongbang Automatic Co., Ltd., SANPU TRADING CO., LTD., Zhangjiagang BLZ Pohang International Trading Co., Ltd., POSCO Australia GP Limited, POSCO Mexico Human Tech., POSCO Mexico East Steel Distribution Center Co., Ltd., POSTECH BD Newundertaking fund, POSCO Gulf Logistics LLC., POSBRO Co., Ltd., POSCO ICT-China, DWEMEX S.A.DE C.V., POS MPC Servicios de C.V., EUROTALY S.A., POSCO South East Asia Pte. Ltd., VECTUS Ltd., POMIC Co., Ltd., POSCO Maharashtra Steel Pvt. Ltd., POSCO India Chennai Steel Processing Centre Pvt. Ltd., POSCO Turkey Nilufer Pro-cessing Center, POSCO Vietnam Ha Noi Processing Center Co., Ltd., POSCO (Liaoning) Automotive Processing Center Co., Ltd., POSCO E&C Venezuela C.A, POSFINE Co., Ltd., PT. MRI, Mapo high broad parking Co., Ltd., Dakos Co., Ltd., POSCALCIUM Company, Ltd
	Included in the scope of consolidation under IFRS, SIC12: Consolidation-Special Purpose Entities	ZEUS(Cayman)
Exclusion(5)	The Company owns less than 50% of voting power. These entities are excluded from the scope of consolidation assuming that the Company does not have de facto control.	Metapolis Co., Ltd., POSMATE Co., Ltd., POSCO M-TECH Co., Ltd., Universal Studios Resort Asset Management Corp., VSC POSCO Steel Corporation

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

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

	Total assets	Total liabilities	Total equity
Previous GAAP	50,311,748	18,647,434	31,664,314
Adjustments :			
Changes of consolidation	(455,814)	(526,348)	70,534
Revaluation of machinery and equipment	1,939,001	—	1,939,001
Transfer of a financial asset	111,759	111,932	(173)
Recognition of financial guarantee liabilities	6,295	6,295	—
Reversal of negative goodwill	10,352	—	10,352
Actuarial valuation of defined benefit liabilities	[63]	36,603	(36,666)
Finance lease	(355,899)	(359,542)	3,643
Construction contracts	448,066	428,736	19,330
Other adjustments	(192,101)	467	(192,568)
Deferred tax effect	(296,198)	(152,112)	(144,086)
Total adjustments	1,215,398	(453,969)	1,669,367
IFRS	51,527,146	18,193,465	33,333,681

(in millions of Won)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010

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

	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
Recognition of financial guarantee liabilities	21,304	27,443	(6,139)	(1,618)	(1,618)
Reversal of negative goodwill	9,819	—	9,819	9,819	9,819
Withdrawal of amortization on goodwill	68,364	—	68,364	68,364	68,364
Actuarial valuation of defined benefit liabilities	(4,067)	91,357	(95,424)	144,073	(8,052)
Finance lease	(542,848)	(557,959)	15,111	11,469	11,469
Construction contracts	367,427	339,184	28,243	(2,942)	(2,942)
Capitalization of financial cost	63,382	92,186	(28,804)	1,733	1,733
Other adjustments	(89)	260,492	(260,581)	(221,402)	30,631
Deferred tax effect	(241,991)	(469,488)	227,497	55,881	55,881
Total adjustments	1,472,493	136,747	1,335,746	(32,044)	(8,055)
IFRS	69,418,426	30,881,259	38,537,167	4,185,651	4,832,922

(in millions of Won)

3) Cash flow statement

Under IFRS, interest received, interest paid and income taxes paid which were presented using indirect method under the previous GAAP are presented using direct method as separate line items of cash flow operating activities. Also, effect of exchange rate fluctuations on cash held which were presented as cash flows from operating activities under the previous GAAP are presented as a separate line item from cash flows from operating, investing and financing activities.

INDEPENDENT ASSURANCE REPORT

To the management of POSCO

At POSCO’s request, we have reviewed the information presented in the 2011 sustainability report (the “Report”).The management of POSCO is responsible for preparing the report. Our responsibility is to carry out a limited assurance engagement on the report and to provide opinions on it based on our review.

What we did to form our conclusions

We conducted our engagement in accordance with ISAE3000* and the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008)**.

We performed the following procedures to form our conclusion on the report:

- Evaluated POSCO’s processes for stakeholder engagement.
- Reviewed POSCO’s processes for determining material issues of stakeholder groups.
- Searched the media coverage of POSCO’s sustainability issues during the applicable reporting period.
- Reviewed recently reported sustainability issues of the POSCO’s global competitors.
- Interviewed a selection of people in charge to understand the current status of sustainability performance and the reporting process during the reporting period.
- Reviewed selected data regarding POSCO’s sustainability performance, supporting evidence for assertions, and information from corporate-wide systems.
- Interviewed several executives in charge of sustainability issues
- Reviewed POSCO’s process for collecting and consolidating sustainability performance data.
- Reviewed whether financial performance data has been extracted properly from the POSCO’s audited financial statements.

* International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by International Federation of the Accountants

** AA1000AS(2008) – The second edition of the AA1000 Assurance Standard from the Institute of Social and Ethical Accountability

Level of assurance

We undertook a limited assurance engagement in accordance with ISAE3000. A limited assurance engagement is less in scope than a reasonable assurance engagement. Consequently, the nature, timing and the extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

The limitations of our review

We excluded GHG(Greenhouse Gas) emissions in our limited assurance engagement. And, we did not review environmental and social performance data prior to 2010. However, we reviewed financial performance data based on POSCO’s 2011 audited financial statements.

Our conclusions

The result of our review is outlined below.

Inclusivity

Has POSCO been engaging with stakeholders across the business to develop its approach to sustainability?

- We are not aware of any key stakeholder groups that have been excluded from the stakeholder engagement process outlined in the report.
- We are not aware of any matters that would lead us to conclude that POSCO has not applied the inclusivity principle in developing its approach to sustainability.

Materiality

Has POSCO provided a balanced representation of material issues concerning POSCO’s sustainability performance?

- We are not aware of any material aspects concerning POSCO’s sustainability performance which have been excluded from the report.
- Nothing has come to our attention that causes us to believe that POSCO management has not applied its processes for determining material issues to be included in the report.

Responsiveness

Has POSCO responded to stakeholder concerns?

- We are not aware of any matters that would lead us to conclude that POSCO has not applied the responsiveness principle in considering the matters to be reported.

Completeness and accuracy of performance information

How complete and accurate is the economic, social, and environmental performance data in the report?

- We are not aware of any that have been excluded from the economic, social, and environmental performance data.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from POSCO’s reporting process.

How plausible are the statements and claims within the report?

- We are not aware of any misstatements of information or explanation used to support statements and claims on POSCO’s sustainability activities presented in the report.

Observations and areas for improvement

Without prejudice against our conclusions presented above, we believe the following matters require attention.

- Considering the geographical scope and the amount of sales in the overseas market, the importance of the communication with the local stakeholders is increasing. In order to enhance engagements of the stakeholders, expanding the communication channels and a system to reflect the results to the decision-making process must be improved.
- In terms of providing the sustainability performance, it is necessary to maintain the balance between positive and negative information.
- In the case of some sustainability performance data, a system to generate, aggregate and report the data must be improved. Also, quantitative targets for the sustainable performance data need to be consolidated and a way to report the progress compared to the target should be considered.

Independence

We comply with the Ethical Standard issued by IFAC(International Federation of Accountants).

Our assurance team

The assurance engagement was performed by the engagement team with a long history of experience and expertise in sustainability area.



June 2012
Ernst & Young Hanyoung

Country Managing Partner Seung Wha Gweon

Reporting Framework

The 2011 Sustainability Report was prepared in accordance with the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines, ISO26000 and with POSCO’s internal sustainability reporting process. All financial information, standards and definitions used or made within the report follow Korea’s generally accepted accounting principles.

Reporting Period

POSCO publishes a sustainability report every year. This report covers the calendar year from January 1 to December 31, 2011. Some sections include the period until May 2012. Please note that the section on corporate governance reflects decisions made at a board meeting held on March 16, 2012.


Reporting Scope

This report contains POSCO’s operational activities and performances with respect to sustainability management at our Pohang and Gwangyang Works, Pohang Head Office and Seoul Office. Please note that some sections including shareholders and investors, and green growth new business include information about the whole POSCO Family.

Distribution and Feedback on the Report

The full report is published in Korean and English. The printed report is available upon request via phone or through our website. Stakeholders’ feedback on the report will be relayed to the pertinent departments upon its receipt by phone, mail, or our website.

Tel : +82-2-3457-3737
e-mail : sustainability@posco.com

Survey Participation :


Assurance of the 2011 Sustainability Report

Assurance on this Report was conducted by Ernst & Young Han Young, in accordance with the International Standard on Assurance Engagement (ISAE) 3000 and AA1000AS, thereby assuring that inclusivity, materiality, and responsiveness are reflected in the report in addition to the existing principles of consistency, accuracy, and completeness.

LOVE Toward Global Movement

As human history has evolved with the extension of thinking and space of life, POSCO has grown with the expansion of the corporate ecosystem beyond just growth in size. Now, POSCO is set to grow as a firm of endearment by every member of the organic ecosystem, where all the stakeholders coexist, including society, partners, investors, customers, employees, and environment. POSCO will become a global leader in the integrated materials and infrastructure based on the steel industry, contributing to the development of the humankind.

The POSCO website www.posco.com provides various information on POSCO as well as the downloadable PDF version of this Report. For opinions and inquiries regarding the Sustainability Report, please refer to the following contacts.

e-mail : sustainability@posco.com Tel : +82-2-3457-3737
Address : Bureau for Firms of Endearment, Social Contribution Group, POSCO Center, 892 Daechi 4-dong, Gangnam-gu, Seoul 135-777, Korea

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www.posco.com



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Sustainability Indexes
Member 2011/12



This report is printed on Forest Stewardship Council-certified paper, using soy-based ink.

Head Office |
1, Goedong-dong, Nam-gu, Pohang City,
Gyeongsangbuk-do, Korea

Seoul Office |
POSCO Center 892, Daechi-dong,
Gangnam-gu, Seoul, Korea

Pohang Works |
5, Dongchon-dong, Nam-gu, Pohang City,
Gyeongsangbuk-do, Korea

Gwangyang Works |
700, Gumho-dong, Gwangyang City,
Jeollanam-do, Korea

2011 Sustainability Report