



Exporter Questionnaire

posco

Product: HOT ROLLED PLATE STEEL

From: The Republic of Korea (by Hyundai Steel Company and POSCO) and Taiwan

Period of Investigation: 1 January 2014 to 31 December 2014

Response due by: 7 May 2015

Please note, the date for POSCO's response was extended until 21 May 2015.

Investigation case manager: Mr Jukka Mantynen

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**Return completed
questionnaire to:**

Anti-Dumping Commission
Level 35, 55 Collins Street
Melbourne VIC 3000
Australia

Attention: Director Operations 4

SECTION A
COMPANY STRUCTURE AND OPERATIONS

This section requests information relating to company details and financial reports.

A-1 Identity and communication

Please nominate a person within your company who can be contacted for the purposes of this investigation:

Head Office:

- Name: ***Sohn, Kang-il (Kyle)***
- Position in the company: ***Junior Manager / International Trade Affairs Group, Steel Business Strategy Department***
- Address: ***POSCO Center, 892 Daechi 4-dong, Gangnam-gu, Seoul, 135-777, Korea***
- Telephone: ***82-2-3457-0627***
- Facsimile number: ***82-2-3457-1943***
- E-mail address of contact person: ***sohnkangil@posco.com***

Factory:

a. Pohang Works

- Address: ***5 Dongchon-dong, Nam-gu, Pohang-si, Gyeongsangbuk-do, 790-360, Korea***
- Telephone: ***82-54-220-0114***
- Facsimile number: ***82-54-220-6000***
- E-mail address of contact person: ***ssoy62@posco.com***

b. Kwangyang Works

- Address: ***700 Geumho-dong, Kwangyang-si, Jeollanam-do, 545-711, Korea***
- Telephone: ***82-61-790-0114***
- Facsimile number: ***82-61-790-6000***
- E-mail address of contact person: ***youlmac@posco.com***

A-2 Representative of the company for the purpose of investigation

If you wish to appoint a representative to assist you in this investigation, provide the following details:

- Name: ***Daniel Moulis / Moulislegal***
- Address: ***6/2 Brindabella Circuit, Brindabella Business Park, Canberra International Airport, ACT 2609 Australia***
- Telephone: ***+61-2-6163-1000***
- Facsimile/Telex number: ***+61-2-6162-0606***
- E-mail address of contact person: ***Daniel.Moulis@moulislegal.com***

Note that in nominating a representative, the Commission will assume that confidential material relating to your company in this investigation may be freely released to, or discussed with, that representative.

A-3 Company information

1. What is the legal name of your business? What kind of entity is it (eg. company, partnership, sole trader)? Please provide details of any other business names that you use to export and/or sell goods.

ANSWER: The company's legal name is "POSCO". POSCO is a listed company (joint-stock corporation) in the Republic of Korea.

Please note that POSCO does not use any other business name while it sells the goods under consideration.

2. Who are the owners and/or principal shareholders? Provide details of shareholding percentages for joint owners and/or principal shareholders. (List all shareholders able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company).

ANSWER: POSCO provides a list showing shareholders including the percentage of shareholding and the activities of the shareholders in Appendix A-1.

3. If your company is a subsidiary of another company, list the principal shareholders of that company.

ANSWER: This question is not applicable because POSCO is not a subsidiary of any other company.

4. If your parent company is a subsidiary of another company, list the principal shareholders of that company.

ANSWER: This question is not applicable because POSCO is not a subsidiary of any other company.

5. Provide a diagram showing all associated or affiliated companies and your company's place within that corporate structure.

ANSWER: POSCO provides a diagram of corporate structure showing all associated or affiliated companies in Appendix A-2.

6. Are any management fees/corporate allocations charged to your company by your parent or related company?

ANSWER: This question is not applicable because there are no management fees/corporate allocations charged to POSCO by its related company.

7. Describe the nature of your company's business. Explain whether you are a producer or manufacturer, distributor, trading company, etc.

ANSWER: POSCO is an integrated steel manufacturer founded in 1968 that produces a full range of steel products sold to Korea and various export markets, including Australia. Among the steel products produced by POSCO are hot-rolled coil and sheet, cold-rolled coil and sheet, electrical coil and sheet, galvanized coil and sheet, plate, wire rod, and stainless steel coil and sheet.

8. If your business does not perform all of the following functions in relation to the goods under consideration, then please provide names and addresses of the companies which perform each function:
- produce or manufacture
 - sell in the domestic market
 - export to Australia, and
 - export to countries other than Australia.

ANSWER: POSCO itself performs the above functions in relation to the goods under consideration.

9. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

ANSWER: POSCO provides its organisation chart in Appendix A-3. POSCO owns and operates two integrated steel mills in Korea. One mill is located in Pohang and the second is located in Kwangyang. POSCO manufactures hot rolled plate steel products at both facilities. POSCO's corporate headquarters are located in Pohang, Korea. The company maintains its marketing, sales, finance, raw materials purchasing, strategic planning, and some administrative offices in Seoul, as well as administrative offices in Pohang. Functions and activities performed at the Seoul office relates to sales in all markets.

10. Provide a copy of your most recent annual report together with any relevant brochures or pamphlets on your business activities.

ANSWER: POSCO provides its most recent annual report in Appendix A-4.

A-4 General accounting/administration information

1. Indicate your accounting period.

ANSWER: POSCO's fiscal year is the calendar year, January 1 to December 31.

2. Indicate the address where the company's financial records are held.

ANSWER: POSCO's financial records are held in [CONFIDENTIAL INFORMATION DELETED – location].

3. Please provide the following financial documents for the two most recently completed financial years plus all subsequent monthly, quarterly or half yearly statements:

- chart of accounts;
- audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);
- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods under consideration.

These documents should relate to:

- the division or section/s of your business responsible for the production and sale of the goods under consideration, and
- the company.

ANSWER: POSCO provides chart of accounts in Appendix A-5. POSCO also provides its audited consolidated and unconsolidated financial statements in Appendix A-6.

4. If you are not required to have the accounts audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

ANSWER: Since POSCO has the accounts audited, this question is not applicable.

5. Do your accounting practices differ in any way from the generally accepted accounting principles in your country? If so, provide details.

ANSWER: POSCO's financial accounting practices are in accordance with generally accepted accounting principles (GAAP) in Korea.

6. Describe:

The significant accounting policies that govern your system of accounting, in particular:

- the method of valuation for raw material, work-in-process, and finished goods inventories (eg last in first out –LIFO, first in first out- FIFO, weighted average);

ANSWER: All relevant practices pertaining to POSCO's inventory valuation methodologies are detailed in POSCO's financial statements submitted in this response.

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.

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

- costing methods, including the method (eg by tonnes, units, revenue, direct costs etc) of allocating costs shared with other goods or processes (such as front office cost, infrastructure cost etc);

ANSWER: Please refer to the response of cost accounting system in Section G.

- valuation methods for damaged or sub-standard goods generated at the various stages of production;

ANSWER: *Damaged or sub-standard goods are valued and recorded at the net realizable value.*

- valuation methods for scrap, by products, or joint products;

ANSWER: *Scrap is generated during the production process and is reintroduced in the production process. POSCO distinguishes between scrap and by-products in its accounting system. Specifically, scrap is recycled material that is reintroduced into the production process. By-products refer to recycled material sold to outside parties. POSCO accounts for scrap and by-products in the same manner in that the value of the scrap or by-product is recognized as a reduction to the cost of manufacture at the stage of production in which the scrap or by-product is generated. Reused scrap or Recycled scrap is recorded as an input at market value.*

- valuation and revaluation methods for fixed assets;

ANSWER: *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.*

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life. Lease 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.

- average useful life for each class of production equipment and depreciation method and rate used for each;

ANSWER: *As described above, fixed assets are amortized over their useful lives. POSCO generally depreciates its assets based upon the straight-line method. A summary of POSCO's applicable useful lives is provided below.*

Useful Lives	Years
Building	20~40
Structure	20~40
Machinery	15
Lease Assets	18
Vehicles	4~9
Tools	4
Supplies	4

- treatment of foreign exchange gains and losses arising from transactions;

ANSWER: *Foreign exchange transaction gains or losses are recognized in the year in which were incurred on the basis of the basic exchange rate which is declared by the Central Bank of Korea. Foreign exchange transaction gains and losses are incurred by comparing the rate of sales date or purchase date to the settlement date and classified as financial income and expenses on POSCO' financial statement.*

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the exchange rates prevailing at the balance sheet date, and resulting unrealized exchange translation gains or losses are recorded as non-operating income and expenses on POSCO' financial statement.

- treatment of foreign exchange gains/losses arising from the translation of balance sheet items;

ANSWER: *Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the exchange rates prevailing at the balance sheet date, and resulting unrealized exchange translation gains or losses are recorded as financial income and expenses on POSCO' financial statement.*

- inclusion of general expenses and/or interest;

ANSWER: *POSCO recognizes general and interest expenses as current expenses. However, POSCO capitalizes those amounts which are directly related to construction in progress in accordance with Korean GAAP.*

Financing expense on borrowing associated with certain qualifying assets during the construction period that meet certain criteria for capitalization can be either capitalized or expensed as incurred.

POSCO has chosen to expense as a financing expense the cost of manufacturing, acquisition, and construction of property, plant, and equipment that require more than one year for the initial date of manufacture, acquisition, and construction to the date of the estimated completion of the manufacture, acquisition and construction.

- provisions for bad or doubtful debts;

ANSWER: *POSCO provides an allowance for doubtful accounts based on management's estimate of the collectability of individual accounts and historical collection experience.*

- expenses for idle equipment and/or plant shut-downs;

ANSWER: *During the investigation period, POSCO did not idle any significant assets nor shut down any plants.*

- costs of plant closure;

ANSWER: *Not applicable because POSCO has not experienced any plant closures during the investigation period, or prior to the investigation period with residual effects during the investigation period.*

- restructuring costs;

ANSWER: *Not applicable because POSCO has not experienced any restructuring during the POI, or prior to the POI with residual effects during the POI.*

- by-products and scrap materials resulting from your company's production process; and

ANSWER: *Please refer to the response with respect to scrap and by-products above.*

- effects of inflation on financial statement information.

ANSWER: *There is no effect on inflation on financial statement information during the investigation period.*

7. In the event that any of the accounting methods used by your company have changed over the last two years provide an explanation of the changes, the date of change, and the reasons for it.

ANSWER: *[CONFIDENTIAL INFORMATION DELETED – discussion of accounting methods used by the company] used by the company over the last two financial years.*

A-5 Income statement

Please fill in the following table. It requires information concerning all products produced and for the goods under consideration (*'goods under consideration'* (the goods) is defined in the Glossary of Terms in the appendix to this form). You should explain how costs have been allocated.

Prepare this information on a spreadsheet named "**Income statement**".

This information will be used to verify the completeness of cost data that you provide in Section G. If, because of your company's structure, the allocations would not be helpful in this process, please explain why this is the case.

ANSWER: *POSCO provides the requested information concerning income statement in Appendix A-7.*

A-6 Sales

State your company's net turnover (after returns and all discounts), and free of duties and taxes. Use the currency in which your accounts are kept, in the following format:

Prepare this information in a spreadsheet named "TURNOVER".

This information will be used to verify the cost allocations to the goods under consideration in Section G.

Also, you should be prepared to demonstrate that sales data shown for the goods is a complete record by linking total sales of these goods to relevant financial statements.

ANSWER: POSCO provides the requested information concerning company's turnover in Appendix A-8.

SECTION B
SALES TO AUSTRALIA (EXPORT PRICE)

This section requests information concerning your export practices and prices to Australia. You should include costs incurred beyond ex-factory. Export prices are usually assessed at FOB point, but the Commission may also compare prices at the ex factory level.

*You should report prices of **all** goods under consideration (the goods) **shipped** to Australia during the investigation period.*

The invoice date will normally be taken to be the date of sale. If you consider:

the sale date is not the invoice date (see 'date of sale' column in question B4 below) and;

an alternative date should be used when comparing export and domestic prices

*you **must** provide information in section D on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

B-1 For each customer in Australia to whom you shipped goods in the investigation period list:

name;

address;

contact name and phone/fax number where known; and

trade level (for example: distributor, wholesaler, retailer, end user, original equipment).

ANSWER: POSCO has provided the requested information concerning each customer to whom POSCO made export sales of the goods under consideration to Australia during the period of investigation in Appendix B-1.

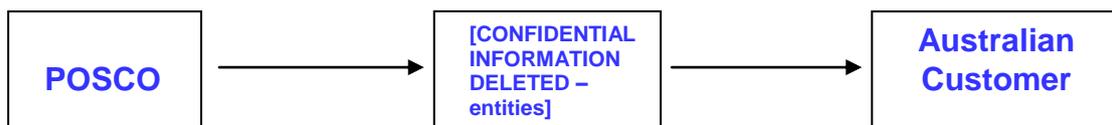
B-2 For each customer identified in B1 please provide the following information.

- (a) Describe how the goods are sent to each customer in Australia, including a diagram if required.
- (b) Identify each party in the distribution chain and describe the functions performed by them. Where commissions are paid indicate whether it is a pre or post exportation expense having regard to the date of sale.
- (c) Explain who retains ownership of the goods at each stage of the distribution chain. In the case of DDP sales, explain who retains ownership when the goods enter Australia.

- (d) Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).
- (e) Explain in detail the process by which you negotiate price, receive orders, deliver, invoice and receive payment. If export prices are based on price lists supply copies of those lists.
- (f) State whether your firm is related to any of its Australian customers. Give details of any financial or other arrangements (eg free goods, rebates, or promotional subsidies) with the customers in Australia (including parties representing either your firm or the customers).
- (g) Details of the forward orders of the goods under consideration (include quantities, values and scheduled shipping dates).

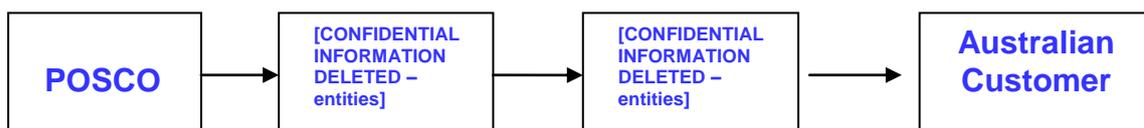
ANSWER: For export sales of the goods under consideration to Australia during the period of investigation, POSCO has [CONFIDENTIAL INFORMATION DELETED – number] channels of distribution as follows;

[CONFIDENTIAL INFORMATION DELETED – sales through type of entity] POSCO carried out its export sales of the goods under consideration to Australia through [CONFIDENTIAL INFORMATION DELETED – type and identity of entities] during the investigation period.



All sales made by POSCO [CONFIDENTIAL INFORMATION DELETED – entities] are made on [CONFIDENTIAL INFORMATION DELETED – relevant sales terms]. The negotiation process starts with [CONFIDENTIAL INFORMATION DELETED –negotiation, sales and production processes]

[CONFIDENTIAL INFORMATION DELETED – export sales through type of entity] POSCO made its export sales of the goods under consideration to Australia through [CONFIDENTIAL INFORMATION DELETED –type of entities] companies, [CONFIDENTIAL INFORMATION DELETED – identity of entities] during the investigation period. And [CONFIDENTIAL INFORMATION DELETED – entity] also made its export sales to Australia through [CONFIDENTIAL INFORMATION DELETED – entities] during the POI.



All sales made by POSCO to [CONFIDENTIAL INFORMATION DELETED – type of entity and identity of entities] are made on [CONFIDENTIAL INFORMATION DELETED – sales terms]. The negotiation process starts with [CONFIDENTIAL INFORMATION DELETED –negotiation, sales and production processes].

Please note that for both channels, POSCO is aware of the final destination of the goods at the time of sale and, as a result, POSCO has reported the relevant sales as export sales to Australia.

B-3 Do your export selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

ANSWER: The export selling prices do not vary according to the distribution channel identified. Rather, the selling prices are determined through [CONFIDENTIAL INFORMATION DELETED – details of price considerations].

- B-4** Prepare a spreadsheet named “Australian sales” listing all shipments (i.e. transaction by transaction) to Australia of the goods under consideration in the investigation period. You must provide this list in electronic format. Include the following export related information:

ANSWER: *POSCO submits the requested information concerning Australian sales with computerized file separately. The printouts of this export sales file are provided in Appendix B-2.*

POSCO also submits the requested information concerning [CONFIDENTIAL INFORMATION DELETED –specific sales] Australian sales with computerized file. The sample printouts of these export sales file are also provided in Appendix B-3 [CONFIDENTIAL INFORMATION DELETED – title of file], B-4 [CONFIDENTIAL INFORMATION DELETED – title of file] and B-5 ([CONFIDENTIAL INFORMATION DELETED – title of file], respectively.

- B-5** If there are any other costs, charges or expenses incurred in respect of the exports listed above which have not been identified in the table above, add a column (see “other factors” in question B-4) for each item, and provide a description of each item. For example, other selling expenses (direct or indirect) incurred in relation to the export sales to Australia.

ANSWER: *In accordance with the instruction of this questionnaire, POSCO has reported “[CONFIDENTIAL INFORMATION DELETED – type of expense]” for export sales of the goods under consideration to Australia in the field “Other factors” in question B-4.*

- B-6** For each type of discount, rebate, allowance offered on export sales to Australia:
- provide a description; and
 - explain the terms and conditions that must be met by the importer to obtain the discount.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amount shown in your response to question B4. If they vary by customer or level provide an explanation.

ANSWER: *[CONFIDENTIAL INFORMATION DELETED – discussion regarding discounts, rebates and allowances].*

B-7 If you have issued credit notes (directly or indirectly) to the customers in Australia, in relation to the invoices listed in the detailed transaction by transaction listing in response to question B4, provide details of each credit note if the credited amount has **not** been reported as a discount or rebate.

ANSWER: *[CONFIDENTIAL INFORMATION DELETED – discussion regarding credit notes]*

B-8 If the delivery terms make you responsible for arrival of the goods at an agreed point within Australia (eg. delivered duty paid), insert additional columns in the spreadsheet for all other costs incurred. For example:

Import duties	Amount of import duty paid in Australia
Inland transport	Amount of inland transportation expenses within Australia included in the selling price
Other costs	Customs brokers, port and other costs incurred (itemise)

ANSWER: *[CONFIDENTIAL INFORMATION DELETED – discussion regarding payment terms].*

B-9 Select two shipments, in different quarters of the investigation period, and provide a complete set of all of the documentation related to the export sale. For example:

- the importer’s purchase order, order confirmation, and contract of sale;
- commercial invoice;
- bill of lading, export permit;
- freight invoices in relation to movement of the goods from factory to Australia, including inland freight contract;
- marine insurance expenses; and
- letter of credit, and bank documentation, proving payment.

The Commission will select additional shipments for payment verification at the time of the visit.

ANSWER: *POSCO provides its sample documentation for two export sales to Australia during the investigation period in Appendix B-6.*

SECTION C
EXPORTED GOODS & LIKE GOODS

- C-1** Fully describe all of the goods you have exported to Australia during the investigation period. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the exported goods.

ANSWER: *POSCO exported hot-rolled plate steel to Australia during the investigation period.*

POSCO uses the ERP accounting system which defines products including product code consisting of [CONFIDENTIAL INFORMATION DELETED – number]. A list of product code is provided in Appendix C-1. The product code is used by POSCO in the ordinary course of business and recorded on order sheets, in the sales register and in the inventory ledger. The same product coding system is used for both the Korean market and the export markets including Australia.

Concerning the details of the goods under consideration including product specification, please refer to POSCO's product brochure provided in Appendix C-2.

- C-2** List each type of goods exported to Australia (these types should cover all types listed in spreadsheet “**Australian sales**” – see section B of this questionnaire).

ANSWER: *A list showing each type of goods export to Australia during the investigation period is provided in Appendix C-3.*

Please note that POSCO creates individual product model for each unique type and possible combination of product characteristics for all the goods under consideration exported to Australia as well as for those sold domestically by using the following criteria:

- 1) **Product Type**

- *'[CONFIDENTIAL INFORMATION DELETED – identifier]' – Plate*
- *'[CONFIDENTIAL INFORMATION DELETED – identifiers]'' – Hot-rolled Plate or HR Sheet*

2) Specification

: The international standard to determine material specification for plate steel products is “ASTM (American Standard), JIS (Japanese International Standard), EN (European Standard) and AS (Australian Standard)”. POSCO also produced plate steel products according to its own standard as well as KS (Korean Standard). The details of each specification defined by international standard as well as POSCO’s standard are described in POSCO’s product brochure in Appendix C-2.

In addition, POSCO has reported the standard for each specification in the sales files. The list of reported standard for each specification is provided in Appendix C-4.

3) Thickness Range

: The category of thickness code described below is in accordance with POSCO’s [CONFIDENTIAL INFORMATION DELETED – classification]. Please refer to the details of [CONFIDENTIAL INFORMATION DELETED – classification] in Appendix G-8.

The category is different by product code like the followings.

[CONFIDENTIAL INFORMATION DELETED – thickness range categories]

4) Width Range

: The category of thickness code described below is in accordance with POSCO’s [CONFIDENTIAL INFORMATION

DELETED – classification]. Please refer to the details of [CONFIDENTIAL INFORMATION DELETED – classification] in Appendix G-8.

The category is different by product code like the followings.

[CONFIDENTIAL INFORMATION DELETED – width range categories]

5) Length Range

: POSCO has reported its length by using the following ranges.

[CONFIDENTIAL INFORMATION DELETED – length range categories]

6) Edge

[CONFIDENTIAL INFORMATION DELETED – edge categories]

7) Plate Surface

[CONFIDENTIAL INFORMATION DELETED – plate surface categories]

C-3 If you sell like goods on the domestic market, for each type that your company has exported to Australia during the investigation period, list the most comparable model(s) sold domestically;

- and provide a detailed explanation of the differences where those goods sold domestically (ie. the like goods – see explanation in glossary) are not identical to goods exported to Australia.

EXPORTED TYPE	DOMESTIC TYPE	IDENTICAL?	DIFFERENCES
Product code of each model of the goods exported to Australia	Product code of comparable model sold on the domestic market of the country of export	If goods are identical indicate "YES". Otherwise "NO"	Where the good exported to Australia is not identical to the like goods, describe the specification differences. If it is impractical to detail specification differences in this table refer to documents which outline differences

ANSWER: POSCO submits the requested information concerning exported goods and like goods with computerized file named “Like goods” separately. The printout of this file is provided in **Appendix C-5**.

During the POI, POSCO exported [CONFIDENTIAL INFORMATION DELETED – number] specifications for exported goods to Australia during the POI as follows:

[CONFIDENTIAL INFORMATION DELETED – specifications]

As for specifications, [CONFIDENTIAL INFORMATION DELETED – specifications], POSCO thinks [CONFIDENTIAL INFORMATION DELETED – specifications] are most comparable with those of export goods to Australia. For the Commission’s convenience, POSCO also submits a computer file of domestic sales including [CONFIDENTIAL INFORMATION DELETED – specifications] (as well as computer files of all domestic sales listing covering all specifications of POSCO’s goods under consideration made during the POI).

Please note [CONFIDENTIAL INFORMATION DELETED – details of specification sales].

- C-4** Please provide any technical and illustrative material that may be helpful in identifying or classifying the goods that your company sells on the domestic market.

ANSWER: Concerning any technical and illustrative material in identifying or classifying the goods, please refer to the product brochure provided in **Appendix C-2**.

SECTION D
DOMESTIC SALES

This section seeks information about the sales arrangements and prices in the domestic market of the country of export.

*All domestic sales made during the investigation period must be listed transaction by transaction. If there is an extraordinarily large volume of sales data and you are unable to provide the complete listing electronically you **must** contact the case officer **before** completing the questionnaire. If the case officer agrees that it is not possible to obtain a complete listing he or she will consider a method for sampling that meets the Commission requirements. If agreement cannot be reached as to the appropriate method the Commission may not visit your company.*

The Commission will normally take the invoice date as being the date of sale in order to determine which sales fall within the investigation period.

If, in response to question B4 (Sales to Australia, Export Price), you have reported that the date of sale is not the invoice date and you consider that this alternative date should be used when comparing domestic and export prices –

*you **must** provide information on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

If you do not have any domestic sales of like goods you must contact the case officer who will explain the information the Commission requires for determining a normal value using alternative methods.

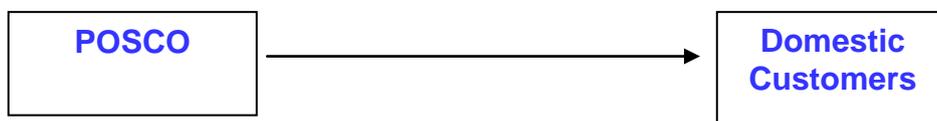
D-1 Provide:

- a detailed description of your distribution channels to domestic customers, including a diagram if appropriate;
- information concerning the functions/activities performed by each party in the distribution chain; and
- a copy of any agency or distributor agreements, or contracts entered into.

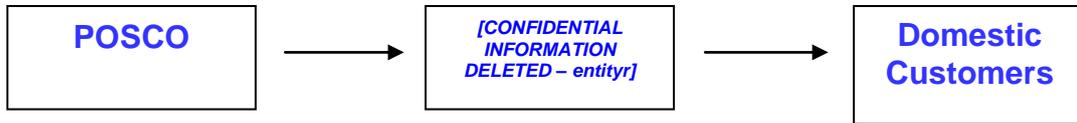
If any of the customers listed are associated with your business, provide details of that association. Describe the effect, if any, that association has upon the price.

ANSWER: In domestic market, POSCO has [CONFIDENTIAL INFORMATION DELETED – number] channels of distribution.

[CONFIDENTIAL INFORMATION DELETED – distribution channel]



[CONFIDENTIAL INFORMATION DELETED – distribution channel]



POSCO sold most of like goods [CONFIDENTIAL INFORMATION DELETED – through distribution channel] during the investigation period while it sold a small volume of sales in the domestic market through [CONFIDENTIAL INFORMATION DELETED – entity] to domestic customers during the investigation period.

[CONFIDENTIAL INFORMATION DELETED – details of dealing with entity].

The terms of sales made by POSCO to its customers are on [CONFIDENTIAL INFORMATION DELETED – sales terms].

D-2 Do your domestic selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

ANSWER: *POSCO’s selling prices do not vary according to the distribution channel. Rather, the prices are established through [CONFIDENTIAL INFORMATION DELETED – process of price determination] between POSCO (or [CONFIDENTIAL INFORMATION DELETED – entity]) and the customers in the domestic market.*

D-3 Explain in detail the sales process, including:

- the way in which you set the price, receive orders, make delivery, invoice and finally receive payment; and the terms of the sales; and
- whether price includes the cost of delivery to customer.

If sales are in accordance with price lists, provide copies of the price lists.

ANSWER: *In the domestic market, [CONFIDENTIAL INFORMATION DELETED – detail of sales process]. POSCO’s personnel also [CONFIDENTIAL INFORMATION DELETED – details of internal processes].*

POSCO subsequently [CONFIDENTIAL INFORMATION DELETED – details of production process and transportation process].

Unlike the typical sales stated above, [CONFIDENTIAL INFORMATION DELETED – details of alternate method through which sales can be made].

For sales made by POSCO through [CONFIDENTIAL INFORMATION DELETED – entity] to domestic customers, [CONFIDENTIAL INFORMATION DELETED – details of sales process].

- D-4** Prepare a spreadsheet named “**domestic sales**” listing **all** sales of like goods made during the investigation period. The listing must be provided on a CD-ROM. Include all of the following information.

ANSWER: *POSCO submits the requested information listing all sales of like goods made by POSCO during the investigation period with a CD-ROM separately. The sample printout of this “Domestic sales” file is provided in **Appendix D-1**.*

- D-5** If there are any other costs, charges or expenses incurred in respect of the sales listed which have not been identified in the table in question D-4 above add a column for each item (see “other factors”). For example, certain other selling expenses incurred.

ANSWER: *In accordance with the instruction of this questionnaire, POSCO has reported three other adjustments such as [CONFIDENTIAL INFORMATION DELETED – expenses] for domestic sales in the field “Other factors” in question D-4.*

D-6 For each type of commission, discount, rebate, allowance offered on domestic sales of like goods:

- provide a description; and
- explain the terms and conditions that must be met by the customer to qualify for payment.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amounts shown in your response to question D4.

If you have issued credit notes, directly or indirectly to the customers, provide details if the credited amount has **not** been reported as a discount or rebate.

ANSWER: *This question is not applicable [CONFIDENTIAL INFORMATION DELETED – reason for inapplicability of question].*

D-7 Select two domestic sales, in different quarters of the investigation period, that are at the same level of trade as the export sales. Provide a complete set of documentation for those two sales. (Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, bank documentation showing proof of payment.)

The Commission will select additional sales for verification at the time of our visit.

ANSWER: *POSCO provides its sample documentation for two domestic sales during the investigation period in Appendix D-2.*

SECTION E **FAIR COMPARISON**

Section B sought information about the export prices to Australia and Section D sought information about prices on your domestic market for like goods (ie. the normal value).

Where the normal value and the export price are not comparable adjustments may be made. This section informs you of the fair comparison principle and asks you to quantify the amount of any adjustment.

As prices are being compared, the purpose of the adjustments is to eliminate factors that have unequally modified the prices to be compared.

To be able to quantify the level of any adjustment it will usually be necessary to examine cost differences between sales in different markets. The Commission must be satisfied that those costs are likely to have influenced price. In practice, this means that the expense item for which an adjustment is claimed should have a close nexus to the sale. For example, the cost is incurred because of the sale, or because the cost is related to the sale terms and conditions.

Conversely, where there is not a direct relationship between the expense item and the sale a greater burden is placed upon the claimant to demonstrate that prices have been affected, or are likely to have been affected, by the expense item. In the absence of such evidence the Commission may disallow the adjustment.

Where possible, the adjustment should be based upon actual costs incurred when making the relevant sales. However, if such specific expense information is unavailable cost allocations may be considered. In this case, the party making the adjustment claim must demonstrate that the allocation method reasonably estimates costs incurred.

A party seeking an adjustment has the obligation to substantiate the claim by relevant evidence that would allow a full analysis of the circumstances, and the accounting data, relating to the claim.

The investigation must be completed within strict time limits therefore you must supply information concerning claims for adjustments in a timely manner. Where an exporter has knowledge of the material substantiating an adjustment claim that material is to be available at the time of the verification visit. The Commission will not consider new claims made after the verification visit.

E-1 Costs associated with export sales

(These cost adjustments will relate to your responses made at question B-4, 'Australian sales')

1. Transportation

Explain how you have quantified the amount of inland transportation associated with the export sale (“**Inland transportation costs**”). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

ANSWER: POSCO has reported in this field the [CONFIDENTIAL INFORMATION DELETED – basis of reporting expenses] freight expense incurred to transport the goods from the factory to the port of export. POSCO used [CONFIDENTIAL INFORMATION DELETED – details of relationship] trucking companies to transport the goods. This inland-freight expense is recorded in “Transportation Expense” account (Account Code: [CONFIDENTIAL INFORMATION DELETED – number]) under POSCO’s accounting system.

2. Handling, loading and ancillary expenses

List all charges that are included in the export price and explain how they have been quantified (“**Handling, loading & ancillary expenses**”). Identify the general ledger account where the expenses are located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

The various export related ancillary costs are identified in the table at question B4, for example:

- terminal handling;
- wharfage and other port charges;
- container taxes;
- document fees and customs brokers fees;
- clearance fees;
- bank charges, letter of credit fees
- other ancillary charges.

ANSWER: POSCO has reported in this field the [CONFIDENTIAL INFORMATION DELETED – basis of reporting expenses] incurred at the port of export. This [CONFIDENTIAL INFORMATION DELETED – expense] is recorded in “Transportation Expense” account (Account Code: [CONFIDENTIAL INFORMATION DELETED – number]) under POSCO’s accounting system.

3. Credit

The cost of extending credit on export sales is not included in the amounts quantified at question B4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. Provide applicable interest rates over each month of the investigation period. Explain the nature of the interest rates most applicable to these export sales eg, short term borrowing in the currency concerned.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, *and if* export prices are influenced by this longer or shorter period, calculate the average number of collection days. See also item 4 in section E-2 below.

[CONFIDENTIAL INFORMATION DELETED – discussion regarding “credit expenses”]

4. Packing costs

List material and labour costs associated with packing the export product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed ‘**Packing**’.

[ANSWER: Not applicable because [CONFIDENTIAL INFORMATION DELETED – reason for inapplicability].

5. Commissions

For any commissions paid in relation to the export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met.

Report the amount in the sales listing in question B-4 under the column headed “**Commissions**”. Identify the general ledger account where the expense is located.

[ANSWER: [CONFIDENTIAL INFORMATION DELETED – details regarding “commission”]

6. Warranties, guarantees, and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (“**Warranty & guarantee expenses**” and “**Technical assistance & other services**”), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

ANSWER: *[CONFIDENTIAL INFORMATION DELETED – details regarding “warranties”]*

7. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed “**Other factors**”. For example, other variable or fixed selling expenses, including salesmen’s salaries, salesmen’s travel expenses, advertising and promotion, samples and entertainment expenses. Your consideration of questions asked at Section G, concerning domestic and export costs, would have alerted you to such other factors.

ANSWER: *As explained above, POSCO has reported [CONFIDENTIAL INFORMATION DELETED – expenses] in this field. See POSCO’s response to question E-1.3.*

8. Currency conversions

In comparing export and domestic prices a currency conversion is required. Fluctuations in exchange rates can only be taken into account when there has been a ‘sustained’ movement during the period of investigation (see article 2.4.1 of the WTO Agreement). The purpose is to allow exporters 60 days to adjust export prices to reflect ‘sustained’ movements. Such a claim requires detailed information on exchange movements in your country over a long period that includes the investigation period.

ANSWER: *POSCO does not think a currency conversion is required due to the fluctuations in exchange rates for the investigation period in this proceeding.*

E-2 Costs associated with domestic sales

(These cost adjustments will relate to your responses made at question D-4, “**domestic sales**”)

The following items are not separately identified in the amounts quantified at question D-4. However you should consider whether any are applicable.

1. Physical characteristics

The adjustment recognises that differences such as quality, chemical composition, structure or design, mean that goods are not identical and the differences can be quantified in order to ensure fair comparison.

The amount of the adjustment shall be based upon the market value of the difference, but where this is not possible the adjustment shall be based upon the difference in cost plus the gross profit mark-up (i.e. an amount for selling general and administrative costs (S G & A) plus profit).

The adjustment is based upon actual physical differences in the goods being compared and upon the manufacturing cost data. Identify the physical differences between each model. State the source of your data.

ANSWER: Since POSCO does not claim any adjustment for the difference of physical characteristics, this question is not applicable.

2. Import charges and indirect taxes

If exports to Australia:

- are partially or fully exempt from internal taxes and duties that are borne by the like goods in domestic sales (or on the materials and components physically incorporated in the goods), or
- if such internal taxes and duties have been paid and are later remitted upon exportation to Australia;

the price of like goods must be adjusted downwards by the amount of the taxes and duties.

The taxes and duties include sales, excise, turnover, value added, franchise, stamp, transfer, border, and excise taxes. Direct taxes such as corporate income tax are not included as such taxes do not apply to the transactions.

Adjustment for drawback is not made in every situation where drawback has been received. Where an adjustment for drawback is appropriate you must provide information showing the import duty borne by the domestic sales. (That is, it is not sufficient to show the drawback amount and the export sales quantity to Australia. For example, you may calculate the duty borne on domestic sales by quantifying the total amount of import duty paid and subtracting the duty refunded on exports to all countries. The difference, when divided by the domestic sales volume, is the amount of the adjustment).

In substantiating the drawback claim the following information is required:

- a copy of the relevant statutes/regulations authorising duty exemption or remission, translated into English;
- the amount of the duties and taxes refunded upon *exportation* and an explanation how the amounts were calculated and apportioned to the exported goods;
- an explanation as to how you calculated the amount of duty payable on imported materials is borne by the goods sold *domestically* but is not borne by the exports to Australia;

Substitution drawback systems

Annex 3 of the WTO Agreement on Subsidies provides: “Drawback systems can allow for the refund or drawback of import duties on inputs which are consumed in the production process of another product and where the export of this latter product contains domestic inputs having the same quality and characteristics as those substituted for the imported inputs”

If such a scheme operates in the country of export adjustments can also be made for the drawback payable on the substituted domestic materials, provided the total amount of the drawback does not exceed the total duty paid.

ANSWER: POSCO received duty drawback refunds associated with the exports of the goods under consideration to Australia during the investigation period. POSCO applied to the Korean Customs authorities for duty drawback on its exports to Australia [CONFIDENTIAL INFORMATION DELETED – details of duty draw back system]. A copy of the Korean law governing the duty drawback scheme is provided at Appendix E-2.

[CONFIDENTIAL INFORMATION DELETED – details of duty drawback system]

POSCO provides in Appendix E-3 a sample calculation and supporting documentation demonstrating how the reported duty drawback amount was calculated. This refund was received in Korean Won and, therefore, the duty drawback has been reported in Korean Won per MT.

POSCO also provides in Appendix E-4 a worksheet showing import duties paid and duty drawback refunded by POSCO during the investigation period.

3. Level of trade

Question D-4 asks you to indicate the level of trade to the domestic customer. To claim an adjustment for level of trade differences you will need to quantify the amount by which level of trade influences price.

Trade level is the level a company occupies in the distribution chain. The trade level to which that company in turn sells the goods and the functions carried out distinguish a level of trade. Examples are producer, national distributor, regional distributor, wholesaler, retailer, end user, and original equipment.

It may not be possible to compare export prices and domestic prices at the same level of trade. Where relevant sales of like goods at the next level of trade must be used to determine normal values an adjustment for the difference in level of trade may be required where it is shown that the difference affects price comparability.

The information needs to establish that there are real trade level differences, not merely nominal differences. Real trade level differences are characterised by a consistent pattern of price differences between the levels and by a difference in functions performed. If there is no real trade level differences all sales are treated as being at the same level of trade.

A real difference in level of trade (may be adjusted for using either of the following methods:

- (a) *costs arising from different functions:* the amount of the costs, expenses etc incurred by the seller in domestic sales of the like goods resulting from activities that would not be performed were the domestic sales made at the same level as that of the importer.

This requires the following information:

- a detailed description of each sales activity performed in selling to your domestic customers (for example sales personnel, travel, advertising, entertainment etc);
- the cost of carrying out these activities in respect of like goods;
- for each activity, whether your firm carries out the same activity when selling to importers in Australia;
- an explanation as to why you consider that you are entitled to a level of trade adjustment.

or

- (b) *level discount*: the amount of the discount granted to purchasers who are at the same level of trade as the importer in Australia. This is determined by an examination of price differences between the two levels of trade in the exporter's domestic market, for example sales of like goods by other vendors or sales of the same general category of goods by the exporter. For this method to be used it is important that a clear pattern of pricing be established for the differing trade levels. Such pattern is demonstrated by a general availability of the discounts to the level - isolated instances would not establish a pattern of availability.

ANSWER: Since POSCO does not claim any level of trade adjustment, this question is not applicable.

4. Credit

The cost of extending credit on domestic sales is not included in the amounts quantified at question D-4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. An adjustment for credit is to be made even if funds are not borrowed to finance the accounts receivable.

The interest rate on domestic sales in order of preference is:

- the rate, or average of rates, applying on actual short term borrowing's by the company; or
- the prime interest rate prevailing for commercial loans in the country for credit terms that most closely approximate the credit terms on which the sales were made; or
- such other rate considered appropriate in the circumstances.

Provide the applicable interest rate over each month of the investigation period.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, and if domestic prices are influenced by this longer or shorter period, calculate the average number of collection days.

Where there is no fixed credit period agreed at the time of sale the period of credit is determined on the facts available. For example, where payment is made using an open account system¹, the average credit period may be determined as follows:

1. *Calculate an accounts receivable turnover ratio*

This ratio equals the total credit sales divided by average accounts receivable.

¹ Under an open account system, following payment the balance of the amount owing is carried into the next period. Payment amounts may vary from one period to the next, with the result that the amount owing varies.

(It is a measure of how many times the average receivables balance is converted into cash during the year).

In calculating the accounts receivable turnover ratio, credit sales should be used in the numerator whenever the amount is available from the financial statements. Otherwise net sales revenue may be used in the numerator.

An average accounts receivable over the year is used in the denominator. This may be calculated by:

- using opening accounts receivable at beginning of period plus closing accounts receivable at end of period divided by 2, or
- total monthly receivables divided by 12.

2. *Calculate the average credit period*

The average credit period equals 365 divided by the accounts receivable turnover ratio determined above at 1.

The resulting average credit period should be tested against randomly selected transactions to support the approximation.

The following items are identified in the amounts quantified at question D-4:

[CONFIDENTIAL INFORMATION DELETED – discussion regarding “credit expenses”]

5. **Transportation**

Explain how you have quantified the amount of inland transportation associated with the domestic sales (“**Inland transportation Costs**”). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

ANSWER: For domestic sales, POSCO has reported the cost of inland freight from the factory to the customer in this field. POSCO used [CONFIDENTIAL INFORMATION DELETED – relationship] trucking companies to transport the goods. This freight charge is reported on a [CONFIDENTIAL INFORMATION DELETED – basis for reporting inland freight costs].

The relevant cost is recorded in “Transportation Expense” account (Account Code: [CONFIDENTIAL INFORMATION DELETED – number]).

6. Handling, loading and ancillary expenses

List all charges that are included in the domestic price and explain how they have been quantified (“**Handling, loading and ancillary Expenses**”). Identify the general ledger account where the expense is located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

ANSWER: POSCO has reported the loading and unloading charges on a [CONFIDENTIAL INFORMATION DELETED – basis for reporting charges] in this field. The relevant cost is recorded in “Transportation Expense” account (Account Code: [CONFIDENTIAL INFORMATION DELETED – number]).

7. Packing

List material and labour costs associated with packing the domestically sold product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed “**Packing**”.

ANSWER: Please refer to POSCO’s response to question E-1.4.

8. Commissions

For any commissions paid in relation to the domestic sales:

- provide a description
- explain the terms and conditions that must be met.

Report the amount in the sales listing under the column headed “**Commissions**”. Identify the general ledger account where the expense is located.

ANSWER: [CONFIDENTIAL INFORMATION DELETED – discussion regarding “Commissions”], this question is not applicable.

9. Warranties / claims, advertising, guarantees, and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (“**Warranty / claim & Guarantee expenses**”, “**Advertising**” and “**Technical assistance & other services**”), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

Advertising costs must relate specifically to the like goods, and not be related to other goods or to corporate advertising / positioning.

Warranty / claim costs must relate specifically to the like goods, and not be related to any other goods.

ANSWER: [CONFIDENTIAL INFORMATION DELETED – discussion regarding “warranty” expenses].

POSCO has reported the cost of warranty expense on a [CONFIDENTIAL INFORMATION DELETED – basis for recording expenses] in the domestic sales file.

The warranty cost is recorded in the [CONFIDENTIAL INFORMATION DELETED – name of account] (Account code: [CONFIDENTIAL INFORMATION DELETED – number]).

10. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed “**Other factors**”. List the factors and show how each has been quantified in per unit terms. For example:

- *inventory carrying cost:* describe how the products are stored prior to sale and show data relating to the average length of time in inventory. Indicate the interest rate used;
- *warehousing expense:* an expense incurred at the distribution point;
- *royalty and patent fees:* describe each payment as a result of production or sale, including the key terms of the agreement;
- *advertising;* and
- *bad debt.*

ANSWER: *As stated above, POSCO has reported [CONFIDENTIAL INFORMATION DELETED – expense] in the “Other factors (1)” field. Concerning the calculation of CONFIDENTIAL INFORMATION DELETED – type of expense] for domestic sales, please refer to POSCO’s response to question E-1.3*

POSCO also has reported “duty drawback” in the “Other factors (2)” field. Concerning the calculation of duty drawback, please refer to POSCO’s response to question E-2.2.

Finally, POSCO has reported the [CONFIDENTIAL INFORMATION DELETED – expense and basis of reporting] “Other factors (3)” field. [CONFIDENTIAL INFORMATION DELETED – explanation of “other factor”].

E-3 Duplication

In calculating the amount of the adjustments you must ensure that there is no duplication.

For example:

- adjustments for level of trade, quantity or other discounts may overlap, or
- calculation of the amount of the difference for level of trade may be based upon selling expenses such as salesperson’s salaries, promotion expenses, commissions, and travel expenses.

Separate adjustment items must avoid duplication.

An adjustment for quantities may not be granted unless the effect on prices for quantity differences is identified and separated from the effect on prices for level of trade differences.

ANSWER: *Since there is no duplication in POSCO’s reported adjustments for sales in both markets, this question is not applicable.*

SECTION F
EXPORT SALES TO COUNTRIES OTHER THAN AUSTRALIA (THIRD COUNTRY SALES)

Your response to this part of the questionnaire may be used by the Commission to select sales to a third country that may be suitable for comparison with exports to Australia.

Sales to third countries may be used as the basis for normal value in certain circumstances. The Commission may seek more detailed information on particular third country sales where such sales are likely to be used as the basis for determining normal value.

F-1 Using the column names and column descriptions below provide a summary of your export sales to countries other than Australia.

Column heading	Explanation
Country	Name of the country that you exported like goods to over the investigation period.
Number of customers	The number of different customers that your company has sold like goods to in the third country over the investigation period.
Level of trade	The level of trade that you export like goods to in the third country.
Quantity	Indicate quantity, in units, exported to the third country over the investigation period.
Unit of quantity	Show unit of quantity eg kg
Value of sales	Show net sales value to all customers in third country over the investigation period
Currency	Currency in which you have expressed data in column SALES
Payment terms	Typical payment terms with customer(s) in the country eg. 60 days=60 etc
Shipment terms	Typical shipment terms to customers in the third country eg CIF, FOB, ex-factory, DDP etc.

Supply this information in spreadsheet file named “Third country”

ANSWER: POSCO exported the goods under consideration to over [CONFIDENTIAL INFORMATION DELETED – number] countries during the investigation period. Therefore, POSCO provides the requested table indicating export sales to [CONFIDENTIAL INFORMATION DELETED – number] largest countries (other than Australia) with a computerized file separately. The printouts of this file are provided in Appendix F-1.

Please note that the export sales of the goods under consideration to this ten largest countries accounts for approximately [CONFIDENTIAL INFORMATION DELETED – number] of POSCO's total export sales to third country sales.

F-2 Please identify any differences in sales to third countries which may affect their comparison to export sales to Australia.

ANSWER: *The terms of sales for export sales to third countries are varying on a transaction-specific basis which may affect the comparison to export sales to Australia.*

SECTION G
COSTING INFORMATION AND CONSTRUCTED VALUE

The information that you supply in response to this section of the questionnaire will be used for various purposes including:

- testing the profitability of sales of like goods on the domestic market;*
- determining a constructed normal value of the goods under consideration (the goods) - ie of the goods exported to Australia; and*
- making certain adjustments to the normal value.*

You will need to provide the cost of production of both the exported goods (the goods) and for the like goods sold on the domestic market. You will also need to provide the selling, general, and administration costs relating to goods sold on the domestic market; the finance expenses; and any other expenses (eg. non-operating expenses not included elsewhere) associated with the goods.

In your response please include a worksheet showing how the selling, general, and administration expenses; the finance expenses; and any other expenses have been calculated.

If, in response to question B4 (Sales to Australia, Export Price) you:

- reported that the date of sale is not the invoice date and consider that this alternative date should be used when comparing domestic and export prices, and*
- provided information on domestic selling prices for a matching period as required in the introduction to Section D (Domestic Sales)*

you must provide cost data over the same period as these sales even if doing so means that such cost data predates the commencement of the investigation period.

At any verification meeting you must be prepared to reconcile the costs shown to the accounting records used to prepare the financial statements.

G-1. Production process and capacity

1. Describe the production process for the goods. Provide a flowchart of the process. Include details of all products manufactured using the same production facilities as those used for the goods. Also specify all scrap or by-products that result from producing the goods.

ANSWER: POSCO manufactures a full range of carbon steel products, including hot-rolled coil and sheet, wire rod, alloy steel, cold-rolled coil and sheet, electrical coil, and galvanized coil and sheet, plate, as well as numerous stainless steel coil and sheet products at production facilities located in Pohang and Kwangyang.

POSCO's production facilities are organized along product lines. The hot-rolled plate steel is produced at each of POSCO's facilities at Pohang and Kwangyang. POSCO provides a flowchart to show the production process in Appendix G-1.

A general description of the production process is also provided below:

The production process for hot rolled plate product begins at the steel making stage. Each production facility is fully integrated and contains steel-making operations. The crude steel produced at each facility is transferred to a continuous caster for the production of steel slab. Steel slab is the basic input material for the manufacturing of the GUC. The steel slab is rolled to the desired dimension and processed in heat treatment facilities.

- 1. Iron making: [CONFIDENTIAL INFORMATION DELETED – details of iron making process].*
- 2. Steel making: [CONFIDENTIAL INFORMATION DELETED – details of steel making process]*
- 3. Continuous Casting: [CONFIDENTIAL INFORMATION DELETED – details of continuous casting process]*
- 4. Rolling: [CONFIDENTIAL INFORMATION DELETED – details of rolling process]*

G-2. Provide information about your company's total production in the following table:

Provide this information on a spreadsheet named "**Production**".

ANSWER: POSCO provides the production information as requested in Appendix G-2, named as “Production” and also included in the CD to be submitted.

G-3. Cost accounting practices

1. Outline the management accounting system that you maintain and explain how that cost accounting information is reconciled to your audited financial statements.

ANSWER: POSCO’s ERP systems fully integrate the financial and cost accounting functions. POSCO’s ERP accounting system uses a [CONFIDENTIAL INFORMATION DELETED – form of cost system] cost system based on [CONFIDENTIAL INFORMATION DELETED – costing methodology]. In the normal course of business, this system records [CONFIDENTIAL INFORMATION DELETED – costs] incurred for each item produced as it moves through the production process. [CONFIDENTIAL INFORMATION DELETED – costs] for each finished item produced are carried forward into the inventory ledgers and thus become part of the financial accounting system.

POSCO provides a flowchart of the financial accounting records maintained in the ERP accounting system and also a flowchart detailing its cost accounting system in Appendix G-3 and Appendix G-4, respectively.

As shown in Appendix G-4, the cost accounting component of the ERP system is comprised of a number of modules. These modules collect the [CONFIDENTIAL INFORMATION DELETED – production costs] on a [CONFIDENTIAL INFORMATION DELETED – basis]. A description of these modules and how they are used to derive and record the [CONFIDENTIAL INFORMATION DELETED – production costs] is provided below.

[CONFIDENTIAL INFORMATION DELETED – detailed explanation of recording or production costs]

Thus, in the normal course of business, POSCO calculates manufacturing costs based upon a [CONFIDENTIAL INFORMATION DELETED – basis for recording manufacturing costs] and records this information in its inventory ledgers. However, as described in detail at response to question below, for purposes of reporting [CONFIDENTIAL INFORMATION DELETED – production costs] for the cost POI, POSCO has allocated all the relevant [CONFIDENTIAL INFORMATION DELETED – basis for allocation of costs] each product.

- 2 Is your company’s cost accounting system based on standard (budgeted) costs? State whether standard costs were used in your responses to this questionnaire. If they were state whether all variances (ie differences between standard and actual production costs) have been allocated to the goods - and describe how those variances have been allocated.

ANSWER: *The cost of manufacture reported in “Domestic CTMS” and “Australian CTMS” of this response is taken directly from the production costs recorded in the ERP system detailed above. As explained, POSCO records product-specific manufacturing costs only at [CONFIDENTIAL INFORMATION DELETED – basis for recording product-specific manufacturing costs] in its inventory ledger. All [CONFIDENTIAL INFORMATION DELETED - costs] are directly transferred to the general ledger in total. For financial reporting purposes, the total [CONFIDENTIAL INFORMATION DELETED – costs] are allocated to the cost of sales and ending inventory balances on a [CONFIDENTIAL INFORMATION DELETED – basis of allocation] in order to reflect the actual cost of sales.*

POSCO

PUBLIC RECORD

For purposes of reporting the product-specific manufacturing costs, POSCO relied on the product-specific [CONFIDENTIAL INFORMATION DELETED – costs] recorded in its inventory ledger and adjusted these values based on the relevant [CONFIDENTIAL INFORMATION DELETED – costs].

[CONFIDENTIAL INFORMATION DELETED – detailed explanation of cost allocations]

- 3 Provide details of any significant or unusual cost variances that occurred during the investigation period.

ANSWER: *During investigation period, [CONFIDENTIAL INFORMATION DELETED – explanation of non-applicability of question].*

- 4 Describe the profit/cost centres in your company's cost accounting system.

ANSWER: *POSCO provides a list of cost center in the cost accounting system in Appendix G-7.*

- 5 For each profit/cost centre describe in detail the methods that your company normally uses to allocate costs to the goods under consideration. In particular specify how, and over what period, expenses are amortised or depreciated, and how allowances are made for capital expenditures and other development costs.

ANSWER: *Please refer to the response to question G-3.1 above.*

- 6 Describe the level of product specificity (models, grades etc) that your company's cost accounting system records production costs.

POSCO

PUBLIC RECORD

ANSWER: *As described above, POSCO utilizes a computer system, ERP, which defines products by [CONFIDENTIAL INFORMATION DELETED – basis for defining products] for budgeting purposes and [CONFIDENTIAL INFORMATION DELETED – basis for defining products] for accounting purposes. POSCO's [CONFIDENTIAL INFORMATION DELETED – classification] includes information on the item type, product group and name, grade, planning quality, quality, thickness, width and other relevant product characteristics*

These product codes are used in the sales system as well as in POSCO's cost accounting and inventory records. Appendix G-8 contains a comprehensive key to POSCO's internal product codes.

- 7 List and explain all production costs incurred by your company which are valued differently for cost accounting purposes than for financial accounting purposes.

ANSWER: *POSCO maintains complete cost accounting systems, fully integrated with the respective financial accounting systems and, thus, with the audited financial statements. Although POSCO's cost accounting system relies on [CONFIDENTIAL INFORMATION DELETED – costs], it computes [CONFIDENTIAL INFORMATION DELETED – costs] by [CONFIDENTIAL INFORMATION DELETED – methodology for computation]. Thus, POSCO's actual costs reported in its financial statements submitted with this Section response can be reconciled to the [CONFIDENTIAL INFORMATION DELETED – POSCO's records]. The [CONFIDENTIAL INFORMATION DELETED – costs] can be reconciled to [CONFIDENTIAL INFORMATION DELETED – POSCO's records].*

- 8 State whether your company engaged in any start-up operations in relation to the goods under consideration. Describe in detail the start-up operation giving dates (actual or projected) of each stage of the start-up operation.

ANSWER: *Not applicable because POSCO did not engaged in any start-up operation.*

- 9 State the total cost of the start-up operation and the way that your company has treated the costs of the start-up operation in its accounting records.

ANSWER: Not applicable because POSCO did not engaged in any start-up operation.

G-4 Cost to make and sell on domestic market

This information is relevant to testing whether domestic sales are in the ordinary course of trade.¹

1. Please provide (in the format shown in the table below) the actual unit cost to make and sell each model/type* (identified in section C) of the like goods sold on the domestic market. Provide this cost data for each quarter over the investigation period. If your company calculates costs monthly, provide monthly costs.
2. Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

	Quarter X	Quarter X	Quarter X	Quarter X
Like Domestic Model/Type – from spreadsheet LIKE GOOD (section C-3)				
Material Costs ¹				
Direct Labour				
Manufacturing Overheads				
Other Costs ²				
Total Cost to Make				
Selling Costs				
Administration Costs				
Financial Costs				
Delivery Expenses ³				
Other Costs ³				
Unit Cost to Make and Sell				

¹ The Commission applies the tests set out in s.269TAA of the Customs Act 1901 to determine whether goods are in ordinary course of trade. These provisions reflect the WTO anti-dumping agreement – see Article 2.2.1.

Prepare this information in a spreadsheet named "**Domestic CTMS**".

¹ Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

² Relating to costs of production only; identify each cost separately.

³ Identify each cost separately. Please ensure non-operating expenses **that relate to the goods under consideration** are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the investigation.

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

ANSWER: As instructed, POSCO provides the actual unit cost to make and sell each model sold on the domestic market in the spreadsheet named as "Domestic CTMS", as included in the CD. The cost data in the spreadsheet is reported by each quarter basis over the investigation.

POSCO provides the standard cost information for a sample product extracted from its cost accounting system in Appendix G-9.

For unit cost of selling, administration and financing, POSCO provides the table to show the calculation of unit cost of selling, administration and financing in Appendix G-10.

G-5 Cost to make and sell goods under consideration (goods exported to Australia)

The information is relevant to calculating the normal values based on costs. It is also relevant to calculating certain adjustments to the normal value.

	Quarter X	Quarter X	Quarter X	Quarter X
Model/Type exported to Australia – from spreadsheet LIKEGOOD				
Material Costs ¹				
Direct Labour				
Manufacturing Overheads				
Other Costs ²				
Total Cost to Make				
Selling Costs				
Administration Costs				
Financial Costs				
Delivery Expenses ³				
Other Costs ³				
Unit Cost to Make and Sell				

Prepare this information in a spreadsheet named "**Australian CTMS**".

¹ Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

² Relating to costs of production only; identify each cost separately.

³ Identify each cost separately. Please ensure non-operating expenses **that relate to the goods** are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the investigation.

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

ANSWER: *POSCO provides the actual unit cost to make and sell each model exported to Australia in the spreadsheet named as “Australian CTMS”, as included in the CD. As the same way in reporting “Domestic CTMS”, the cost data in the spreadsheet is reported by each quarter basis over the investigation period and also reported in Korean Won(KRW).*

- 1 Where there are cost differences between goods sold to the domestic market and those sold for export, give reasons and supporting evidence for these differences.

ANSWER: *There is no difference in unit cost of manufacturing for the same model sold in both domestic market and Australian market because there is no separate classification between the production for exporting market and for domestic market.*

However, for reporting cost of production, unit selling cost is different between goods sold to the domestic market and those sold for export to Australia because the direct selling expense related the sales to each market such as freight is different in sales to each market. Please refer to the calculation of unit selling cost in Appendix G-10.

- 2 Give details and an explanation of any significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system. Reference should be made to any differences arising from movements in inventory levels and variances arising under standard costing methods.

ANSWER: *Not applicable because there is not any difference between the production cost data supplied in reply to this question and costs normally determined by POSCO’s accounting system.*

- 3 In calculating the unit cost to make and sell, provide an explanation if the allocation method used (eg number, or weight etc) to determine the unit cost differs from the prior practice of your company.

ANSWER: *Not applicable because there is no any difference for allocation method between the production cost data supplied in reply to this question and costs normally determined by POSCO's accounting system.*

G-6 Major raw material costs

List major raw material costs, which individually account for 10% or more of the total production cost.

For these major inputs:

- identify materials sourced in-house and from associated entities;
- identify the supplier; and
- show the basis of valuing the major raw materials in the costs of production you have shown for the goods (eg market prices, transfer prices, or actual cost of production).

Where the major input is produced by an associate of your company the Commission will compare your purchase price to a normal market price. If the associate provides information on the cost of production for that input such cost data may also be considered.

Normal market price is taken to be the price normally available in the market (having regard to market size, whether the input is normally purchased at 'spot prices' or under long term contracts etc).

The term associate is defined in section 269TAA of the *Customs Act*. Included in that definition are companies controlled by the same parent company (a company that controls 5% or more of the shares of another is taken to be an associated company); companies controlled by the other company; and companies having the same person in the board of directors.

Important note: If the major input is sourced as part of an integrated production process you should provide detailed information on the full costs of production of that input.

POSCO

PUBLIC RECORD

ANSWER: *For production of the goods under consideration, various types of Iron Ore and Coal are used as the raw materials. During the investigation period, POSCO purchased the iron ore and the coal from affiliated companies, [CONFIDENTIAL INFORMATION DELETED – company names].*

However, the portion of purchase is so minor; the portion of purchase for iron ore and the coal from [CONFIDENTIAL INFORMATION DELETED – company name/s] is only [CONFIDENTIAL INFORMATION DELETED – numbers], respectively, the portion of purchase for coal from [CONFIDENTIAL INFORMATION DELETED – company name/s] is only [CONFIDENTIAL INFORMATION DELETED – number]. In addition, the purchase of coal from [CONFIDENTIAL INFORMATION DELETED – company name/s] is just [CONFIDENTIAL INFORMATION DELETED – numbers], which means that the purchases from affiliated suppliers do not have any major effect on the raw material costs. Moreover, all of affiliated companies are not manufactures of raw materials but just traders who make profit by trading them.

*POSCO provides the table to show the portion of purchase from affiliated companies in **Appendix G-11**.*

SECTION H
EXPORTER'S DECLARATION



I hereby declare that POSCO (company)

did, during the period of investigation export the goods under consideration and have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.



I hereby declare that.....(company) did not, during the period of investigation, export the goods under consideration and therefore have not completed the attached questionnaire.

- Name : *Sohn, Kang-il (Kyle)*

- Signature : _____

- Position in Company: *Junior Manager / International Trade Affairs Group, Steel Business Strategy Department*

- Date : *May 21, 2015*

SECTION I
CHECKLIST

This section is an aid to ensure that you have completed all sections of this questionnaire.

Section	Please tick if you have responded to all questions
Section A – general information	✓
Section B – export price	✓
Section C – like goods	✓
Section D – domestic price	✓
Section E – fair comparison	✓
Section F – exports to third countries	✓
Section G – costing information	✓
Section H – declaration	✓

Electronic Data	Please tick if you have provided spreadsheet
INCOME STATEMENT	✓
TURNOVER – sales summary	✓
AUSTRALIAN SALES – list of sales to Australia	✓
DOMESTIC SALES – list of all domestic sales of like goods	✓
THIRD COUNTRY – third country sales	✓
PRODUCTION – production figures	✓
DOMESTIC COST TO MAKE & SELL – costs of goods sold domestically	✓
AUSTRALIAN COST TO MAKE & SELL – costs of goods sold to Australia	✓