

Appendix A-5

Chart of Accounts

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Chart of accounts

Account code	Account Name (Korean Name)	Account Name (English Name)
	자산	Assets
	당좌자산	Quick assets
	현금및현금성자산	Cash and cash equivalents
	보통예금_원지화	Passbook accounts_local currency
	보통예금_외화	Passbook accounts_foreign currency
	당좌예금_외화	Checking accounts_foreign currency
	당좌예금_원지화	Checking accounts_local currency
	금융상품현금성자산_원지화	Cash equivalent financial instruments_local currency
	유가증권현금성자산	Cash equivalent securities
	금융상품현금성자산_외화	Cash equivalent financial instruments_foreign currency
	단기금융상품	Short term financial instruments
	단기금융상품_원지화	Short term financial instruments_local currency
	단기금융상품_외화	Short term financial instruments_foreign currency
	단기특별예금과현금	Short term special purpose cash and deposits
	단기매매증권	Trading securities
	단기매매증권_주식	Trading securities_stocks
	단기매매증권_채권	Trading securities_bonds
	단기매매증권_기타	Trading securities_other
	매출채권	Accounts receivable
	단기대여금	Short term loans
	미수금	Nontrade receivable
	재세미수금	Nontrade receivable_tax
	직원미수금	Nontrade receivable_employees
	미수익	Accrued income
	금융상품미수익_원지화	Financial instruments accrued income_local currency
	현금성자산미수익_원지화	Cash equivalents accrued income_local currency
	현금성자산미수익_외화	Cash equivalents accrued income_foreign currency
	금융상품미수익_외화	Financial instruments accrued income_foreign currency
	유가증권미수익	Securities accrued income
	선입금	Advance payments
	선입비용	Prepaid expenses
	선급차입이자	Prepaid interest expenses_borrowings
	선급보험료	Prepaid insurance expenses
	기타선급비용	Other prepaid expenses
	내국부가세	Value added tax_purchase
	해외지원사내국부가세	Value added tax_purchase_overseas subsidiaries
	가치유급	Suspense payments
	원도급	Advanced payments to offices
	단기매도가능증권	Short term available for sale securities
	단기매도가능증권_주식	Short term available for sale securities_stocks
	단기매도가능증권_채권	Short term available for sale securities_bonds
	단기매도가능증권_투자금	Short term available for sale securities_investments
	단기매도가능증권_기타	Short term available for sale securities_other securities
	유동성만기보유증권	Current portion of held to maturity securities
	유동성만기보유증권_채권	Current portion of held to maturity securities_bonds
	선급법인세	Prepaid income taxes
	해외지원사선급법인세	Prepaid income taxes_overseas subsidiaries
	파생상품자산	Financial derivative assets
	단기파생상품자산	Short term financial derivative assets
	유동성장기파생상품자산	Current portion of long term derivatives assets
	보증금	Guarantee deposits
	매각예정자산	Assets to be sold
	확정계약자산	Contract settled asset
	당기손익인식저정금융자산	Financial asset at Fair value through profit or loss
	기타당좌자산	Other quick assets
	재고자산	Inventories
	제품재고자산	Finished goods
	반제품재고자산	Semi finished goods

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	급의중제조자산	Undergrade goods
	제조품 제조자산	Manufactured goods
	업가광물	Processed products
	부산물 제조자산	By products
	상품 제조자산	Merchandises
	건설제조자산	Construction inventories
	미하상품	Finished goods in transit
	원료제조자산	Raw materials
	원료제조자산_표준	Raw materials_standards
	연료및재료	Fuel and materials
	기타재료	Other materials
	비확원료	Raw materials in transit
	원료MOHAbsorption	Raw materials overhead absorption
	해외계연사관세	Incidental cost_tariff_overses subsidiaries
	미확연료및재료	Fuel and materials in transit
	연료MOHAbsorption	Fuel and materials overhead absorption
	미확연구자재	Research materials in transit
	조립중작가계정	Work in process_temporary account
	기타의제조자산	Other inventories
	WIP계정	WIP
	투자자산	Investments
	장기금융상품	Long term financial instruments_special purpose cash and deposits
	장기예금금융상품_현지화	Long term financial instruments_local currency
	장기예금금융상품_외화	Long term financial instruments_foreign currency
	장기특정원금과세금	Long term financial instruments_special purpose cash and deposits
	장기매도가능증권	Long term available for sale securities
	장기매도가능증권_채권	Long term available for sale securities_bonds
	장기매도가능증권_주식	Long term available for sale securities_stock
	장기매도가능증권_출자금	Long term available for sale securities_investments
	장기매도가능증권_기타	Long term available for sale securities_other securities
	장기만기보유증권	Long term held to maturity securities
	장기만기보유증권_채권	Held to maturity securities_bonds
	지분법회계투자주식	Investment stocks using equity method
	장기대여금	Long term loans
	장기매출채권	Long term trade receivable
	장기보증금	Long term guarantees deposits
	이연법인세자산	Deferred income tax assets
	확정계약자산	Contract settled asset
	장기미수수익	Long term accrued income
	장기선급금	Long term receivable_advance payments
	장기미수금	Long term receivable_nontrade receivable
	장기선환비용	Long term prepaid expenses
	투자부동산	Investment properties
	기타비유동자산	Other noncurrent assets
	장기파생상품자산	Long term financial derivative assets
	장기파생상품자산	Long term financial derivative assets
	유형자산	Property, Plant and Equipment
	토지	Land
	건물	Buildings
	건축물	Structures
	기계장치	Machinery and equipment
	건설용장비	Construction equipment
	차량운반구	Vehicles and transportation equipment
	공구와기구	Instrument and tools
	비품	Furniture and fixture
	리스자산	Lease assets
	미확기계	Machinery in transit
	리스개량자산	Leasehold improvements
	광사정가유형자산	Natural resources exploration tangible asset
	건설중인자산	Construction in progress
	건설인건비	Construction in progress_wages and salaries
	건설경비	Construction in progress_expenses

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	건설자금이자	Construction in progress_capitalization of interest cost
	무형자산	Intangible assets
	영업권	Goodwill
	산업재산권	Industrial property rights
	임차권리금	Lease rights
	개발비	Development costs
	항만시설이용권	Port facility usage rights
	건설중인자산	Construction in progress
	광시평가무형자산	Natural resources exploration intangible asset
	개발광구무형자산	Mine development intangible asset
	기타무형자산	Other intangible assets
	무형자산가계정	Intangible assets_temporary account
	무형자산가계정_인건비	Intangible assets_temporary account_labor costs
	무형자산가계정_경비	Intangible assets_temporary account_expenses
	본지사계정_자산	Intercompany transaction code_assets
	본지사계정_채권채무상계	Intercompany transaction code_assets_receivable and payable offset
	본지사계정_계고자산소거	Intercompany transaction code_assets_elimination of unrealized gain on inventory
	본지사계정_고정자산소거	Intercompany transaction code_assets_elimination of unrealized gain on property, plant and equipment
	본지사무자	Intercompany transaction code_assets_investments
	부채	Liabilities
	유동부채	Current liabilities
	매입채무	Accounts payable
	단기차입금	Short term borrowings
	단기차입금_원지화	Short term borrowings_local currency
	단기차입금_외화	Short term borrowings_foreign currency
	당좌차입	Bank overdraft
	미지급금	Nontrade payable
	선수금	Advance receipts
	예수금	Withholdings
	보험관련예수금	Withholdings_insurance premiums
	소득세관련예수금	Withholdings_salaries income tax
	주민세관련예수금	Withholdings_resident tax
	급여관련예수금	Withholdings_salaries deduction
	해외계연사예수금	Withholdings_overseas subsidiaries
	세금압류관련예수금	Withholdings_attachment for receivable
	미지급비용	Accrued expenses
	지급이자미지급비용_원지화	Accrued interest expenses_local currency
	지급이자미지급비용_외화	Accrued interest expenses_foreign currency
	미지급법인세	Income tax payable
	해외계연사미지급법인세	Income tax payable_overseas subsidiaries
	미지급배당금	Dividend payable
	유동성장기부채	Current portion of long term liabilities
	유동성장기차입금_원지화	Current portion of long term borrowings_local currency
	유동성장기차입금_외화	Current portion of long term borrowings_foreign currency
	유동성장환	Current portion of overseas public borrowings
	선수수익	Unearned revenues
	유동성충당부채	Long term provision liability
	상여성충당부채	Provision for bonuses
	예충부가세	Value added tax_sales
	해외계연사예충부가세	Value added tax_sales_overseas subsidiaries
	가수금	Suspense payable
	파생상품부채	Derivatives liabilities
	단기파생상품부채	Short term derivatives liabilities
	유동성장기파생상품부채	Current portion of long term derivative liabilities
	금융리스부채	Capital lease liabilities
	예수보증금	Guarantee deposit
	매각예정부채	Liabilities to be sold
	보증보증부채	Guaranteed liabilities
	이연수익	Deferred revenues
	파생계약부채	Contract settled debt
	당기손익인식지정금융부채	Financial liability at Fair value through profit or loss
	기타유동부채	Other current liabilities

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	비유동부채	Noncurrent liabilities
	사채	Debentures
	장기차입금	Long term borrowings
	장기차입금_원지화	Long term borrowings in local currency
	장기차입금_외화	Long term borrowings in foreign currency
	차관	Loan from other country
	차관	Loan from other country
	장기대입세무	Long term accounts payable
	비직접이출당부채	Provision for severance benefits
	장가상각누계액	Accumulated depreciation
	이연법인세부채	Deferred liabilities
	장기미지급금	Long term nontrade payable
	장기선수수익	Long term unearned revenues
	장기미지급비용	Long term accrued expenses
	전환사채	Convertible debentures
	신주인수권부사채	Debentures with stock purchase warrant
	장기충당부채	Long term provision liabilities
	장기선수금	Long term advance received
	장기예수보장금	Long term guarantee deposits
	장기파생상품부채	Long term derivative liabilities
	장기파생상품부채	Long term derivative liabilities
	금융보증부채	Guaranteed liabilities
	장기이연수익	Long term deferred revenues
	비유동회계적역부채	Contract settled debt
	장기금융리스부채	Capital lease liabilities
	유형자산국고보조금	Government Subsidy_property, Plant and Equipment
	무형자산국고보조금	Government Subsidy_intangible asset
	투자자산국고보조금	Government subsidy_investment
	기타비유동부채	Other noncurrent liabilities
	대손충당금	Allowance for bad debt
	매출채권대손충당금	Allowance for bad debt_accounts receivable
	단기대여금대손충당금	Allowance for bad debt_short term loans
	미수금대손충당금	Allowance for bad debt_nontrade receivable
	미수수익대손충당금	Allowance for bad debt_accrued income
	선급금대손충당금	Allowance for bad debt_advance payments
	예치금대손충당금	Allowance for bad debt_general deposits
	기타회계자산대손충당금	Allowance for bad debt_general deposits_other quick assets
	장기대여금대손충당금	Allowance for bad debt_long term loans
	장기심채권채권대손충당금	Allowance for bad debt_long term accounts receivable
	장기보통예금대손충당금	Allowance for bad debt_long term deposits
	장기미수수익대손충당금	Allowance for bad debt_long term accrued income
	장기선급금대손충당금	Allowance for bad debt_long term advance payments
	장기미수금대손충당금	Allowance for bad debt_long term nontrade receivable
	기타비유동자산대손충당금	Allowance for bad debt_other noncurrent asset
	재고평가충당금	Allowance for inventories valuation
	제품평가충당금	Allowance for goods valuation
	상품평가충당금	Allowance for merchandises valuation
	건설재고자산평가충당금	Allowance for construction inventories valuation
	반제품평가충당금	Allowance for semi finished goods valuation
	하위품평가충당금	Allowance for undergraded goods valuation
	부산물평가충당금	Allowance for by products valuation
	원료평가충당금	Allowance for raw materials valuation
	연료및재료평가충당금	Allowance for materials valuation
	기타재료자산평가충당금	Allowance for other inventories valuation
	손상차손누계액	Accumulated impairments
	유형자산_토지 손상차손누계액	Accumulated impairments for land classified as tangible assets
	유형자산_건물 손상차손누계액	Accumulated impairments for buildings classified as tangible assets
	유형자산_구축물 손상차손누계액	Accumulated impairments for structures classified as tangible assets
	기계장치 손상차손누계액	Accumulated impairments for machinery
	건설용 장비 손상차손누계액	Accumulated impairments for construction equipment
	차량운반구 손상차손누계액	Accumulated impairments for vehicles
	공구화기구 손상차손누계액	Accumulated impairments for tools and fixture

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	비품손상차손누계액	Accumulated impairments for equipment and furniture
	금융리스자산손상차손누계액	Accumulated impairments for financial lease assets
	리스개량자산손상차손누계액	Accumulated impairments for leasehold improvements
	건설중인자산손상차손누계액	Accumulated impairments for asset for construction
	단기매도가능증권손상차손누계액	Accumulated impairments for short term available for sale securities
	유동성만기보유증권손상차손누계액	Accumulated impairments for current portion of long term held to maturity securities
	매도가능증권손상차손누계액	Accumulated impairments for available for sale securities
	만기보유증권손상차손누계액	Accumulated impairments for held to maturity securities
	기타투자자산손상차손누계액	Accumulated impairments for other investment assets
	투자부동산_토지손상차손누계액	Accumulated impairments for land classified as investment properties
	투자부동산_건물손상차손누계액	Accumulated impairments for buildings classified as investment properties
	투자부동산_구조물손상차손누계액	Accumulated impairments for structures classified as investment properties
	투자부동산_기타손상차손누계액	Accumulated impairments for other investment properties
	광사행가형자산손상차손누계액	Accumulated impairments for Natural resources exploration tangible asset
	광사행가형자산손상차손누계액	Accumulated impairments for Natural resources exploration intangible asset
	지분법적용투자주식손상차손누계액	Accumulated impairments for investment stocks using equity method
	선급수수료손상차손누계액	Accumulated impairments for advanced payments of purchase order
	진도매출채권손상차손누계액	Accumulated impairments for progressive accounts receivable
	개발중무형자산손상차손누계액	Accumulated impairments for mine development intangible asset
	이연법인세자산평가충당금	Accumulated impairments for deferred assets
	이연법인세자산평가충당금	Accumulated impairments for deferred assets
	분지사계정_부채	Intercompany transaction code_liabilities
	분지사계부_채권채무상계	Intercompany transaction code_liabilities_receivable and payable offset
	분지사계부_재고자산소거	Intercompany transaction code_liabilities_elimination of unrealized gain on inventory
	분지사계부_조정자산소거	Intercompany transaction code_liabilities_elimination of unrealized gain on PPandE
	자본	Equity
	자본금	Capital stock
	자본잉여금	Capital surplus
	주요발행초과금	Paid in capital in excess of par value
	재평가적립금	Asset revaluation surplus
	합병차익	Gain on merge and acquisition
	감가차익	Gain from retirement of capital stock
	자기주식처분이익	Gain on disposal of treasury stock
	자본잉여금잉여금인용	Adjustment capital surplus by equity method
	기타잉여금	Other capital surplus
	이익잉여금	Retained earnings
	이익준비금	Legal reserve
	법정적립금	Legal reserve
	임의적립금	Voluntary reserve
	미지분이익잉여금	Unappropriated retained earning
	처분전이익잉여금	Retained earnings before transfer
	기타포괄손익누계액	Accumulation of other comprehensive gain or loss
	지분법자본변동	Other comprehensive income or loss adjustment by equity method
	매도가능증권평가손익	Gain or loss on valuation of available for sale securities
	매도가능증권평가이익	Gain on valuation of available for sale securities
	매도가능증권평가손실	Loss on valuation of available for sale securities
	해외사업환산손익	Gain or loss on translation of overseas operations
	파생상품평가손익	Gain or loss on valuation of derivatives
	파생상품평가차손	Loss on valuation of derivatives
	파생상품평가차익	Gain on valuation of derivatives
	비파생상품외환환산손익	Foreign translation gain or loss on non-derivative financial instrument
	재평가적립금	Revaluation reserves
	자본조정	Capital adjustments
	자기주식	Treasury stock
	기타자본조정	Other capital adjustments
	매각예정자본	Equities to be sold
	비제재지분	Noncontrolling interests
	비제재지분_자본금	Noncontrolling interests_capital stock
	비제재지분_자본잉여금	Noncontrolling interests_capital surplus
	비제재지분_전기잉여금	Noncontrolling interests_prior year retained earning
	비제재지분_당기순이익	Noncontrolling interests_net income
	비제재지분_자기주식	Noncontrolling interests_treasury stock

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Account code	Account Name (Korean Name)	Account Name (English Name)
	비지배지분_기타자본조정	Noncontrolling interests_other capital adjustments
	비지배지분_에도가능불인행가손익	Noncontrolling interests_gain or loss on valuation of available for sales securities
	비지배지분_지분법자본변동	Noncontrolling interests_other comprehensive income or loss_adjustment by equity method
	비지배지분_무의자본법자본변동	Noncontrolling interests_other comprehensive loss_adjustment loss on valuation by equity method
	비지배지분_해외사업환산차손익	Noncontrolling interests_gain or loss on translation of overseas operations
	비지배지분_파생상품평가차손익	Noncontrolling interests_gain or loss on valuation of derivatives
	비지배지분_파생상품회환환산손익	Noncontrolling interests_gain or loss on valuation
	비지배지분_재평가적립금	Noncontrolling interests_revaluation reserves
	관계사계정_자본	Intercompany transaction_equities
	관계사계정_자본	Intercompany transaction_equities
	수익	Income
	매출액	Sales
	철강제품매출액	Sales_steel finished goods
	철강사산물매출액	Sales_steel by products
	철강반제품매출액	Sales_steel semi finished goods
	철강제품할인	Sales_discount_steel
	철강상품매출액	Sales_steel merchandises
	철강급의품매출액	Sales_steel undergraded goods
	철강제조품매출액	Sales_steel manufactures
	철강임가공품매출액	Sales_steel outsourcing goods
	에너지매출액	Sales_energy business
	ENG사업매출액	Sales_engineering business
	전산장비매출액	Sales_IT equipment
	전산장비매출액	Sales_IT equipment
	비철강소재매출액	Sales_nonsteel material business
	일반용역매출액	Sales_services
	공사매출액	Sales_construction business
	공사매출액_화정매출	Construction sales_fixed amount
	공사매출액_진도매출	Construction sales_progressive amount
	전산용역매출액	Sales_IT services
	전산용역매출액_화정매출	IT services sales_fixed amount
	전산용역매출액_진도매출	IT services sales_progressive amount
	정비사업매출액	Sales_facilities business
	기지운영매출액	Sales_station operating business
	임가공매출액	Sales_outsourcing products
	임대매출액	Sales_lease business
	유통매출액	Sales_distribution business
	운반매출액	Sales_distribution business
	자문용역매출액	Sales_consulting service
	자문용역매출액	Sales_computing service
	광산사업매출액	Sales_mining business
	내화용사업매출액	Sales_refractoriness business
	내화용사업매출액	Sales_refractoriness business
	레저사업매출액	Sales_leisure business
	리스료수익	Lease sales
	항만이용수익	Revenue from port facility use
	상사매출액	Trading Sales
	상사매출액	Trading Sales
	수수료수익	Commission sales
	비철강제품할인	Sales_discount_nonsteel
	비철강제품할인	Sales_discount_nonsteel
	관계사매출	Intercompany transaction code_sales
	기타매출액	Other sales
	영업외수익	Non operating income
	이자수익	Interest income
	현금성자산이자수익	Interest income_cash and cash equivalents
	금융상품이자수익	Financial instruments interest income
	단기투자증권이자수익	Interest income_short term investments securities
	장기투자증권이자수익	Interest income_long term investments securities
	배당금수익	Dividend income
	임대료	Rental income
	단기매출권처분이익	Gain on disposal of trading securities

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Account code	Account Name (Korean Name)	Account Name (English Name)
	단기매매증권처분이익	Gain on disposal of trading securities
	단기매매증권평가이익	Gain on valuation of trading securities
	단기매매증권평가이익	Gain on valuation of trading securities
	외환차익	Foreign transaction gain
	현금성과자산환차익	Foreign transaction gain
	단기차입금환차익	Foreign transaction gain on short term borrowings
	장기차입금환차익	Foreign transaction gain on long term borrowings
	차관환차익	Foreign transaction gain on loans from other country
	SPOT거래환차익	Foreign transaction gain on spot transaction
	금융상품환차익	Foreign transaction gain on financial instruments
	외파매도가능증권환차익	Foreign transaction gain on available for sale securities
	외파환산이익	Foreign translation gain
	현금성자산환산익	Foreign translation gain on cash and cash equivalents
	단기차입금환산익	Foreign translation gain on short term borrowings
	장기차입금환산익	Foreign translation gain on long term borrowings
	차관환산익	Foreign translation gain on loans from other country
	금융상품환산익	Foreign translation gain on financial instruments
	외파매도가능증권환산익	Foreign translation gain on available for sale securities
	지분법이익	Gain on valuation by equity method
	매도가능증권손상차손환입	Reversal of available for sale securities impairment loss
	매도가능증권손상차손환입	Reversal of available for sale securities impairment loss
	단기매도가능증권처분이익	Gain on disposal of short term available for sale securities
	단기매도가능증권처분이익	Gain on disposal of short term available for sale securities
	유형자산처분이익	Gain on disposal of tangible assets
	사채상환이익	Gain on redemption of debentures
	파생상품거래이익	Gain on transactions of derivatives
	파생상품거래이익	Gain on transactions of derivatives
	파생상품평가이익	Gain on valuation of derivatives
	파생상품평가이익	Gain on valuation of derivatives
	대손충당금환입	Reverse of bad debt allowance
	기타비유형자산처분이익	Gain on disposal of other noncurrent assets
	유형자산손상차손환입	Reversal of tangible assets impairment loss
	장기매도가능증권처분이익	Gain on disposal of long term available for sale securities
	장기매도가능증권처분이익	Gain on disposal of long term available for sale securities
	만기보유증권처분이익	Gain on disposal of held to maturity securities
	만기보유증권처분이익	Gain on disposal of held to maturity securities
	재고자산처분이익	Gain on disposal of inventories
	지분법주식처분이익	Gain on disposal of equity investments
	만기보유증권손상차손환입	Reversal of held to maturities securities impairment loss
	만기보유증권손상차손환입	Reversal of held to maturities securities impairment loss
	기타비유형자산손상차손환입	Reversal of other noncurrent assets impairment loss
	무형자산처분이익	Gain on disposal of intangible assets
	무형자산손상차손환입	Reversal of intangible assets impairment loss
	무의형무권환입	Reverse of negative goodwill
	충당부채환입	Reverse of allowance liabilities
	전기오류수정이익	Gain on prior period error correction
	투자부동산손상차손환입	Reversal of investment properties impairment loss
	투자부동산처분이익	Gain on disposal of intangible assets
	매각예정자산손상차손환입	Reversal of impairment loss of assets to be sold
	매각예정자산처분이익	Gain on disposal of assets to be sold
	보증보통이익	Gain on guaranteed liabilities
	보조금수익	Government subsidy sales
	주식보상비용 환입	Reversal of stock compensation expense
	확정계약평가이익	Revenue from settled contract optionevaluation
	당기손익인식지정금융상품처분이익	Gain on disposal of financial instrument at fair value through profit or loss
	당기손익인식지정금융상품평가이익	Gain on valuation of financial instrument at fair value through profit or loss
	선금수주금손상차손환입	Reversal of impairment loss on advanced payments of purchase order
	진도매출채권손상차손환입	Reversal of impairment loss on progressive accounts receivable
	본회사수익	Intercompany transaction code_income
	잡이익	Miscellaneous Income
	잡이익	Miscellaneous Income
	중단사업이익	Discontinued operation income

Account code	Account Name (Korean Name)	Account Name (English Name)
	중단사업이익	Discontinued operation income
	지분법적용투자주식손상회복이익	Reversal of impairment loss on investment stocks using equity method
	중속회사의 매수일전순이익	Net income of consolidated subsidiaries before acquisition
	중속회사의 매수일전순이익	Net income of consolidated subsidiaries before acquisition
	연결합계순이익	Consolidating net income
	비용	Expenses
	매출원가	Cost of sales
	원강제품매출원가	Cost of goods sold
	부산물매출원가	Cost of by products sold
	반제품매출원가	Cost of semi finished goods sold
	원강매출원가차이	Cost variances of steel sales
	원강매출원가차감	Deduction of steel cost of sales
	원가차이	Cost variances
	광제품매출원가	Cost of undergraded goods sold
	제조품매출원가	Cost of manufactures sold
	원강상품매출원가	Cost of steel merchandises sold
	원강임가공품매출원가	Cost of steel outsourcing goods sold
	원강재고자산평가손실	Loss on steel inventory valuation
	에너지매출원가	Cost of energy business
	지역난방매출원가	Cost of district heating business
	ENG사업매출원가	Cost of engineering facilities business
	전산장비매출원가	Cost of IT equipments sold
	전산장비매출원가	Cost of IT equipments sold
	비원강소재매출원가	Cost of nonsteel material business
	일반용역매출원가	Cost of services sales
	공사매출원가	Cost of construction sales
	공사매출원가	Cost of construction sales
	전산용역매출원가	Cost of IT services sales
	전산용역매출원가	Cost of IT services sales
	정비용역매출원가	Cost of facilities services business
	기지운영매출원가	Cost of sales_station operating business
	CTS기지운영매출원가	Cost of sales_central transshipment station operating business
	LNG기지운영매출원가	Cost of sales_LNG station operating business
	월가공매출원가	Cost of outsourcing sales
	임대매출원가	Cost of rental revenue
	임대매출원가_인건비	Cost of rental revenue_labor costs
	임대매출원가_경비	Cost of rental revenue_overhead costs
	분류매출원가	Cost of distribution sales
	분류매출원가	Cost of distribution sales
	자문용역매출원가	Cost of consulting services sales
	광산사업매출원가	Cost of mining business sales
	내화용사업매출원가	Cost of refractoriness business sales
	내화용사업매출원가	Cost of refractoriness business sales
	레저사업매출원가	Cost of leisure business sales
	리스로수익매출원가	Cost of merchandise sales_lease business
	항만시설이용원가	Cost of port facility use
	상사매출원가	Cost of trading sales
	상사매출원가	Cost of trading business
	수수료수익매출원가	Cost of commission sales
	기타매출원가	Other cost of sales
	비원강매출원가차이	Cost variances of nonsteel sold
	비원강매출원가차감	Deduction of cost of nonsteel sold
	비원강재고자산평가손실	Loss on nonsteel inventory valuation
	본지사대입	Intercompany transaction code_purchasing
	판매비와관리비	Selling and administrative expenses
	급여	Salaries
	판매비_임원급여	Selling and administrative expenses_salary and wage of directors
	판매비_직원급여	Selling and administrative expenses_salary and wage
	판매비_계약직급여	Selling and administrative expenses_salary and wage of part timers
	판매비_임시직급여	Selling and administrative expenses_salary and wage of temporary employees
	퇴직급여	Severance benefits
	판매비_퇴직급여충당금진입액	Selling and administrative expenses_contribution to provision for severance benefits

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Account code	Account Name (Korean Name)	Account Name (English Name)
	관관비_퇴직금	Selling and administrative expenses_severance benefits
	관관비_화정기여형퇴직급여	Selling and administrative expenses_defined contribution retirement pension
	복지후생비	Welfare expenses
	관관비_복지후생비	Selling and administrative expenses_welfare expenses
	여비교통비	Travel expenses
	관관비_여비교통비	Selling and administrative expenses_travel expenses
	통신비	Communication expenses
	관관비_통신비	Selling and administrative expenses_communication expenses
	전기비	Electricity expenses
	관관비_전기비	Selling and administrative expenses_electricity expenses
	용수비	Water expenses
	관관비_용수비	Selling and administrative expenses_water expenses
	연료유지비	Heating expenses
	관관비_연료유지비	Selling and administrative expenses_heating expenses
	세금과공과	Taxes and dues
	관관비_세금과공과	Selling and administrative expenses_taxes and dues
	감가상각비	Depreciation expenses
	관관비_유형자산감가상각비	Selling and administrative expenses_depreciation
	관관비_무형자산감가상각비	Selling and administrative expenses_amortization
	관관비_투자부동산감가상각비	Selling and administrative expenses_depreciation_investment properties
	지급임차료	Rental expenses
	관관비_지급임차료	Selling and administrative expenses_rental expenses
	수선비	Repairs expenses
	관관비_수선비	Selling and administrative expenses_repairs expenses
	보험료	Insurance premium
	관관비_보험료	Selling and administrative expenses_insurance premium
	업무추진비	Entertainment expenses
	관관비_업무추진비	Selling and administrative expenses_entertainment expenses
	광고선전비	Advertising expenses
	관관비_광고선전비	Selling and administrative expenses_advertising expenses
	정상연구개발비	Ordinary research and development expenses
	관관비_정상연구개발비	Selling and administrative expenses_ordinary research and development expenses
	관관비_정상연구개발비_6시그마	Selling and administrative expenses_ordinary research and development expenses six sigma
	저급수수료	Service fees
	관관비_저급수수료	Selling and administrative expenses_service fees
	포상비	Rewards expenses
	관관비_포상비	Selling and administrative expenses_rewards expenses
	소모품비	Supplies expenses
	관관비_소모품비	Selling and administrative expenses_supplies expenses
	의복비	Clothes expenses
	관관비_의복비	Selling and administrative expenses_clothes expenses
	도서인쇄비	Publication expenses
	관관비_도서인쇄비	Selling and administrative expenses_publication expenses
	차량유지비	Vehicles maintenance expenses
	관관비_차량유지비	Selling and administrative expenses_vehicles maintenance expenses
	협회비	Industry association fees
	관관비_협회비	Selling and administrative expenses_industry association fees
	교육훈련비	Training expenses
	관관비_교육훈련비	Selling and administrative expenses_training expenses
	회의비	Conference expenses
	관관비_회의비	Selling and administrative expenses_conference expenses
	피해보상비	Compensation expenses for casualties
	관관비_피해보상비	Selling and administrative expenses_compensation expenses for casualties
	주식보상비용	Stock compensation expenses
	관관비_주식보상비용	Selling and administrative expenses_stock compensation expenses
	자료수집비	Material collection expenses
	관관비_자료수집비	Selling and administrative expenses_material collection expenses
	잡비	Miscellaneous expenses
	관관비_잡비	Selling and administrative expenses_miscellaneous expenses
	운반보관비	Freight expenses
	관관비_운반보관비	Selling and administrative expenses_freight expenses
	분계기저운임비	Operating expenses for distribution center

Account code	Account Name (Korean Name)	Account Name (English Name)
	판관비_판매기지운영비	Selling and administrative expenses_operating expenses for distribution center
	판매수수료	Sales commissions
	판관비_판매수수료	Selling and administrative expenses_sales commissions
	판매선전비	Sales advertising expenses
	판관비_판매선전비	Selling and administrative expenses_sales advertising expenses
	판매촉진비	Sales promotion expenses
	판관비_판매촉진비	Selling and administrative expenses_sales promotion expenses
	진본비	Sample expenses
	판관비_진본비	Selling and administrative expenses_sample expenses
	판매보험료	Sales insurance premium
	판관비_판매보험료	Selling and administrative expenses_sales insurance premium
	충당부채전입액	Contribution to allowance of doubtful accounts
	판관비_충당부채전입액	Selling and administrative expenses_contribution to allowance of doubtful accounts
	대손상각비	Bad debt expenses
	판매수수비	Expenses for receiving orders
	판관비_판매수수비	Selling and administrative expenses_expenses for receiving orders
	기타판매비	Other selling expenses
	판관비_기타판매비	Selling and administrative expenses_other selling expenses
	영입외비용	Nonoperating expenses
	지급이자	Interest expenses
	차관이자	Interest expenses_foreign loans
	한도외차입금이자	Interest expenses_local borrowings
	외화차입금이자	Interest expenses_foreign borrowings
	무역관련이자	Interest expenses_trade
	기타외대손상각비	Other bad debt expenses
	단기매출증권처분손실	Loss on disposal of trading securities
	단기매출증권평가손실	Loss on disposal of trading securities
	단기매출증권평가손실	Loss on valuation of trading securities
	단기매출증권평가손실	Loss on valuation of trading securities
	지급보증료	Guarantee expenses
	외환차손	Foreign transaction loss
	외화원금성자산환차손	Foreign transaction loss_cash and cash equivalents
	단기차입금환차손	Foreign transaction loss_short term borrowings
	장기차입금환차손	Foreign transaction loss_long term borrowings
	차관환차손	Foreign transaction loss_loans from foreign country
	SPOT거래환차손	Foreign transaction loss_SPOT transaction
	금융상품환차손	Foreign transaction loss_financial instruments
	외화매도가능증권환차손	Foreign transaction loss_available for sale securities
	외화환산손실	Foreign translation loss
	외화원금성자산환산손	Foreign translation loss on cash and cash equivalents
	단기차입금환산손	Foreign translation loss on short term borrowings
	장기차입금환산손	Foreign translation loss on long term borrowings
	차관환산손	Foreign translation loss on loans from other country
	금융상품환산손	Foreign translation loss on financial instruments
	외화매도가능증권환산손	Foreign translation loss on available for sale securities in foreign currency
	기부금	Donations
	현금기부금	Donations_cash
	현물기부금	Donations_goods
	지분법손실	Loss on valuation by equity method
	매도가능증권손상차손	Impairment loss on available for sale securities
	매도가능증권손상차손	Impairment loss on available for sale securities
	지분법투자처분손실	Loss on disposal of equity investments
	유형자산처분손실	Loss on disposal of tangible assets
	사채상환손실	Loss on redemption of debentures
	무형자산처분손실	Loss on disposal of intangible assets
	파생상품거래손실	Loss on transactions of derivatives
	파생상품거래손실	Loss on transactions of derivatives
	파생상품평가손실	Loss on valuation of derivatives
	파생상품평가손실	Loss on valuation of derivatives
	유휴자산비용	Idle tangible assets expenses
	유형자산손상차손	Impairment loss on tangible assets
	매출채권처분손실	Loss on disposal of accounts receivable

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Account code	Account Name (Korean Name)	Account Name (English Name)
	기타비유동자산처분손실	Loss on disposal of other noncurrent assets
	기타비유동자산상각손	Impairment loss on other noncurrent assets
	금융수수료	Financial service charges
	금융수수료	Financial service charges
	지급할인료	Payment discount charges
	만기보유증권손상차손	Impairment loss on held to maturity securities
	만기보유증권상각차손	Impairment loss on held to maturity securities
	단기매도가능증권처분손실	Loss on disposal of short term available for sales securities
	단기매도가능증권처분손실	Loss on disposal of short term available for sales securities
	투자부동산상각차손	Impairment loss on investment properties
	무형자산상각차손	Impairment loss on intangible assets
	전기오류수정손실	Loss on prior period error correction
	장기매도가능증권처분손실	Loss on disposal of long term available for sales securities
	장기매도가능증권처분손실	Loss on disposal of long term available for sales securities
	만기보유증권처분손실	Loss on disposal of held to maturity securities
	만기보유증권처분손실	Loss on disposal of held to maturity securities
	재고자산처분손실	Loss on disposal of inventories
	재고자산감모손실	Depletion losses on inventories
	재해손실	Loss on casualties
	투자부동산처분손실	Loss on disposal of investment properties
	매각예정자산처분손실	Loss on disposal of assets to be sold
	매각예정자산상각차손	Impairment loss on assets to be sold
	금융보증손실	Loss on guaranteed liabilities
	파질계약평가손실	Loss on settled contract option evaluation
	당기손익인식지정금융상품처분손실	Loss on disposal of financial instrument at fair value through profit or loss
	당기손익인식지정금융상품평가손실	Loss on valuation of financial instrument at fair value through profit or loss
	지분법치음투자주식손상차손	Impairment loss on investment stocks using equity method
	선급수주금손상차손	Impairment loss on advanced payments of purchase order
	진도매출채권손상차손	Impairment loss on progressive accounts receivable
	분지사비용	Intercompany transaction code expenses
	잡손실	Miscellaneous expenses
	잡손실	Miscellaneous expenses
	계속사업손익법인세비용	Continuing business income tax expenses
	법인세	Income tax expenses
	주민세	Inhabitant tax expenses
	중단사업손실	Discontinued business loss
	중단사업손실	Discontinued business loss
	종속회사에 매수입전손손실	Net loss of consolidated subsidiaries before acquisition
	종속회사에 매수입전손손실	Net loss of consolidated subsidiaries before acquisition
	제조비용	Manufacturing expenses
	원재료비	Raw material costs
	연재료비	Fuel and material costs
	노무비	Labor costs
	제조비용_직원급여	Manufacturing expenses_salary and wage
	제조비용_계약직급여	Manufacturing expenses_salary and wage of part timers
	제조비용_임시직급여	Manufacturing expenses_salary and wage of temporary employees
	제조비용_퇴직급여충당금인원액	Manufacturing expenses_contribution to provision for severance benefits
	제조비용_퇴직금	Manufacturing expenses_severance benefits
	제조비용_임원급여	Manufacturing expenses_salary and wage of directors
	제조비용_확정기여형퇴직급여	Manufacturing expenses_defined contribution retirement pension
	외주비	Outsourcing costs
	제조비용_외주수선비	Manufacturing expenses_outsourcing repair costs
	제조비용_외주유역비	Manufacturing expenses_outsourcing service fees
	감가상각비	Depreciation and amortization
	제조비용_유형자산감가상각비	Manufacturing expenses_depreciation
	제조비용_무형자산감가상각비	Manufacturing expenses_amortization
	제조비용_투자부동산감가상각비	Manufacturing expenses_depreciation_investment properties
	경비	General manufacturing expenses
	제조비용_복리후생비	Manufacturing expenses_welfare expenses
	제조비용_여비교통비	Manufacturing expenses_travel expenses
	제조비용_통신비	Manufacturing expenses_communication expenses
	제조비용_전력비(변동비)	Manufacturing expenses_electricity expenses_variable cost

Account code	Account Name (Korean Name)	Account Name (English Name)
	제조비용_전력비(고정비)	Manufacturing expenses_electricity expenses_fixed cost
	제조비용_용수비(변동비)	Manufacturing expenses_water expenses_variable cost
	제조비용_용수비(고정비)	Manufacturing expenses_water expenses_fixed cost
	제조비용_인료유지비	Manufacturing expenses_heating expenses
	제조비용_세금과공과	Manufacturing expenses_taxes and dues
	제조비용_지급임차료	Manufacturing expenses_rental expenses
	제조비용_수선비	Manufacturing expenses_repairs expenses
	제조비용_보험료	Manufacturing expenses_insurance premium
	제조비용_업무추진비	Manufacturing expenses_entertainment expenses
	제조비용_광고선전비	Manufacturing expenses_advertising expenses
	제조비용_정상연구개발비	Manufacturing expenses_ordinary research and development expenses
	제조비용_Finex Demo Plant	Manufacturing expenses_Finex demo plant
	제조비용_정상연구-6시그마	Manufacturing expenses_ordinary research and development expenses_six sigma
	제조비용_지급수수료	Manufacturing expenses_service fees
	제조비용_포상비	Manufacturing expenses_rewards expenses
	제조비용_소모품비	Manufacturing expenses_supplies expenses
	제조비용_의복비	Manufacturing expenses_clothes expenses
	제조비용_도서인쇄비	Manufacturing expenses_publication expenses
	제조비용_차량유지비	Manufacturing expenses_vehicles maintenance expenses
	제조비용_협회비	Manufacturing expenses_industry association fees
	제조비용_교육훈련비	Manufacturing expenses_training expenses
	제조비용_회의비	Manufacturing expenses_conference expenses
	제조비용_미해보상비	Manufacturing expenses_compensation expenses for casualties
	제조비용_충당부채전입액	Manufacturing expenses_contribution to allowance of doubtful accounts
	제조비용_주식보상비용	Manufacturing expenses_stock compensation expenses
	제조비용_환경관리비	Manufacturing expenses_environmental management expenses
	제조비용_안전관리비	Manufacturing expenses_safety supervision expenses
	제조비용_운반보관비	Manufacturing expenses_freight expenses
	제조비용_자료수집비	Manufacturing expenses_material collection expenses
	제조비용_품질관리비	Manufacturing expenses_quality control expenses
	제조비용_합비	Manufacturing expenses_miscellaneous expenses
	대체계정	Transfer account_self control accounts
	대체계정	Transfer account_self control accounts
	대체계정	Transfer account_self control accounts
	기타포괄손익	Other comprehensive income
	기타포괄이익	Other comprehensive income
	기타포괄손실	Other comprehensive loss
	이연법인세변동	Deferred tax adjustments_other comprehensive income or loss
	연결기타포괄손익누계액	Consolidating accumulated other comprehensive income

Appendix A-6

Audited Consolidated & Unconsolidated Financial Statements for the Two Most Fiscal Years

POSCO
and Subsidiaries
Consolidated Financial Statements
December 31, 2011

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
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 related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and 2010. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and 2010, in accordance with Korean International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the following:

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 1,227,169 million.

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean auditing standards and their application in practice.

Seoul, Korea
March 8, 2012

This report is effective as of March 8, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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

<i>(In millions of Won)</i>	<u>Notes</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Assets				
Cash and cash equivalents	4,520	₩ 4,598,682	3,521,045	2,273,059
Trade accounts and notes receivable, net	6,20,25,34	11,450,515	9,219,011	5,300,233
Other short-term financial assets	7,20,34	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	37	₩ 78,408,838	69,418,426	51,527,147

See accompanying notes to consolidated financial statements.

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

<i>(in millions of Won)</i>	Notes	December 31, 2011	December 31, 2010	January 1, 2010
Liabilities				
Trade accounts and notes payable	20,34	₩ 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	16,20,34	1,811,190	1,520,877	1,054,714
Current income tax liabilities	31	509,709	779,018	389,675
Liabilities related to 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	20,34	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 benefit 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	37	₩ 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

See accompanying notes to consolidated financial statements.

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

<i>(In millions of Won, except per share information)</i>	<i>Notes</i>	<i>December 31, 2011</i>	<i>December 31, 2010</i>
Revenue	26,37	₩ 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	33	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	31,37	(1,068,109)	(1,081,472)
Profit for the period	37	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

See accompanying notes to consolidated financial statements.

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

	Owners of the Controlling Company						Non-Controlling Interests	Total
(in millions of Won)	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

See accompanying notes to consolidated financial statements.

POSCO

Consolidated Statements of Changes in Equity, Continued For the years ended December 31, 2011 and 2010

	Owners of the Controlling Company					Non-Controlling Interests	
	Share Capital	Capital Surplus	Reserves	Treasury Shares	Retained Earnings	Sub Total	Total
<i>(in millions of Won)</i>							
Balance as of January 1, 2011	482,403	1,101,561	1,507,288	(2,403,263)	35,887,697	36,575,686	38,537,167
Comprehensive income:							
Profit for the period	-	-	-	-	3,648,136	3,648,136	3,714,286
Net changes in accumulated comprehensive income (loss) of investments in associates, net of tax	-	-	(12,276)	-	-	(12,276)	(11,240)
Net changes in fair value of available-for-sale securities, net of tax	-	-	(1,227,050)	-	-	(1,227,050)	(1,231,758)
Foreign currency translation differences, net of tax	-	-	146,622	-	-	146,622	1,666
Defined benefit plan actuarial losses, net of tax	-	-	-	-	(24,995)	(24,995)	(30,577)
Total comprehensive income	-	-	(1,092,704)	-	3,623,141	2,530,437	2,442,377
Transactions with owners of the Company,							
Year-end dividends	-	-	-	-	(571,747)	(571,747)	(594,578)
Interim dividends	-	-	-	-	(193,111)	(193,111)	(193,111)
Acquisition of subsidiaries	-	-	-	-	-	-	247,483
Changes in ownership interests in subsidiaries	-	(20,694)	-	-	-	(20,694)	(98,606)
Paid in capital increase of subsidiaries	-	-	-	-	-	-	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)	(29,231)	(36,377)
Total transactions with owners of the Company	-	48,891	(9,158)	11,857	(801,363)	(749,773)	(249,624)
Balance as of December 31, 2011	482,403	1,150,452	405,426	(2,391,406)	38,709,475	38,356,350	40,729,920

See accompanying notes to consolidated financial statements.

POSCO
Consolidated Statements of Cash Flows
For the years ended December 31, 2011 and 2010

<i>(in millions of Won)</i>	<u>Note</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Cash flows from operating activities			
Cash generated from operations		₩ 3,127,905	4,350,095
Profit for the period		3,714,286	4,185,650
Adjustments	36	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		<u>(1,218,602)</u>	<u>(751,746)</u>
Net cash provided by operating activities		₩ <u>1,691,566</u>	<u>3,582,005</u>
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 securities		(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		<u>107,214</u>	<u>531,569</u>
Net cash used in investing activities		₩ <u>(5,516,866)</u>	<u>(6,914,821)</u>

See accompanying notes to consolidated financial statements.

POSCO**Consolidated Statements of Cash Flows, Continued
For the years ended December 31, 2011 and 2010**

<i>(in millions of Won)</i>	<u>Note</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
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		<u>₩ 4,899,885</u>	<u>4,587,761</u>
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 year		<u>3,521,045</u>	<u>2,273,059</u>
Cash and cash equivalents at end of the year		<u>₩ 4,598,682</u>	<u>3,521,045</u>

See accompanying notes to consolidated financial statements.

POSCO**Notes to Consolidated Financial Statements, Continued
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%
	<u>87,186,835</u>	<u>100.00%</u>

(*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 ₩ 5,000 per share.

(*2) Includes number of shares subsidiaries hold at the end of the reporting period under commercial law.

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

POSCO

Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

(b) Consolidated subsidiaries

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

	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
(Domestic)								
POSCO E&C Co., Ltd.	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	73.54	-	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 manufacturing 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
eNioB Co., Ltd.	Electronic commerce	32.19	30.20	62.39	32.19	30.20	62.39	Seoul
POSCO Chemical 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 FMC 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
Megastar 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 Real 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
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	Shinung
POSHMETAL 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
POSPINE 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
9Digi 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
FOREKA Co., Ltd.	Advertising agency	100.00	-	100.00	100.00	-	100.00	Seoul
Songdo SE Co., Ltd.	Cleaning service	100.00	-	100.00	100.00	-	100.00	Incheon
Posgreen Co., Ltd.	Plastic manufacturing	-	60.00	60.00	-	60.00	60.00	Gwangyang
Daewoo International Corporation	Trading, energy & resource development	66.56	-	66.56	67.96	-	67.96	Seoul
POSCOLED Co., Ltd.	LED lighting	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 Electrans Co., Ltd.	Train manufacturing & management	-	100.00	100.00	-	-	-	Suncheon
Shihan Energy Co., Ltd.	Manufacturing & management	-	100.00	100.00	-	-	-	Mokpo
Reco Metal Co., Ltd.	Steel manufacturing	-	88.58	88.58	-	-	-	Hwasung
NewAbee 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

POSCO

Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

Principal Operations	Ownership (%)						Region
	December 31, 2011			December 31, 2010			
	POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
(Foreign)							
POSCO America Corporation	Steel trading	99.45	0.55	100.00	99.45	0.55	USA
POSCO Australia Pty. Ltd.	Iron ore sales & mine development	100.00	-	100.00	100.00	-	Australia
POSCO Canada Ltd.	Coal sales	-	100.00	100.00	-	100.00	Canada
POSCAN Eilvelv Coal Ltd.	Coal sales	-	100.00	100.00	-	100.00	Canada
POSCO Asia Co., Ltd.	Steel transit trading	100.00	-	100.00	100.00	-	HongKong
Dailan POSCO Steel Co., Ltd.	Steel manufacturing	30.00	55.00	85.00	30.00	55.00	China
POSCO-CTPC Co., Ltd.	Steel manufacturing	56.60	43.40	100.00	56.60	43.40	China
POSCO-KMPC Co., Ltd.	Steel manufacturing	-	95.00	95.00	-	95.00	Japan
International Business Center Corporation	Leasing service	-	60.00	60.00	-	60.00	Vietnam
POSCO E&C Vietnam Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	Vietnam
Zhangjiagang Polang Stainless Steel Co., Ltd.	Stainless steel manufacturing	58.60	23.88	82.48	58.60	23.88	China
Guangdong Polang Coated Steel Co., Ltd.	Plating steel sheet manufacturing	84.52	10.01	94.53	89.35	6.11	China
POSCO (Thailand) Company Ltd.	Steel manufacturing	85.62	14.38	100.00	85.62	14.38	Thailand
Myanmar POSCO Steel Co., Ltd.	Zinc rebar manufacturing	70.00	-	70.00	70.00	-	Myanmar
POSCO-JOPC Co., Ltd.	Steel manufacturing	-	56.84	56.84	-	56.84	Japan
POSCO Investment Co., Ltd.	Financial services	100.00	-	100.00	100.00	-	HongKong
POSCO-MKPC SDN BHD.	Steel manufacturing	44.69	25.31	70.00	44.69	25.31	Malaysia
Qingdao Polang Stainless Steel Co., Ltd.	Stainless steel manufacturing	70.00	30.00	100.00	70.00	30.00	China
POSCO (Shanghai) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	China
POSCO BioVentures L.P.	Bio tech industry	-	100.00	100.00	-	100.00	USA
PT. POSNESIA	Steel manufacturing	70.00	-	70.00	70.00	-	Indonesia
POSCO E&C - Hawaii Inc.	Real estate industry	-	100.00	100.00	-	100.00	USA
POS-Qingdao Col Center Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	China
POS-Oni Pty. Ltd.	Iron ore sales & mine development	-	100.00	100.00	-	100.00	Australia
POSCO-China Holding Corp.	A holding company	100.00	-	100.00	100.00	-	China
POSCO-Japan Co., Ltd.	Steel trading	100.00	-	100.00	100.00	-	Japan
POS-CD Pty. Ltd.	Coal sales	-	100.00	100.00	-	100.00	Australia
POS-OC Pty. Ltd.	Coal sales	-	100.00	100.00	-	100.00	Australia
POSCO-India Private Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	India
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	Steel manufacturing	65.00	-	65.00	65.00	-	India
POSCO-JNPC Co., Ltd.	Steel manufacturing	-	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	China
POSCO E&C (China) Co., Ltd.	Construction and civil engineering	-	100.00	100.00	-	100.00	China
POSCO MPC S.A. de C.V.	Steel manufacturing	-	90.00	90.00	-	90.00	Mexico
Zhangjiagang Polang Port Co., Ltd.	Load and unload industry	-	100.00	100.00	-	100.00	China
Qingdao Paili Steel Material Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	China
POSCO-Vietnam Co., Ltd.	Steel manufacturing	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	Mexico
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	Steel manufacturing	76.40	-	76.40	76.40	-	India
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	Steel manufacturing	60.00	-	60.00	60.00	-	Poland
POS-NP Pty. Ltd.	Coal sales	-	100.00	100.00	-	100.00	Australia
POSCO-Vietnam Processing Center Co., Ltd.	Steel manufacturing	89.58	-	89.58	89.58	-	Vietnam
POSCO (Chongqing) Automotive Processing Center Co., Ltd.	Steel manufacturing	100.00	-	100.00	90.00	10.00	China
Suzhou POS-CORE Technology Co., Ltd.	Component manufacturing	-	100.00	100.00	-	100.00	China
POSCO-JYPC Co., Ltd.	Steel manufacturing	-	82.37	82.37	-	82.37	Japan
POSCO-Malaysia SDN. BHD.	Steel manufacturing	80.07	13.34	93.41	80.07	13.34	Malaysia
POS-Materials Corporation	Mine development & sales	-	100.00	100.00	-	100.00	USA
POSCO (Wuzhu) Automotive Processing Center Co., Ltd.	Steel manufacturing	68.57	31.43	100.00	68.57	31.43	China
POSCO E&C India Private Ltd.	Construction and engineering	-	100.00	100.00	-	100.00	India
POSCO E&C SMART	Construction and engineering	-	100.00	100.00	-	100.00	Mexico
POSCO-Philippine Manila Processing Center Inc.	Steel manufacturing	-	100.00	100.00	-	100.00	Philippines
Dailan POSCON Donghang Automatic Co., Ltd.	Electrical control equipment manufacturing	-	70.00	70.00	-	70.00	China
SANPU TRADING CO., LTD.	Transit trade	-	70.04	70.04	-	70.04	China
Zhangjiagang BLZ Polang International Trading Co., Ltd.	Steel transit trading	-	100.00	100.00	-	100.00	China
POSCO Mexico Human Tech.	Service	80.00	20.00	100.00	80.00	20.00	Mexico
POSCO Mexico East Steel Distribution Center Co., Ltd.	Steel product sales	-	56.81	56.81	-	66.24	Mexico
POSCO Gulf Logistics LLC.	Steel product sales	-	-	-	-	100.00	UAE

POSCO

Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

	Principal Operations	Ownership (%)						Region
		December 31, 2011			December 31, 2010			
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
(Foreign)								
POSCO 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 MFC Servicios de C.V.	Steel manufacturing	-	61.00	61.00	-	61.00	61.00	Mexico
EUROITALY 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
Zona (Cayman)	Service	100.00	-	100.00	100.00	-	100.00	Cayman Island
POSCO VST Co., Ltd.	Stainless steel manufacturing	95.65	-	95.65	92.97	-	92.97	Vietnam
POSCO Maharashtra Steel Pvt. Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	100.00	India
POSCO India Chermal Steel Processing Center Pvt. Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	100.00	India
POSCO Turkey Nispeti	Steel manufacturing	100.00	-	100.00	100.00	-	100.00	Turkey
POSCO Vietnam Ha Noi	Steel manufacturing	70.00	-	70.00	70.00	-	70.00	Vietnam
POSCO (Laosong) 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 B&C Venezuela C.A	Construction and engineering	-	100.00	100.00	-	100.00	100.00	Venezuela
PT. MBI	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 DBC Indonesia	Construction	-	95.00	95.00	-	95.00	95.00	Indonesia
POSCO (Yantai) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China
POSCO India Steel Distribution Center Private Ltd.	Steel logistics	-	100.00	100.00	-	100.00	100.00	India
POSCO China Dalian Plate Processing Center Co., Ltd.	Steel manufacturing	80.00	10.00	90.00	80.00	10.00	90.00	China
POSCO South Asia Co., Ltd.	Steel product sales	100.00	-	100.00	100.00	-	100.00	Thailand
POSCO SS-VINA Co., LTD	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	Vietnam
POSCO-NCR Coal Ltd.	Coal sales	-	100.00	100.00	-	100.00	100.00	Canada
POSCO WA Pty. Ltd.	Iron ore sales & mine development	100.00	-	100.00	100.00	-	100.00	Australia
POSCO B&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	Italy
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. RISHMAR Daewoo Apparel	Clothing business	-	100.00	100.00	-	100.00	100.00	Indonesia
Daewoo Textile Fergana LLC	Textile manufacturing	-	100.00	100.00	-	100.00	100.00	Uzbekistan
Daewoo Textile Buhara 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
Daewoo 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

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Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

Principal Operations	Ownership (%)						Region	
	December 31, 2011			December 31, 2010				
	POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total		
(Foreign)								
POSCO (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
POBP, LLC	Bio tech industry	-	100.00	100.00	-	100.00	100.00	USA
Xenays Inc.	Power generation equipment manufacturing	29.58	21.36	50.94	29.58	21.36	50.94	Japan
Daewoo International INDIA Private Ltd.	Trading business	-	100.00	100.00	-	100.00	100.00	India
TECHREN Solar, LLC	Electrical industry	-	99.97	99.97	-	99.97	99.97	USA
PT. POSCO E&C Indonesia	Construction	-	100.00	100.00	-	100.00	100.00	Indonesia
Hume Coal Pty. Ltd.	Raw material manufacturing	-	70.00	70.00	-	70.00	70.00	Australia
Daewoo HANDELS GmbH	Trading business	-	100.00	100.00	-	100.00	100.00	Germany
POSCO Foundation	Non-profit charitable organization	-	100.00	100.00	-	100.00	100.00	India
EPC EQUITIES LLP	Construction	-	70.00	70.00	-	-	-	England
SANTOS CMI Construction Trading LLP	Construction	-	99.90	99.90	-	-	-	England
SANTOS CMI INC. USA	Construction	-	100.00	100.00	-	-	-	USA
SANTOS CMI ENGENHARIA E CONSTRUCOES 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 Internacional INC.	Construction	-	90.00	90.00	-	-	-	Panama
EPC INVESTMENTS C.V.	Construction	-	99.99	99.99	-	-	-	Netherlands
INGENIERIA Y CONSTRUCCION HOLLAND 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	-	-	-	Mexico
VAUTIDAMERICAS S.A.	Construction	-	51.00	51.00	-	-	-	Ecuador
SANTOS CMI Construcciones Argentina S.A.	Construction	-	95.00	95.00	-	-	-	Ecuador
POSCO E&C Brazil Ltd.	Construction	-	100.00	100.00	-	-	-	Argentina
POSCO Electrical Steel India Private Limited	Electrical/Steel Manufacturing	100.00	-	100.00	-	-	-	Brazil
Daewoo International Cameroon PLC	Resource Development	-	100.00	100.00	-	-	-	India
POSCO ASSAN TST STEEL Industry	Resource Development	60.00	10.00	70.00	-	-	-	Cameroon
HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	Investment	-	100.00	100.00	-	-	-	Turkey
POSCO Klappan Coal Ltd.	Coal sales	-	100.00	100.00	-	-	-	HongKong
DAESAN (Cambodia) Co., Ltd.	Investment	-	100.00	100.00	-	-	-	Canada
Brazil Sao Paulo Steel Processing Center Co., Ltd.	Steel manufacturing	-	76.00	76.00	-	-	-	Cambodia
POSCO (Dalen) IT Center Development Co., Ltd.	Investment	-	100.00	100.00	-	-	-	Brazil
PT.POSCO Resources Indonesia	Mine development	100.00	-	100.00	-	-	-	China
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 BUS LLC.	Trading business	90.00	10.00	100.00	-	-	-	Indonesia
POSCO Thainox Co., Ltd.	Steel manufacturing	94.93	-	94.93	-	-	-	Russia
Daewoo International Shanghai Waihaoguo Co., Ltd.	merchandiseing trade	-	100.00	100.00	-	-	-	Thailand
PT. Bto Inai Agrindo	Forest resources Development	-	85.00	85.00	-	-	-	Thailand
POSCO E&C Australia Pty Ltd.	Iron ore sales	-	100.00	100.00	-	-	-	China
POSCO-TISCO (Jilin) Processing Center Co., Ltd.	Steel manufacturing	73.53	14.71	88.24	-	-	-	Indonesia
Hundus POSCO Logistics Co., Ltd.	Logistics	-	80.00	80.00	-	-	-	Australia
USA SHDC Corporation	Scrap sale	-	100.00	100.00	-	-	-	China
Daewoo International Vietnam Co., Ltd.	Trading business	-	100.00	100.00	-	-	-	Vietnam

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

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

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Notes to Consolidated Financial Statements, Continued 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

(in millions of Won)

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	472,173	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	597,308	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
Megadasset 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)
POSHMETAL 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)
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

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Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
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)
NewAkeo Co., Ltd.	114,744	17,171	97,573	92,849	638
PONUTech Co., Ltd.	9,919	182	9,737	-	(263)
BLUE O&M Co., Ltd.	988	-	988	-	(12)
[Foreign]					
POSCO America Corporation	416,078	223,968	192,110	419,258	8,866
POSCO Australia Pty. Ltd.	1,161,366	462,383	698,983	136,144	283,875
POSCO Canada Ltd.	565,424	82,867	482,557	304,274	133,660
POSCO Asia Co., Ltd.	540,685	504,059	36,626	2,968,097	6,523
Dalian POSCO Steel Co., Ltd.	49,104	58,254	(9,150)	90,990	(8,711)
POSCO-CTPC Co., Ltd.	84,966	52,546	32,420	134,930	1,320
POSCO-JKPC Co., Ltd.	93,668	75,512	18,156	87,203	1,405
International Business Center Corporation	90,577	51,831	38,746	25,889	11,655
POSCO E&C Vietnam Co., Ltd.	77,583	77,679	(96)	114,350	6,670
Zhangjiagang Pohang Stainless Steel Co., Ltd.	1,569,551	986,798	582,753	2,808,722	4,444
Guangdong Pohang Coated Steel Co., Ltd.	394,452	163,785	230,667	275,521	(7,849)
POSCO (Thailand) Company Ltd.	140,260	98,044	42,216	231,144	1,227
Myanmar POSCO Steel Co., Ltd.	27,519	9,580	17,939	30,967	5,885
POSCO-JOPC Co., Ltd.	80,896	76,118	4,778	92,296	768
POSCO Investment Co., Ltd.	787,069	688,482	98,587	10,792	10,509
POSCO-MKPC SDN BHD.	165,789	116,928	48,861	177,822	1,763
Qingdao Pohang Stainless Steel Co., Ltd.	268,411	155,877	112,534	615,532	(3,110)
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	305,690	220,468	85,222	384,705	11,046
POSCO BioVentures L.P.	16,851	-	16,851	-	(4,226)
PT. POSNESIA	14,129	20	14,109	-	(28)
POSCO E&C - Hawaii Inc.	914	503	411	-	(304)
POS-Qingdao Coil Center Co., Ltd.	56,062	40,314	15,748	117,470	65
POS-Ore Pty. Ltd.	75,312	66,851	8,461	250,347	132,737
POSCO-China Holding Corp.	427,447	160,423	267,024	173,639	3,617
POSCO-Japan Co., Ltd.	1,157,755	1,017,990	139,765	1,686,385	13,518
POS-CD Pty. Ltd.	72,582	68,030	4,552	22,575	557
POS-GC Pty. Ltd.	79,517	32,397	47,120	10,263	(4,344)
POSCO-India Private Ltd.	147,359	421	146,938	-	(1,034)
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	168,309	145,655	22,654	211,417	(16,626)
POSCO-JNPC Co., Ltd.	192,177	176,268	15,909	207,654	716
POSCO-Foshan Steel Processing Center Co., Ltd.	178,488	135,213	43,275	529,788	227
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)
Zhangjiagang 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)

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010*(in millions of Won)*

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Foreign]					
POS-IP Pty. Ltd.	₩ 57,890	15,003	42,887	48,404	9,480
POSCO-Vietnam Processing Center Co., Ltd.	71,203	50,417	20,786	159,369	26
POSCO (Chongqing) Automotive Processing Center Co., Ltd.	69,253	59,468	9,785	62,795	(1,622)
Suzhou POS-CORE Technology Co., Ltd.	60,082	33,980	26,102	96,008	781
POSCO-JYPC Co., Ltd.	67,587	64,165	3,422	102,700	781
POSCO-Malaysia SDN. BHD.	88,635	112,566	(23,931)	140,709	(4,114)
POS-Minerals Corporation	113,694	-	113,694	-	(808)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	69,613	45,766	23,847	92,554	618
POSCO E&C India Private Ltd.	35,982	31,304	4,678	4,966	1,135
POSCO E&C SMART	4,670	4,034	636	4,421	135
POSCO-Philippine Manila Processing Center Inc.	27,412	17,492	9,920	45,680	266
Dalinn 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 Nisusur 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. MRJ	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 DBC 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

POSCO

Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

(in millions of Won)

Company		Assets	Liabilities	Equity	Sales	Net income (loss)
[Foreign]						
Daewoo International Japan Corp.	₩	245,086	236,533	8,553	804,864	981
Daewoo International Singapore Pte. Ltd.		43,647	38,982	4,665	902,315	481
Daewoo Italia S.r.l.		63,859	60,247	3,612	361,821	145
Daewoo Cement (Shandong) Co., Ltd.		221,807	291,000	(69,193)	133,502	20,361
Daewoo (China) Co., Ltd.		150,079	101,449	48,630	54,521	726
PT. RISMAR Daewoo Apparel		17,767	18,417	(650)	58,182	1,246
Daewoo Textile Fergana LLC		64,437	65,968	(1,531)	132,866	(11,994)
Daewoo Textile Bukhara LLC		51,939	49,630	2,309	51,312	(11,500)
Daewoo International Australia Holdings Pty. Ltd.		151,462	12,964	138,498	1,935	199
Daewoo Paper Manufacturing Co., Ltd.		76,855	72,385	4,470	76,632	(5,210)
Tianjin Daewoo Paper Co., Ltd.		14,589	33,029	(18,440)	-	-
POSCO Mauritius Ltd.		24,648	2,839	21,809	-	(22)
PT. KRAKATAU STEEL POSCO		819,899	44,918	774,981	-	(2,385)
MYANMAR Daewoo LTD.		6,030	41	5,989	1,373	152
Daewoo International MEXICO S.A. de C.V.		68,030	64,189	3,841	240,448	299
Daewoo International Guangzhou Corp.		7,666	7,473	193	61,554	(1,265)
Daewoo Energy Central Asia		15,571	322	15,249	-	-
Daewoo STC & Apparel Vietnam Ltd.		3,848	1,313	2,535	9,435	94
MYANMAR Daewoo International Ltd.		7,651	2,240	5,411	11,947	759
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.		63,505	51,088	12,417	67,175	15
Daewoo International Corporation (M) SDN BHD		8,831	6,469	2,362	21,190	157
Daewoo International SHANGHAI CO., LTD.		63,694	52,656	11,038	91,541	1,286
PGSF, LLC		3,138	1	3,137	-	280
Xenesys Inc.		11,804	240	11,564	2,494	(3,865)
Daewoo International INDIA Private Ltd.		3,285	1,277	2,008	3,343	69
TECHREN Solar, LLC		5,184	-	5,184	-	(506)
PT. POSCO E&C Indonesia		37,495	34,094	3,401	46,665	2,114
Hume Coal Pty. Ltd.		24,316	2,499	21,817	-	(9)
POSCO Foundation		213	3	210	-	3
EPC EQUITIES LLP		11,391	11,283	108	438	(2,743)
SANTOS CMI Construction Trading LLP		13,851	13,742	109	2,750	(1,323)
SANTOS CMI INC. USA		23,418	22,260	1,158	11,604	(155)
SANTOS CMI ENGENHARIA E CONSTRUÇÕES 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

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010*(in millions of Won)*

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Foreign]					
VAUTIDAMERICAS S.A.	₩ 2,374	1,620	754	1,765	141
SANTOS CMI Construcciones Argentina S.A.	82	46	36	-	1
POSCO E&C Brazil Ltd.	87,817	87,284	533	6,200	(465)
POSCO Electrical Steel India Private Limited	26,448	138	26,310	-	346
Daewoo International Cameroon PLC	1,233	-	1,233	-	-
POSCO ASSAN TST STEEL Industry	59,415	1,897	57,518	-	1,724
HONGKONG 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(Dallan) 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	-	-

POSCO

Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

2) December 31, 2010

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
POSCO E&C Co., Ltd.	₩ 3,374,601	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 Owang 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 Clientec 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)
Megastat 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
DaeMyung TMS Co., Ltd.	22,663	43,097	(20,434)	15,983	(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	-	-
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.	1,738	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.	94,737	57,002	37,755	33,164	55
Pohang Scrap Recycling Center Co., Ltd.	14,841	-	14,841	-	(80)

POSCO

Notes to Consolidated Financial Statements, Continued For the years ended December 31, 2011 and 2010

(In millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Foreign]					
POSCO America Corporation	W 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
Zhongjiagang 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	35,371	233,183	148,503	459
POSCO-Japan Co., Ltd.	793,265	675,363	117,902	1,490,633	9,850
POS-CD Pty. Ltd.	69,439	65,494	3,945	15,214	(1,771)
POS-GC Pty. Ltd.	34,274	8,686	25,588	12,475	664
POSCO-India Private Ltd.	92,865	181	92,684	-	(21,612)
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	176,716	132,501	44,215	206,138	8,761
POSCO-JNPC Co., Ltd.	153,189	138,864	14,325	179,031	2,499
POSCO-Foshan Steel Processing Center Co., Ltd.	129,474	88,799	40,675	518,268	6,229
POSCO E&C (China) Co., Ltd.	80,201	57,311	22,890	117,558	889
POSCO MPC S.A. de C.V.	178,641	160,551	18,090	240,277	(2,161)
Zhangjiagang Pohang Port Co., Ltd.	26,905	12,502	14,403	5,200	(789)
Qingdao Pujin Steel Material Co., Ltd.	7,092	5,019	2,073	73,408	114
POSCO-Vietnam Co., Ltd.	745,465	619,297	126,168	813,637	(64,111)
POSCO-Mexico Co., Ltd.	425,200	346,865	78,335	302,595	(24,004)
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	92,712	70,813	21,899	113,056	8,919
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	49,691	33,788	15,903	53,941	1,929
POS-NP Pty. Ltd.	57,987	13,771	44,216	44,773	5,282
POSCO-Vietnam Processing Center Co., Ltd.	58,283	36,039	22,244	85,698	4,419

POSCO

Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net Income (loss)
[Foreign]					
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
SANFU 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)
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)

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010*(in millions of Won)*

Company		Assets	Liabilities	Equity	Sales	Net Income (loss)
[Foreign]						
Daewoo Textile Fergana LLC	W	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)
Daewoo 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)
Xenesis 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)

POSCO

Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

(d) Details of associates

Details of associates as of December 31, 2011 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
Metropolis Co., Ltd.	Multiplex development	40.05	40.05	Hwasong
Songdo New City Development Inc.	Real estate	29.90	29.90	Seoul
POSMATS Co., Ltd.	Services	30.00	30.00	Seoul
POSCO M-TECH Co., Ltd.	Packing materials manufacturing	-	48.85	Pohang
Gall International Korea Ltd.	Real estate	29.90	29.90	Seoul
SNINC Co., Ltd.	Raw material manufacturing and sale	49.00	49.00	Owangyang
Chungju enterprise city development Co., Ltd.	Real estate	25.10	25.10	Chungju
Taejeon Wind Power Corporation	Wind power plant construction and management	50.00	50.00	Hoengseong
KOREA SOLARPARK Co., Ltd.	Solar power plant construction and management	37.50	37.50	Youngam
Carolin Tidal Power Plant Co., Ltd.	Generation of electricity	32.13	32.13	Seosan
Oceana IIT 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	Hwasong
Universal Studios Resort Asset Management Corp.	Real estate services	26.16	26.16	Seoul
Daewoo National Car Owangju Selling Co., Ltd.	Real estate	50.00	50.00	Gwangju
Utrains Co., Ltd.	Transporting	38.19	38.19	Seoul
Suwon Green Environment Co., Ltd.	Construction	27.50	27.50	Hwasong
Pajoo & Vro Co., Ltd.	Construction	40.00	40.00	Paju
Green Cimpo Co., Ltd.	Construction	31.84	29.90	Cimpo
Busan-Ginhee Light Rail Transit Co., Ltd.	Transporting	25.00	25.00	Ginhee
Incheon-Cimpo Highway Co., Ltd.	Construction	25.82	25.00	Anyang
Green Jahgyeong Co., Ltd.	Sewerage treatment	25.00	25.00	Pohang
Green Tongyeong Enviro Co., Ltd.	Sewerage treatment	20.40	20.40	Tongyeong
POSPATE Co., Ltd.	Services	48.95	48.95	Gwangyang
Pure Cimpo Co., Ltd.	Construction	28.79	29.13	Seoul
Pohang Techno Valley AMC Co., Ltd.	Construction	29.50	29.50	Pohang
Sungjin Gloster 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 Bann Co., Ltd.	Construction	23.50	31.71	Pohang
Chuncheon Clean Water Load CO., Ltd.	Sewerage treatment	-	26.55	Chuncheon
DAERYUN POWER CO., LTD	Gas production and sales	-	20.85	Yangju
Gyeonggi CES Co., Ltd.	Facility construction	21.84	21.84	Yangju
Sunjin Gonghak Baesunso Co., Ltd.	Dormitories management	-	22.38	Owangju
Inje Autopia Co., Ltd.	Management	-	27.53	Inje
Innovallay Co., Ltd.	Real estate development	28.77	28.77	Yongin
Applied Science Corp.	Machinery manufacturing	29.30	29.30	Paju
SENT BOK 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	33.91	-	Seoul
Korea Corporation (*1)	Technical service	41.67	-	Gyeongju

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Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

Investee	Category of Business	Ownership (%)		Region
		December 31, 2011	December 31, 2010	
(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
Pochoire Pty. Ltd.	Raw material manufacturing and sale	50.00	50.00	Republic of South Africa
POH-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 Hongyuan 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 Taigpu 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 (Qinhuangdao) Tinplate Industrial Co., Ltd.	Plating sheet manufacturing	34.00	34.00	China
BX STEEL POSCO Cold Rolled Sheet 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
Burela Mety LLC	Raw material manufacturing and sale	20.00	20.00	USA
POSCO-SAMSUNG Suzhou Steel Processing Center Co., Ltd.	Steel processing and sale	30.00	30.00	China
POSCO SAH Steel Wire (Nantong) Co., Ltd.	Steel processing and sale	25.00	25.00	China
POSGSFC 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	30.00	30.00	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 YangXin Rare Earth Metal Co., Ltd.	Energy & Resource development	31.00	31.00	China
Shanghai LanSheng Daewoo Corporation	Trading	49.00	49.00	China
Shanghai Waigaoqiao 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.LCO., 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
POSLUK TITANIUM B.V.	Steel manufacturing	50.00	50.00	Netherlands
POSCO-NPS Niobium LLC (*1)	Mine development	50.00	-	USA
POSCO-POGEN AMP (*1)	Steel manufacturing	26.00	-	India
Klappen Coal Joint Venture	Coal sale	20.00	-	Canada
AES-VCM Mong Duong Power Company Ltd.	Coal sale	30.00	-	Vietnam
CSP(Compania Siderurgica do Pocon)	Steel manufacturing and sale	20.00	-	Brazil
PT.INDONESIA POS CHOSUN Raf	Refractory manufacturing and sale	30.00	-	Indonesia
NS-Thailand 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. Wampan 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.

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010

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

(in millions of Won)

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
NewAtec Co., Ltd.	2011. 7.	60.10	acquisition
PONU Tech 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 CONSTRUcoes 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 Construcciones 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 India Private Limited	2011. 6.	100.00	new investment
Daewoo International Cameroon PLC	2011. 6.	100.00	new investment
POSCO Klappan Coal Ltd.	2011. 7.	100.00	new investment
DAESAN (Cambodia) Co., Ltd.	2011. 7.	100.00	acquisition
Brazil Sao Paulo Steel Processing Center Co., Ltd	2011. 7.	76.00	new investment
POSCO(Dalian) IT Center Development Co., Ltd.	2011. 7.	100.00	new investment
PT.POSCO Resources Indonesia	2011. 7.	99.80	new investment
PT. POSCO ICT Indonesia	2011. 8.	95.00	new investment
PT. POSCO M-Tech Indonesia	2011. 8.	100.00	new investment
PT. KRAKATAU POSCOPOWER	2011. 8.	90.00	new investment
POSCO RUS LLC.	2011. 9.	100.00	new investment
POSCO Thainox Co., Ltd.	2011. 9.	94.93	acquisition
Daewoo International Shanghai Waigaoqiao Co., Ltd.	2011. 9.	100.00	new investment
PT. Bio Inti Agrindo	2011. 9.	85.00	acquisition
POSCO E&C Australia Pty Ltd.	2011. 9.	100.00	new investment
POSCO-TISCO (Jilin) Processing Center Co., Ltd.	2011. 9.	60.00	new investment
Hunchun POSCO Logistics Co., Ltd.	2011. 10.	80.00	new investment
BLUE O&M Co., Ltd	2011. 12.	100.00	new investment
USA SRDC Corporation	2011. 12.	100.00	new investment
Daewoo International Vietnam Co., Ltd.	2011. 12.	100.00	new investment

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Notes to Consolidated Financial Statements, Continued For the years ended December 31, 2011 and 2010

(f) Cash outflows caused by the acquisitions

(in millions of Won)

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

POSCO**Notes to Consolidated Financial Statements, Continued
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 Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the *Act on External Audits of Corporations in the Republic of Korea*.

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

The Company's date of transition to K-IFRS in accordance with K-IFRS No. 1101 "*First-time adoption of K-IFRS*", is January 1, 2010, and the effect of the transition from Korean Generally Accepted Accounting Principles ("K-GAAP") to K-IFRS on the Group's reported financial position and financial performance is explained in note 39.

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.

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010**

Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period 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 35 – Commitments and Contingencies

POSCO**Notes to Consolidated Financial Statements, Continued**
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 K-IFRS statement of financial position at January 1, 2010 for the purpose of the transition to K-IFRS, unless otherwise indicated.

Consolidation policy**(a) Subsidiaries**

A subsidiaries are entities 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.

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010**

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.

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 their 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 K-IFRS No. 1012 *"Income Taxes"*
- Employee benefit arrangements are recognized and measured in accordance with K-IFRS No. 1019 *"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 K-IFRS No. 1102 *"Share-based Payment"*
- Assets held for sale are measured at fair value less costs to sell in accordance with K-IFRS No. 1105 *"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.

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010

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 K-IFRS No.1032 "*Financial Instruments: Presentation*" and K-IFRS No.1039 "*Financial Instruments: Recognition and Measurement*".

(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 K-IFRS, the Company elected to restate only those business combinations which occurred on or after January 1, 2010 in accordance with K-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.

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010**

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.

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.

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010**

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.

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010

(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.

POSCO**Notes to Consolidated Financial Statements, Continued
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 K-IFRS consolidated statement of financial position on the date of transition to K-IFRS, the Company measures certain machinery and equipment at fair value at the date of transition, which is deemed cost, in accordance with K-IFRS 1101.

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

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010**

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

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010**

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

(a) Research and development

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

(b) Subsequent expenditures

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.

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010****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 reorganisation;
- (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 equity instrument classified as available-for-sale financial assets, 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.

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010****(b) Financial assets carried at cost**

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

(c) Available-for-sale financial assets

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

Impairments for non-financial assets

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

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.

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010**

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 K-IFRS No. 1036 "*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.

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010**

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.

POSCO**Notes to Consolidated Financial Statements, Continued
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, 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 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.

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010****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.

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010**

(b) Other long-term employee benefits

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

(c) Retirement benefits: Defined contribution plans

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

(d) Retirement benefits: Defined benefit plans

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.

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010**

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. The Company determines its provision for product warranties based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. Regarding provision for construction warranties, warranty period starts from the completion of construction in accordance with construction contracts. If the Company has an obligation for warranties, provision for warranties which are estimated based on historical warranty data are recorded as cost of construction and provision for warranties during the construction period.

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010**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.

(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 incoterms of the contract.

(b) Services rendered

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

(c) Construction contracts

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

When the outcome of a construction contract cannot be estimated reliably, the revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. An expected loss on the construction contract shall be recognized as an expense immediately.

POSCO**Notes to Consolidated Financial Statements, Continued
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.

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010

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

The Company calculates basic earnings per share ("EPS") data for its 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.

POSCO**Notes to Consolidated Financial Statements, Continued
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 K-IFRS No. 1107 "*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. The Company believes that there will be additional required disclosures upon initial application of this standard.

(b) Amendments to K-IFRS No. 1019 "*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. The Company is currently analyzing the effects of adopting this standard.

(c) K-IFRS No. 1113 "*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. The Company believes that there will be no significant impact upon initial application of this standard.

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.

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010

(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.

(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.

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010****(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 group 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.

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010**(c) 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:

<i>(In millions of Won)</i>	<u>2011</u>	<u>2010</u>	<u>January 1, 2010</u>
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%

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010**5. Cash and Cash Equivalents**

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

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Cash	₩ 23,954	4,931	339,240
Demand deposit and checking accounts	1,855,929	1,426,715	735,759
Other financial cash equivalents	2,718,799	2,089,399	1,198,060
	<u>₩ 4,598,682</u>	<u>3,521,045</u>	<u>2,273,059</u>

As of December 31, 2011, 2010 and January 1, 2010, cash and cash equivalents of ₩ 211,780 million, ₩ 194,443 million and ₩ 86,065 million are restricted for the use in the expansion of the Company plants.

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:

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Current			
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)
	<u>11,450,515</u>	<u>9,219,011</u>	<u>5,300,233</u>
Non-current			
Trade accounts and notes receivable	45,061	28,792	24,391
Capital lease receivables	147,634	258,664	504,633
Less: Allowance for doubtful accounts	(9,634)	(13,834)	(6,249)
	<u>183,061</u>	<u>273,622</u>	<u>522,775</u>
	<u>₩ 11,633,576</u>	<u>9,492,633</u>	<u>5,823,008</u>

The trade accounts and notes receivable sold to financial institution, for which the derecognition conditions were not met, amounted to ₩132,908 million, ₩358,676 million and ₩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:

<i>(in millions of Won)</i>		<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Customer	Contents			
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
		<u>₩ 264,864</u>	<u>316,038</u>	<u>564,319</u>

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010**

- (c) The gross amount and present value of minimum lease payments as of December 31, 2011, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
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	₩	<u>264,864</u>	<u>316,038</u>	<u>564,319</u>

7. Other Financial Assets

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

<i>(in millions of Won)</i>		<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Financial assets at fair value through profit or loss				
Financial assets held for trading	₩	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)
	₩	<u>3,656,270</u>	<u>4,383,302</u>	<u>7,211,023</u>

- (*1) As of December 31, 2011 and 2010, short-term financial instruments of ₩1,670 million and ₩ 830 million are secured related to long-term borrowings of forestry association, respectively.
- (*2) Short-term financial instruments of DaeMyung TMS of ₩400 million are provided as collateral to Kookmin bank related to a derivative instrument deposit.
- (*3) As of December 31, 2011 and 2010, ₩17,175 million and ₩14,101 million, respectively, are restricted for the use in a government project.

POSCO**Notes to Consolidated Financial Statements, Continued**
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:

(in millions of Won)

	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

(*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 ₩ 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 ₩ 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, ₩40 million are restricted, respectively.

8. Inventories

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

(in millions of Won)

	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

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010

The amounts of valuation losses of inventories recognized as a cost of goods sold during the years ended December 31, 2011 and 2010 are ₩140,391 million and ₩38,762 million, respectively.

9. Non-Current Assets Held for Sale

Details of non-current assets held for sale and related liabilities as of December 31, 2011 are as follows:

(in millions of Won)

	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
	<u>16,887</u>	<u>312,150</u>	<u>329,037</u>
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
	<u>-</u>	<u>226,607</u>	<u>226,607</u>
Net assets	<u>₩ 16,887</u>	<u>85,543</u>	<u>102,430</u>

(*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 ₩ 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.

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Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

10. Investments in Associates

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

(in millions of Won)

Company	December 31, 2011				December 31, 2010		January 1, 2010	
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value	Book value	Book value	Book value
[Domestic]								
Kyobo Life Insurance Co., Ltd.	4,920,000	24.00	W 1,266,900	W 1,377,114	W 1,314,808	W -	-	-
Sungjin Geotec Co., Ltd.	17,193,510	36.69	239,877	194,942	227,245	-	-	-
SNINC Co., Ltd.	18,130,000	49.00	90,630	154,131	145,466	94,520	94,520	94,520
Busan-Ginju Light Rail Transit Co., Ltd.	9,160,000	25.00	45,800	34,227	42,151	42,715	42,715	42,715
Cheongsu IBT Co., Ltd.	4,528,384	18.38	45,651	35,564	39,607	2,067	2,067	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	38,490	38,490
POSMATE Co., Ltd.	214,286	30.00	7,233	22,409	20,989	13,050	13,050	13,050
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	2,008,000	25.10	10,040	21,036	21,317	13,527	13,527	13,527
Others	-	-	-	94,507	156,712	91,442	91,442	91,442
				1,985,565	2,000,961	295,820	295,820	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	190,149	190,149
KOBRASCO	2,010,719,183	50.00	32,930	128,884	141,939	98,943	98,943	98,943
KOREA LNG Ltd.	2,400	20.00	137,993	127,901	133,793	-	-	-
Eureka Moly LLC	-	20.00	121,269	109,772	109,177	113,105	113,105	113,105
DMSA, AMSA	-	4.00	100,770	119,556	100,536	-	-	-
BX STEEL POSCO	-	-	-	-	-	-	-	-
Cold Rolled Sheet Co., Ltd.	-	25.00	61,961	95,577	89,313	63,667	63,667	63,667
CAML Resources Pty. Ltd.	3,239	33.34	40,388	55,465	67,401	41,496	41,496	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	11,441	11,441
USS-POSCO Industries	254,649	50.00	277,715	16,880	40,000	45,961	45,961	45,961
NCR LLC	-	20.00	23,744	24,107	23,931	-	-	-
Others	-	-	-	295,731	119,420	89,867	89,867	89,867
				1,846,094	1,305,464	654,629	654,629	654,629
				W 3,831,659	W 3,306,425	W 950,449	950,449	950,449

(b) The fair value of investments in associates for which there are published price quotations as of December 31, 2011 are as follows:

(in millions of Won)

Company	Fair value
Sungjin Geotec Co., Ltd.	W 184,830

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010

(c) The movements of investments in associates for the years ended December 31, 2011 and 2010 are as follows:

1) December 31, 2011

(in millions of Won)

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
	<u>2,000,961</u>	<u>69,629</u>	<u>(85,025)</u>	<u>1,985,565</u>
[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 Rolled Sheet Co., Ltd.	89,313	1,797	4,467	95,577
CAML Resources Pty. Ltd.	67,401	15,517	(27,453)	55,465
South-East Asia Gas Pipeline Company Ltd.	56,636	(25)	79,564	136,175
POSCHROME	29,201	1,422	(5,949)	24,674
USS-POSCO Industries	40,000	(31,585)	8,465	16,880
NCR LLC	23,931	(85)	261	24,107
Others	119,420	(16,028)	192,339	295,731
	<u>1,305,464</u>	<u>(19,060)</u>	<u>559,690</u>	<u>1,846,094</u>
	<u>₩ 3,306,425</u>	<u>₩ 50,569</u>	<u>₩ 474,665</u>	<u>₩ 3,831,659</u>

(*1) Other increase or decrease represents the changes in investments in associates due to acquisitions, disposals, dividends received, change in capital adjustments arising from translations of financial statements of foreign investees and others.

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Notes to Consolidated Financial Statements, Continued
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-Ginhae 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
	<u>295,820</u>	<u>108,078</u>	<u>1,597,063</u>	<u>2,000,961</u>
[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 Rolled Sheet 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
	<u>654,629</u>	<u>74,579</u>	<u>576,256</u>	<u>1,305,464</u>
	<u>₩ 950,449</u>	<u>₩ 182,657</u>	<u>₩ 2,173,319</u>	<u>₩ 3,306,425</u>

(*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.

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

1) December 31, 2011

(In millions of Won)

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.	610,039	269,318	340,741	473,173	81,246
Busan-Ginhae 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 PEP	585,060	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 Rolled Sheet Co.,	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)

POSCO

Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

2) December 31, 2010

(In millions of Won)

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 Geosco Co., Ltd.	600,667	460,621	140,046	401,331	(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.	13,840	87	13,763	17,691	16,925
DMSA, AMSA	1,301,319	3,930,064	1,371,255	-	(987)
BX STEEL POSCO Cold Rolled Sheet Co.,	1,003,494	675,931	327,563	1,421,734	97,643
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)

3) January 1, 2010

(In millions of Won)

Company	Assets	Liabilities	Equity
[Domestic]			
SNNC Co., Ltd.	₩ 505,417	285,761	219,656
Busan-Gimhae Light Rail Transit Co., Ltd.	485,887	315,029	170,858
Cheongna IBT Co., Ltd.	328,046	294,946	33,100
METAPOLIS Co., Ltd.	460,073	364,156	95,917
POSMATE Co., Ltd.	59,804	17,372	42,432
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	144,992	123,640	21,352
[Foreign]			
Nickel Mining Company SAS	551,969	102,228	449,741
KOBRASCO	273,311	75,424	197,887
BX STEEL POSCO Cold Rolled Sheet Co.,	1,018,978	791,925	227,053
CAML Resources Pty. Ltd.	137,046	52,313	84,733
POSCHROME	64,564	9,494	55,070
USS-POSCO Industries	443,184	338,318	104,866

POSCO

Notes to Consolidated Financial Statements, Continued For the years ended December 31, 2011 and 2010

11. Investment Property, Net

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

(in millions of Won)

	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

As of December 31, 2011, the fair value of investment property is ₩ 837,511 million, among which the Company evaluated investment property of 7 subsidiaries including International Business Center Corporation as its book value amounted to ₩ 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

(in millions of Won)	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

(*1) Impairment losses of investment property amounted to ₩ 23,048 million are included.

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

2) For the year ended December 31, 2010

(in millions of Won)	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

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

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

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010**12. Property, Plant and Equipment, Net**

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

(In millions of Won)		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

(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

(In millions of Won)	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)	(378,097)	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	(1,687)	(28,249)	6,626	169,669
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	9,081,169	361,811	(156,308)	(2,144,478)	(4,106,753)	28,453,184

(*1) Acquisition includes assets transferred from construction-in-progress.

(*2) Impairment losses of property, plant and equipment amounted to ₩ 25,852 million are included.

(*3) Includes reclassification for changing purpose of use, adjustment of foreign currency translation difference and others.

2) For the year ended December 31, 2010

(In millions of Won)	Beginning	Acquisition (*1)	Business combination	Disposal	Depreciation	Others (*3)	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)	(2,490,604)	159,374	13,777,382
Vehicles	52,113	39,444	11,221	(3,524)	(27,359)	(7,322)	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	4,379,465	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

(*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.

POSCO
Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

- (c) Borrowing costs capitalized and the capitalized interest rate for the years ended December 31, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Average expenditure costs	1,433,877	350,000
Capitalized borrowing costs	78,777	12,897
Capitalized interest rate	5.49%	3.68%

- (d) Pledged as collateral assets

<i>(in millions of Won)</i>	<u>Collateral right holder</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
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
		<u>₩ 739,081</u>	<u>632,258</u>	<u>714,025</u>

(*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 ₩ 1,227,169 million as a result of this change in the estimated useful life.

POSCO
Notes to Consolidated Financial Statements, Continued
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:

(in millions of Won)	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

- (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

(in millions of Won)	Beginning	Increase			Decrease			Others (*2)	Ending
		Acquisition	Development	Business combination	Disposal	Amortization			
Goodwill (*1)	₩ 1,447,743	-	-	234,032	-	(14,998)	-	-	1,666,777
Intellectual property rights	119,100	171,402	-	-	(7,544)	(16,298)	-	8,207	274,907
Premium in rental (*2)	199,761	15,383	-	9	(3,457)	(8,191)	-	(24,133)	199,144
Development expense	49,275	13,978	252	688	(44)	(20,092)	-	1,526	45,983
Port facilities usage rights	108,161	-	-	-	-	(13,130)	-	(285)	94,746
Exploration and evaluation assets	594,464	10,131	-	-	(38,503)	-	-	(92,800)	473,192
Mining development assets	1,038,334	357,681	-	-	(96)	-	-	(1,634)	1,414,315
Client relationships	778,080	-	-	75,836	-	(46,848)	-	-	807,068
Other intangible assets	304,231	95,557	-	8,160	(5,884)	(28,569)	-	(34,539)	339,156
₩	4,619,169	644,124	252	308,725	(55,308)	(149,245)	-	(143,708)	5,244,928

(*1) Acquisition amounts include goodwill amounting to ₩ 119,260 million related to the acquisition of POSCO Thainox Co., Ltd. in 2011 (note 38). An impairment loss of ₩ 14,958 million is related to the negative capital of DAESAN (CAMBODIA) Co. Ltd.

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

(*3) Includes translation differences and other adjustments.

2) For the year ended December 31, 2010

(in millions of Won)	Beginning	Increase			Decrease			Others (*2)	Ending
		Acquisition	Development	Business combination	Disposal	Amortization			
Goodwill (*1)	₩ 268,089	-	-	1,179,063	-	-	-	-	1,447,153
Intellectual property rights	50,365	7,863	-	58,345	(12)	(1,142)	-	3,781	119,100
Premium in rental (*2)	168,701	39,309	-	34	(6,015)	(788)	-	(41,480)	199,761
Development expense	47,648	21,417	28	4,338	(7,522)	(14,611)	-	(2,023)	49,275
Port facilities usage rights	99,552	28,034	-	-	-	(19,415)	-	-	108,161
Exploration and evaluation assets	-	84,807	-	309,657	-	-	-	-	394,464
Mining development assets	-	50,793	-	1,007,361	-	-	-	-	1,058,354
Client relationships	-	-	-	789,200	-	(11,120)	-	-	778,080
Other intangible assets	119,885	83,784	-	148,587	(12,429)	(28,268)	-	(7,333)	304,231
₩	754,231	315,997	28	3,697,285	(25,973)	(75,344)	-	(47,033)	4,619,169

(*1) Acquisition amounts include goodwill amounting to ₩ 1,163,922 million related to acquisition of Daewoo International Corporation in 2010 (note 38).

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

(*3) Includes translation differences and other adjustments.

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010

- (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:

<i>(in millions of Won)</i>		<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
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		178,999	89,184	73,443
Total	₩	<u>1,656,817</u>	<u>1,447,743</u>	<u>268,080</u>

- (*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.

POSCO**Notes to Consolidated Financial Statements, Continued**
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:

(in millions of Won)

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
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
	<u>₩ 1,220,142</u>	<u>972,159</u>	<u>690,186</u>

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

(in millions of Won)

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
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
	<u>₩ 630,287</u>	<u>659,814</u>	<u>250,475</u>

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

POSCO

Notes to Consolidated Financial Statements, Continued
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:

(in millions of Won)		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
						<u>9,572,986</u>	<u>7,089,185</u>	<u>3,173,172</u>
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	953	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)
						<u>1,218,524</u>	<u>3,387,115</u>	<u>784,927</u>
						<u>₩ 10,791,510</u>	<u>10,476,302</u>	<u>3,958,099</u>

(*1) Property, plant and equipment, investment in associates and long-term prepaid expenses amounting to ₩ 706,560 million, ₩ 103,169 million and ₩ 391 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

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

(in millions of Won)		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)	(748)
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	-
						<u>₩ 16,020,307</u>	<u>10,653,941</u>	<u>8,241,356</u>

(*1) Property, plant and equipment, investment in associates and long-term prepaid expenses amounting to ₩ 706,560 million, ₩ 103,169 million and ₩ 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 (₩ 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 K-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.

POSCO
Notes to Consolidated Financial Statements, Continued
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:

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
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	-
	<u>₩ 1,811,190</u>	<u>1,520,877</u>	<u>1,054,714</u>

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

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
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
	<u>₩ 350,560</u>	<u>175,774</u>	<u>205,096</u>

POSCO**Notes to Consolidated Financial Statements, Continued**
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:

(In millions of Won)	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 contingency (*1)	-	38,847	-	126,626	-	-
Others	2,094	39,529	27	2,259	3,850	2,970
	<u>₩ 69,432</u>	<u>109,343</u>	<u>63,809</u>	<u>152,149</u>	<u>63,305</u>	<u>12,005</u>

(*1) As of December 31, 2011 and 2010, includes provision of ₩ 38,847 million and ₩ 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 35).

(b) Changes in provisions for the year ended December 31, 2011 are as follows:

(In millions of Won)	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 contingency	126,626	-	-	(87,779)	38,847
Others	2,286	371	(272)	39,238	41,623
	<u>₩ 215,958</u>	<u>61,687</u>	<u>(34,118)</u>	<u>(64,752)</u>	<u>178,775</u>

(*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:

(In millions of Won)	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 contingency	-	-	-	126,626	126,626
Others	6,820	6,486	(14,843)	3,823	2,286
	<u>₩ 75,310</u>	<u>397,037</u>	<u>(386,682)</u>	<u>130,293</u>	<u>215,958</u>

(*1) Include adjustments of foreign currency translation difference and increase due to acquisition of Daewoo International Corporation.

POSCO**Notes to Consolidated Financial Statements, Continued**
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 ₩ 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:

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
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	<u>₩ 340,467</u>	<u>503,126</u>	<u>315,418</u>

(d) The changes in present value of defined benefit obligations for the years ended December 31, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
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	<u>₩ 1,173,238</u>	<u>1,467,853</u>

(*1) This amount includes loss from a plan settlement in the amount of ₩ 3,704 million for the year ended December 31, 2011.

POSCO**Notes to Consolidated Financial Statements, Continued**
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:

<i>(in millions of Won)</i>		<u>December 31, 2011</u>	<u>December 31, 2010</u>
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	₩	<u>832,771</u>	<u>964,727</u>

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

<i>(in millions of Won)</i>		<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
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
	₩	<u>832,771</u>	<u>964,727</u>	<u>790,509</u>

- (g) The amounts recognized in profit or loss for the years ended December 31, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>		<u>December 31, 2011</u>	<u>December 31, 2010</u>
Current service costs	₩	207,871	156,308
Interest costs		67,372	57,473
Expected return on plan assets		(38,244)	(39,810)
	₩	<u>236,999</u>	<u>173,971</u>

- (h) The above expenses recognized in profit or loss are as follows:

<i>(in millions of Won)</i>		<u>December 31, 2011</u>	<u>December 31, 2010</u>
Cost of goods sold	₩	177,020	137,263
Selling and administrative expenses		59,979	36,708
	₩	<u>236,999</u>	<u>173,971</u>

POSCO**Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010**

- (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:

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Beginning balance	₩ (152,125)	-
Current actuarial gains and losses	(30,577)	(152,125)
Ending balance	<u>₩ (182,702)</u>	<u>(152,125)</u>

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

<i>(%)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Discount rate	3.86~5.42	3.22~5.66	3.22~5.66
Expected return on plan assets	2.00~5.29	3.38~6.19	3.38~6.19
Expected future salary increases	1.03~7.35	1.00~5.90	1.00~5.90

19. Other Liabilities

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

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
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
	<u>₩ 1,799,631</u>	<u>1,456,071</u>	<u>1,155,442</u>

- (*1) Includes other current liabilities amounting to ₩ 204,653 million, ₩ 129,318 million and ₩ 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:

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Advances received	₩ 1,547	3,583	40
Unearned revenue	1,200	1,539	2,364
Others (*1)	81,756	75,264	25,987
	<u>₩ 84,503</u>	<u>80,386</u>	<u>28,391</u>

- (*1) Includes other long-term liabilities amounting to ₩ 14,857 million, ₩ 12,254 million and ₩ 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.

POSCO**Notes to Consolidated Financial Statements, Continued**
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:***(in millions of Won)*

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Financial assets at fair value through profit or loss			
Financial assets held for trading	₩ 50,861	182,208	795,811
Derivatives assets held for trading	108,751	140,031	87,063
	<u>159,612</u>	<u>322,239</u>	<u>882,874</u>
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
	<u>₩ 25,014,200</u>	<u>23,814,018</u>	<u>20,615,750</u>

2) Financial liabilities as of December 31, 2011, 2010 and January 1, 2010 are as follows:*(in millions of Won)*

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Financial liabilities at fair value through profit or loss			
Derivatives liabilities held for trading	₩ 195,837	102,309	43,711
Designated as financial liabilities at fair value through profit or loss	333,004	447,308	-
	<u>528,841</u>	<u>549,617</u>	<u>43,711</u>
Financial liabilities evaluated as amortised 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
	<u>32,842,288</u>	<u>26,268,354</u>	<u>15,807,900</u>
	<u>₩ 33,371,129</u>	<u>26,817,971</u>	<u>15,851,611</u>

POSCO
Notes to Consolidated Financial Statements, Continued
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:

① December 31, 2011

(in millions of Won)

	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	
Financial assets at fair value through profit or loss	W 3	-	-	-	544,913	70,656	615,572
Available-for-sale financial assets	768	143,880	-	-	453,340	(152,804)	445,384
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 amortised cost	(788,348)	-	(140,052)	(317,867)	-	(27,956)	(1,274,223)
	W (572,114)	143,880	(166,291)	(270,896)	450,618	(261,473)	(676,276)
							(1,231,758)

② December 31, 2010

(in millions of Won)

	Financial income and costs						Other comprehensive income
	Interest income (cost)	Dividend income	Loss on foreign currency transactions	Gain and loss on foreign currency translations	Gain and loss on disposal	Others	
Financial assets at fair value through profit or loss	W 196	-	-	-	195,543	63,568	259,307
Available-for-sale financial assets	9,822	102,161	-	-	624	(57,133)	55,474
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 amortised cost	(586,883)	-	54,231	(239,375)	-	(6,157)	(778,184)
	W (293,955)	102,161	35,603	(218,892)	18,862	7,167	(349,054)
							589,601

(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:

(in millions of Won)

	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents	W 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
	W 25,014,200	23,814,018	20,615,750

POSCO

Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

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 ₩ 4,542,734 million, ₩ 3,468,336 million and ₩ 3,993,115 million, respectively.

2) Impairment losses on financial assets

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

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
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
₩	<u>406,721</u>	<u>357,063</u>	<u>286,344</u>

- ② Impairment losses on financial assets for the years ended December 31, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Bad debt expenses	₩ 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	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)	-
₩	<u>198,592</u>	<u>117,400</u>

- ③ 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:

<i>(in millions of Won)</i>	<u>December 31, 2011</u>		<u>December 31, 2010</u>		<u>January 1, 2010</u>	
	Trade accounts and notes receivable	Impairment	Trade accounts and notes receivable	Impairment	Trade accounts and notes receivable	Impairment
Not due	₩ 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	443,823	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	15,397	292,699	25,291
over 12 months	355,892	256,278	224,365	219,222	460,661	179,477
₩	<u>11,936,762</u>	<u>303,186</u>	<u>9,735,434</u>	<u>242,801</u>	<u>6,028,603</u>	<u>205,595</u>

POSCO

Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

- ④ Changes in the allowance for doubtful accounts for the years ended December 31, 2011 and 2010 were as follows:

(in millions of Won)	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

(c) Liquidity risk

- 1) Contractual maturities for non-derivative financial liabilities, including estimated interests, are as follows:

(in millions of Won)	Book value	Cash flow for contracts	Due within 1 year	1 year - 5 years	Inter 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

(*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:

(in millions of Won)	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

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010**(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:

<i>(in millions of Won)</i>	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

- 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:

<i>(in millions of Won)</i>	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

POSCO

Notes to Consolidated Financial Statements, Continued
For the years ended December 31, 2011 and 2010

(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:

(in millions of Won)	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)

- 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:

(in millions of Won)	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

(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

(in millions of Won)	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	3,495,454	3,495,454
Assets measured amortised 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 amortised 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

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010**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:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Interest rate of Borrowings (%)	1.8 ~ 4.62	1.19 ~ 5.14	1.28 ~ 5.38

3) The fair value hierarchy

- ① The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in measurements.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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).

- ② 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

<i>(in millions of Won)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
	<u>3,419,961</u>	<u>190,634</u>	<u>939,241</u>	<u>4,549,836</u>
Financial Liabilities				
Derivatives liabilities held for trading	-	195,837	-	195,837
Convertible bonds	333,004	-	-	333,004
	<u>₩ 333,004</u>	<u>195,837</u>	<u>-</u>	<u>528,841</u>

b. December 31, 2010

<i>(in millions of Won)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets				
Financial assets held for trading	₩ -	182,208	-	182,208
Available-for-sale financial assets	4,944,644	17,194	805,160	5,766,998
Derivatives assets held for trading	-	140,031	-	140,031
	<u>4,944,644</u>	<u>339,433</u>	<u>805,160</u>	<u>6,089,237</u>
Financial Liabilities				
Derivatives liabilities held for trading	-	102,309	-	102,309
Convertible bonds	447,308	-	-	447,308
	<u>₩ 447,308</u>	<u>102,309</u>	<u>-</u>	<u>549,617</u>

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010**c. January 1, 2010**

<i>(in millions of Won)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
	<u>3,967,463</u>	<u>599,588</u>	<u>638,403</u>	<u>5,205,454</u>
Financial Liabilities				
Derivatives liabilities held for trading	₩ -	43,711	-	43,711

- ③ 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

<i>(in millions of Won)</i>	<u>Beginning</u>	<u>Valuation</u>	<u>Acquisition, others (*1)</u>	<u>Disposal, others (*1)</u>	<u>Ending</u>
Available-for-sale financial assets	₩ 805,160	157,329	98,242	(121,490)	939,241

(*1) Included change in amounts due to change of fair value level.

b. December 31, 2010

<i>(in millions of Won)</i>	<u>Beginning</u>	<u>Valuation</u>	<u>Acquisition, others (*1)</u>	<u>Disposal, others (*1)</u>	<u>Ending</u>
Available-for-sale financial assets	₩ 638,403	11,568	164,382	(9,193)	805,160

(*1) Included change in amounts due to change of fair value level.

POSCO**Notes to Consolidated Financial Statements, Continued**
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 ₩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 ₩ 482,403 million; however, it is different from par value of issued common stock, which amounted to ₩ 435,934 million, due to retirement of treasury stock.

(b) Capital surplus

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

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Share premium	₩ 463,825	463,825	463,825
Gains on sale of treasury stock	763,867	694,714	694,714
Capital surplus	(77,240)	(56,978)	41,127
	<u>₩ 1,150,452</u>	<u>1,101,561</u>	<u>1,199,666</u>

22. Reserves**(a) Reserves as of December 31, 2011, 2010 and January 1, 2010 are as follows:**

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
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)
	<u>₩ 405,426</u>	<u>1,507,288</u>	<u>833,806</u>

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010

(b) Changes in fair value of available-for-sale securities as of December 31, 2011, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
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	<u>₩ 154,617</u>	<u>1,381,667</u>

23. Treasury Shares

In January 2011, the Company sold 342,955 shares of treasury stock for ₩ 164,384 million and recognized ₩ 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 ₩ 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.

POSCO**Notes to Consolidated Financial Statements, Continued**
For the years ended December 31, 2011 and 2010**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

<i>(per share, won)</i>	<u>6th Grant</u>
Granted	90,000
Exercised	64,000
Unexercised	26,000
Exercise price	₩ 194,900
Exercise period	2007.4.29~2012.4.28

- (b) Expenses related to stock appreciation rights granted to executives incurred for the years ended December 31, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>4th Grant</u>	<u>5th Grant</u>	<u>6th Grant</u>	<u>Total</u>
Accumulated reversal of stock compensation expenses as of December 31, 2010	(83)	(9,681)	(3,463)	(13,227)
Reversal of stock compensation expenses for the year ended December 31, 2011	-	(1,530)	(2,693)	(4,223)

- (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:

	<u>6th Grant</u>
Risk-free interest rate	3.43%
Option life	104
Expected volatility	0.1659
Rate of expected dividends	2.63%
Stock price	₩ 380,000
Fair value of share options	₩ 184,157

POSCO**Notes to Consolidated Financial Statements, Continued**
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:

<i>(in millions of Won)</i>		<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Aggregate amount of costs incurred	₩	14,711,524	12,778,567	8,846,030
Add : Recognized profits		1,369,479	1,202,835	948,616
Less : Recognized losses		(310,647)	(197,818)	(202,275)
Cumulative construction revenue		15,770,356	13,783,584	9,592,371
Less : Progress billing		(14,638,181)	(13,505,203)	(9,388,120)
Foreign currency gains and losses		(1,966)	(1,744)	1
Others		(218,263)	(5,906)	(21,570)
	₩	<u>911,946</u>	<u>270,731</u>	<u>182,682</u>

(b) Amount due from and due to customers for contract work as of December 31, 2011, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		<u>December 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
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)
	₩	<u>911,946</u>	<u>270,731</u>	<u>182,682</u>

26. Revenue

Details of revenue for the years ended December 31, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>		<u>December 31, 2011</u>	<u>December 31, 2010</u>
Revenues			
Goods	₩	59,915,941	41,848,201
Services		2,440,639	1,604,524
Construction		5,297,892	4,130,984
Rental income		39,862	42,898
Others		1,244,391	260,648
	₩	<u>68,938,725</u>	<u>47,887,255</u>