



Australian Government
**Australian Customs and
Border Protection Service**

International Trade Remedies Branch

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08 NOV 2012

EXPORTER QUESTIONNAIRE - KOREA

PRODUCT CONCERNED: ALUMINIUM ZINC COATED STEEL AND
ZINC COATED (GALVANISED) STEEL
FROM THE PEOPLE'S REPUBLIC OF
CHINA, THE REPUBLIC OF KOREA AND
TAIWAN

INVESTIGATION PERIOD: 1 JULY 2011 TO 30 JUNE 2012

RESPONSE DUE BY: 15 OCTOBER 2012
EXTENDED TO 31 OCTOBER 2012

ADDRESS FOR RESPONSE: International Trade Remedies Branch
Australian Customs and Border
Protection Service
5 Constitution Avenue
Canberra ACT 2601
Australia
Attention: Director Operations 2

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Please note that a non-confidential version of the reply to this questionnaire must also be provided.

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SECTION A - COMPANY STRUCTURE AND OPERATIONS

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

A-1 IDENTITY AND COMMUNICATION

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

Head office:

Name	Union Steel Co., Ltd. (“Union”)
Position in the company	Kevin Park Team Leader International Trade Affairs
Address	5th Floor FERRUM Tower 66, Suha-dong Jung-ku Seoul, Korea
Telephone	+82 2 2222 0114 +82 2 317 1466
Facsimile number	+82 2 2222 0275 +82 2 2222 0284
Email address of contact person	kwangbum.park@dongkuk.com

Factory:

Address	588-1, Kamman-dong Nam-ku Busan, Korea
Telephone	+82 2 2222 0114 +82 2 317 1466
Facsimile number	+82 2 2222 0275 +82 2 2222 0284
Email address of contact person	kwangbum.park@dongkuk.com

A-2 REPRESENTATIVE OF THE COMPANY FOR THE PURPOSE OF INVESTIGATION

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

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Name	Daniel Moulis
Address	6/2 Brindabella Circuit Brindabella Business Park Canberra International Airport Australian Capital Territory Australia 2609
Telephone	+ 61 2 6163 1000
Facsimile number	+ 61 2 6162 0606
Email address of contact person	daniel.moulis@moulislegal.com
All communications in relation to this matter should be directed to Moulis Legal in the first instance.	

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

A-3 COMPANY INFORMATION

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

The legal name of the entity concerned with the goods under consideration for the purposes of this matter is “Union Steel Co., Ltd.” Union Steel Co., Ltd. is a limited liability company.

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

The major shareholders of Union are provided at Attachment 1 [CONFIDENTIAL].

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

Union is a subsidiary of Dongkuk Steel Manufacturing Co., Ltd (“DSM”). The major shareholders of DSM are provided at Attachment 2 [CONFIDENTIAL].

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

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DSM is not a subsidiary of another company. DSM is a principal controlling company of the DSM group of companies.

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

A diagram showing all affiliated (related) companies including Union's position within the relevant corporate structure is set out at Attachment 3 [CONFIDENTIAL].

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

No.

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

Union is a manufacturer of the goods under consideration ("the GUC").

8. If your business does not perform all of the following functions in relation to GUC, then please provide names and addresses of the companies which perform each function:

- produce or manufacture
- sell in the domestic market
- export to Australia, and
- export to countries other than Australia.

Union performs all of these functions. Production activities take place at the Busan factory, and sales and administration activities are based in Seoul.

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

Union's internal organization chart and descriptions are provided at Attachments 4 [CONFIDENTIAL] and 5 [CONFIDENTIAL] respectively.

10. Provide a list of your business' Board of Directors, Managing Director (or CEO) and Senior Executives.

A list of Union's directors and its CEO and senior executives is provided at Attachment 6.

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

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Brochures referring to Union's recent business activity are provided at Attachment 7. Except for financial reporting, Union does not issue an annual report.

12. Provide details of all transactions between your company and all related parties. For example:

- Supplying/selling completed or partially completed products.
- Supplying/selling raw materials.
- Performing management functions (including any financial functions).
- Processing (including toll processing) of any raw materials, intermediary or completed products.
- Trading in products/materials supplied by related parties.

Please refer to footnote "35. Disclosure of related parties" of Attachment 8 and footnote "34. Disclosure of related parties" of Attachment 9.

[CONFIDENTIAL TEXT DELETED – details of related party transactions]

A-4 GENERAL ACCOUNTING/ADMINISTRATION INFORMATION

1. Indicate your accounting period.

Union's accounting period (financial year, or "FY") is the calendar year. Union's 50th FY was from 1 January 2011 to 31 December 2011.

2. Indicate the address where the financial records are held.

All financial records for production and sales are accessible from Union's headquarters building in Seoul.

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

- chart of accounts;

Union's chart of accounts is provided at Attachment 10 [CONFIDENTIAL].

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

These documents should relate to:

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

English translated versions of Union's audited unconsolidated financial statements for 2011 and for 2012 1H, which include auditor's opinions, are provided at Attachments 8 and 9 respectively.

[CONFIDENTIAL TEXT DELETED – internal organisation of Union] During the POI Union operated two factories, one at Busan and the other at Giheung.

The Busan factory is the responsible part for the GUC. [CONFIDENTIAL TEXT DELETED – internal organisation of Union]

[CONFIDENTIAL TEXT DELETED – internal organisation of Union]

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

This question is not applicable to Union. Union is required to have its financial statements audited.

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

This question is not applicable to Union. Union adopts the generally accepted accounting principles in place in Korea in the form of the Korean International Financial Reporting Standards ("K-IFRS").

5. Describe:

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

The major accounting policies applicable to Union are explained in the footnotes to its audit report.

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

Union valued raw materials, work-in-process, finished goods and the cost of goods sold on a first in/first out ("FIFO") basis up to 31 December 2010, and on a weighted average method ("WAM") basis from 1 January 2011.

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Materials in transit (ie, materials ordered and shipped to Union but not yet received) are the only exception. These are stated at actual cost, based on the specific identification method (ie, materials are valued at the amounts actually paid to purchase those materials).

Inventory write-offs of raw materials and finished goods will occur if there is a difference between the physical inventory count and the inventory control records. When there is an inventory write-off, the loss is recorded as a non-operating expense. If the fair value of inventory is less than its cost, a contra-inventory account representing the valuation loss is presented to reduce the inventory to its net realizable value. This valuation loss is charged to the cost of sales for financial reporting purposes only. The inventory value in the cost accounting system is not adjusted but remains at the actual cost. If the circumstances which caused the valuation loss cease to exist, causing the market value to rise above the carrying amount, the valuation loss is reversed and limited to the original carrying amount before valuation. This reversal is a deduction to the cost of sales. Union records the inventory valuation loss, or its reversal, on a quarterly basis.

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

Union has adopted WAM since January 2011. Before 2011, FIFO was the inventory valuation method.

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

[CONFIDENTIAL TEXT DELETED – accounting policies regarding production]

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

[CONFIDENTIAL TEXT DELETED – accounting policies regarding production] Both factories produce scrap.

At the Busan factory, steel scrap is collected at each line. Zinc, aluminium and zinc anode scrap is additionally generated at the galvanizing lines (“zinc dross scrap”). Paint scrap is generated at the colour/painting lines.

[CONFIDENTIAL TEXT DELETED – accounting policies regarding production]

In the Busan factory, “cold rolled steel” scrap is deducted from raw material cost.

Some of the steel scrap, zinc dross and paint scrap are not deducted

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from production cost. Revenue from scrap disposal is recognized as domestic sales income. Unreflected steel scrap is applied to raw material cost. Zinc dross revenue by galvanizing type is applied to galvanizing cost (zinc material cost).

[CONFIDENTIAL TEXT DELETED – accounting policies regarding production]

- valuation and revaluation methods for fixed assets;

In general, Union's fixed assets are valued at their acquisition cost.

Union uses the straight-line method of depreciation over the estimated useful lives of its assets.

Under Korean GAAP, assets can be revalued. Union's assets were revalued at the beginning of 1994 and on 1 October 1998 in accordance with the Asset Revaluation Act.

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

Upon the adoption of K-IFRS in January 2011, Union changed the useful lives of its fixed assets. A chart summarizing these changes is as follows:

Assets	Previous Useful Lives	New Useful Lives
Buildings, structures	30 Years	20~40 Years
Machinery	15 Years	8~35 Years
Vehicles, others	4 Years	4 Years

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

There is no difference in the treatment of exchange gains and losses on a consolidated or unconsolidated basis other than the elimination of transactions between affiliated parties in the consolidated financial statements.

Foreign exchange gains and losses may be incurred on foreign currency transactions due to exchange rate fluctuations between the time an expense is incurred in a foreign currency and the time of payment. Such gains and losses are separately reported as "gains/losses on foreign currency transactions" when payment accrues.

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

Non-monetary assets and liabilities denominated in a foreign currency are translated at the effective exchange rate at the time of acquisition. Monetary assets and liabilities denominated in a foreign currency are translated at the effective exchange rate on the date of the balance sheets.

- inclusion of general expenses and/or interest;

General and administrative expenses, and financing charges (such as interest and discount expenses), that are related to debt used to fund the manufacture, purchase, or construction of tangible fixed assets, and which are incurred prior to completion of the assets, may be capitalized to inventory or fixed assets accounts. These capitalized expenses are then depreciated over the useful life of the asset.

Union does not capitalize financial expense in its inventory account.

- provisions for bad or doubtful debts, and treatment thereof in your accounts;

Union recorded and charged all of its costs as incurred with three exceptions. Union makes year-end and half-year adjustments for allowances, accruals and depreciation. Allowances include bad debt and severance. Accruals include accrued income, expenses, income taxes, etc, and reflect a timing difference when income is earned or expenses are incurred in one year, but actual receipt or payment occurs in the next year.

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

Except for assets under regular maintenance or held for the purpose of disposal, there is no idle equipment. Including machinery, as these assets are classified as non-operating assets not fixed assets, they are adjusted to their net realizable value (NRV). Under Korean GAAP, if the fair value of this asset is less than historical cost, the valuation loss is presented to reduce the book value to its net realizable value annually.

- costs of plant closure;

Union's Giheung factory closed at March 2012 and it was decided to dispose of its assets including machinery. The Giheung factory only had colour/painting lines, and the plant closure costs are not related to the GUC. The fixed assets of the Giheung factory were reclassified into disposal-purpose holding assets of Union.

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- restructuring costs;

This question is not applicable to Union, as there was no restructuring cost directly related to the GUC during the investigation period. Any small change in organization was just of an administrative nature.

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

Scrap is not re-introduced into the production cycle as raw material. It is sold to unaffiliated companies at a market price.

Union's normal cost accounting system records "cold rolled scrap" manufacturing cost as an offset. For purposes of this response, zinc dross revenue and other scrap revenue related to the GUC are reflected in the calculation of the CTM.

- effects of inflation on financial statement information.

The inflation rate in Korea has been very moderate in recent years, and there has been no need to account for the effects of inflation on financial statements.

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

Until 2010, Union adopted K-GAAP. The Korean government has regulated that listed companies should adopt K-IFRS in order to strengthen the utility and accuracy of financial information reporting. Therefore, Union has applied K-IFRS since 1 January 2011.

The detailed aspects of K-IFRS as they apply to Union's accounts are explained in the footnotes to Union's audit report.

A-5 INCOME STATEMENT

Complete the spread sheet entitled '**Income statement**' within the *Exporter questionnaire – Galvanised Steel and Aluminium Zinc Coated Steel – KOREA accompanying* spread sheet provided alongside this questionnaire.

Please see "Income statement" spreadsheet at Attachment 11 -EQ spreadsheets [CONFIDENTIAL].

Provide the completed spread sheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

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Explain how costs have been allocated between all products and the GUC within these calculations.

In basic terms, all of Union's production costs are aggregated by monthly actual cost and allocated into each product under the "manufacturing order ("MO") based cost accounting system. However, to conform with the format of the "Income statement":

- (a) each item of "Total cost to make (9)" is calculated on the basis of manufacturing cost ratio; and**
- (b) the allocation to the GUC of items under "SG&A expenses (14)" were calculated based on net sales value.**

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

The cost of goods sold - presented in the given format as "Total cost to make (9)" - cannot be divided into each item of production cost and calculated by ratio basis. SG&A expenses or net other expenses such as interest, extraordinary and abnormal items are allocated by sales amount under the assumption of "principle of matching costs with revenues".

Note: if your financial information does not permit you to present information in accordance with this table please present the information in a form that closely matches the table.

A-6 SALES

Complete the spread sheet entitled '**Turnover**' within the *Exporter questionnaire – Galvanised Steel and Aluminium Zinc Coated Steel – KOREA – accompanying spread sheet* provided alongside this questionnaire.

Please refer to "Turnover" spreadsheet at Attachment 11 – EQ spreadsheets [CONFIDENTIAL].

As we already mentioned above, there is no separate organisational sector for the production of coated products or the GUC. Therefore, "Turnover of the sector including the goods" has been left blank.

Total cost to make of GUC is allocated by quantity basis. Because, there is no difference between production of export sales and domestic sales.

Provide the completed spread sheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

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The spread sheet “Turnover” is calculated by way of a breakdown of the “Net sales” from the “Income Statement”. The formula applied is as follows:

$$\textit{Turnover} = \textit{Net sales (3)} / \textit{Total cost to make (9)}$$

In completing the sheet, use the currency in which your accounts are kept.

The currency adopted within Union’s financial statements is KRW. Amounts in foreign currency are translated into KRW.

This information will be used to verify the cost allocations to the GUC in Section G.

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

Union’s sales and cost data for the GUC can be linked by reconciliation with the total company financial statements.

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SECTION B - SALES TO AUSTRALIA (EXPORT PRICE)

This section requests information concerning your export practices and prices to Australia. You should include costs incurred beyond ex-factory.

Export prices are usually assessed at FOB point, but Customs and Border Protection may also compare prices at another level (e.g. ex factory).

*You should report prices of **all GUC shipped to Australia during the investigation period.***

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

- the sale date is not the invoice date (see 'date of sale' column explanation in question B4 below) and;*
- an alternative date should be used when comparing export and domestic prices*

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

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

- name;
- address;
- contact name and phone/fax number where known; and
- trade level (for example: distributor, wholesaler, retailer, end user, original equipment).

Name	Address	Contact name and phone/fax number where known	Trade level (eg: distributor, wholesaler, retailer, end user, original equipment)
[CONFIDENTIAL TEXT DELETED – details of customers]			

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

- (a) Describe how the goods are sent to each customer in Australia, including a diagram if required.

Union receives a purchase order (“PO”) from the intending purchaser and either approves or rejects it. If an order is accepted by Union, Union schedules production to complete the order, and production is then

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made to order.

Once the merchandise is produced and ready for shipment, Union will issue a commercial invoice, packing list and weight list. Those documents are sent to the customer when Union delivers the goods.

- (b) Identify each party in the distribution chain and describe the functions performed by them. Where commissions are paid indicate whether it is a pre or post exportation expense having regard to the date of sale.

When production is completed, Union Steel will send the goods to the port using Intergis, the transportation company that provides freight forwarding services to Union in connection with the transportation of the GUC and other goods.

Intergis' head office is located at Marine Center, 13 Floor, 79, 4th Street, Jung-an-dong, Jung-gu, Busan, Korea. Union pays the delivery fee based on the contract.

[CONFIDENTIAL TEXT DELETED – sales terms for exports]

- (c) Explain who retains ownership of the goods at each stage of the distribution chain. In the case of delivered duty paid (DDP) sales, explain who retains ownership when the goods enter Australia.

Union adopted [CONFIDENTIAL TEXT DELETED – sales terms for exports].

- (d) Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).

[CONFIDENTIAL TEXT DELETED – business arrangements with customers]

Please see Attachment 12 [CONFIDENTIAL] and 13 [CONFIDENTIAL] for copies of sales documentation between Union and the trading companies concerned.

- (e) Explain in detail the process by which you negotiate price, receive orders, deliver, invoice and receive payment. If export prices are based on price lists supply copies of those lists.

Union will either approve or reject a PO it receives from an intending purchaser. For orders accepted by Union, production is scheduled to complete the order.

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Once the merchandise is produced and ready for shipment, Union prepares a commercial invoice, packing list and weight list. These documents are sent to the customer when Union delivers the goods.

[CONFIDENTIAL TEXT DELETED – payment terms for Australian sales].
In this way Union receives payment from the customer.

[CONFIDENTIAL TEXT DELETED – details of price negotiation basis with customers].

- (f) State whether your firm is related to any of its Australian customers. Give details of any financial or other arrangements (e.g. free goods, rebates, or promotional subsidies) with the customers in Australia (including parties representing either your firm or the customers).

Union is not related to [CONFIDENTIAL TEXT DELETED – identification of type of customers].

- (g) Details of the forward orders of the GUC (include quantities, values and scheduled shipping dates).

Please see Attachment 15 [CONFIDENTIAL] for a list of Union's orders for Australia which have not yet been shipped.

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

No. Export selling prices did not vary according to the distribution channel, and in any event there is only one "channel".

- B-4** Complete the spread sheet entitled '**Australian sales**' within the *Galvanised Steel and Aluminium Zinc Coated Steel Exporter Questionnaire – KOREA – accompanying spread sheet* provided alongside this questionnaire.

This spread sheet is to list **all** shipments (i.e. transaction by transaction) to Australia **of the GUC** (do not include non-GUC items) in the investigation period.

Provide the completed spread sheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

The below table provides information as to what is meant by each column heading within the spread sheet.

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Column heading	Explanation
Customer name	names of your customers
Level of trade	the level of trade of your customers in Australia
Model/grade/type	commercial model/grade or type
Product code	code used in your records for the model/grade/type identified. Explain the product codes in your submission.
Product type	identify the finish product of the Galvanised Steel and Aluminium Zinc Coated Steel sold
Invoice number	invoice number
Invoice date	invoice date
Date of sale	refer to the explanation at the beginning of this section. If you consider that a date <i>other than</i> the invoice date best establishes the material terms of sale, report that date. For example, order confirmation, contract, or purchase order date.
Order number	if applicable, show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale.
Shipping terms	Delivery terms e.g. CIF, C&F, FOB, DDP (in accordance with Incoterms)
Payment terms	agreed payment terms eg. 60 days=60 etc
Quantity	Quantity in units shown on the invoice. Show basis e.g. kg.
Gross invoice value	gross invoice value shown on invoice <i>in the currency of sale, excluding taxes.</i>
Discounts	if applicable, the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Rebates	The amount of any deferred rebates or allowances paid to the importer in the currency of sale.
Other charges	any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide a description.
Invoice currency	the currency used on the invoice
Exchange rate	Indicate the exchange rate used to convert the currency of the sale to the currency used in your accounting system
Net invoice value	the net invoice value expressed in your domestic currency as it is entered in your accounting system
Other discounts	The actual amount of discounts not deducted from the invoice. Show a separate column for each type of discount.
Ocean freight**	the actual amount of ocean freight incurred on each export shipment listed.
Marine insurance	Amount of marine insurance
FOB export price**	the free on board price at the port of shipment.
Packing*	Packing expenses

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Inland transportation costs*	inland transportation costs included in the selling price. For export sales this is the inland freight from factory to port in the country of export.
Handling, loading & ancillary expenses*	handling, loading & ancillary expenses. For example, terminal handling, export inspection, wharfage & other port charges, container tax, document fees & customs brokers fees, clearance fees, bank charges, letter of credit fees, & other ancillary charges incurred in the exporting country.
Warranty & guarantee expenses*	warranty & guarantee expenses
Technical assistance & other services*	expenses for after sale services, such as technical assistance or installation costs.
Commissions*	Commissions paid. If more than one type is paid insert additional columns of data. Indicate in your response to question B2 whether the commission is a pre or post exportation expense having regard to the date of sale.
Other factors*	any other costs, charges or expenses incurred in relation to the exports to Australia (include additional columns as required). See question B5.

Notes

** FOB export price and Ocean Freight:

FOB export price: An FOB export price must be calculated for each shipment - regardless of the shipping terms. FOB price includes inland transportation to the port of exportation, inland insurance, handling, and loading charges. It excludes post exportation expenses such as ocean freight and insurance. Use a formula to show the method of the calculation on each line of the export sales spread sheet.

Ocean freight: as ocean freight is a significant cost it is important that the actual amount of ocean freight incurred on each exportation be reported. If estimates must be made you must explain the reasons and set out the basis - estimates must reflect changes in freight rates over the investigation period.

Freight allocations must be checked for consistency.

All of these costs are further explained in section E-1.

Please refer to the spread sheet “Australian sales” at Attachment 11 – EQ spreadsheets [CONFIDENTIAL].

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

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“Bank charge” and “Credit expense” have been included as other factors in the Australian sales spread sheet.

- (a) **Bank charges – these are incurred when Union receives payment, and have been reported as a unit expense per ton (sample calculations of bank charges are provided in the export sales sample package at Attachments 12 [CONFIDENTIAL] and 13 [CONFIDENTIAL]).**
- (b) **Credit expense - please refer to E-1-3 below (sample calculations of credit expense are also provided in Attachments 12 [CONFIDENTIAL] and 13 [CONFIDENTIAL]).**

B-6 For each type of discount, rebate, or allowance offered on export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met by the importer to obtain the discount.

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

[CONFIDENTIAL TEXT DELETED – price basis for exports] exports of the GUC during the investigation period.

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

[CONFIDENTIAL TEXT DELETED – price basis for exports] exports of the GUC during the investigation period.

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

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

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Union did not make any sales under these delivery terms.

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

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

Customs and Border Protection will select additional shipments for payment verification at the time of the visit.

Please refer to Attachments 12 [CONFIDENTIAL] and 13 [CONFIDENTIAL].

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SECTION C – EXPORTED GOODS & LIKE GOODS

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

Specification details of all of the goods Union has exported to Australia during the investigation period are provided in Attachment 16 [CONFIDENTIAL].

Descriptions of Union’s product could be found in the brochure provided in Attachment 7.

- C-2** List each model/type of the good exported to Australia (these models should cover all models listed in spread sheet “**Australian Sales**” – See section B of this questionnaire).

Union has built-up product codes which contain eight factors: [CONFIDENTIAL TEXT DELETED – product characteristics]. These factors are the important dimensions for classification of Union’s goods.

The specific methodology for this coding is provided in Attachment 17 [CONFIDENTIAL]. Each export transaction has had the product code assigned to it in the “Australian sales” spread sheet in Attachment 11 – EQ spread sheets [CONFIDENTIAL].

- C-3** If you sell like goods on the domestic market, for each model/type that your company has exported to Australia during the investigation period, list the most comparable model(s) sold domestically and provide a detailed explanation of the differences where those goods sold domestically (ie. the like goods – see explanation in glossary) are not identical to the goods exported to Australia.

This should be done by completing the spread sheet entitled ‘**Like goods**’ within the *Galvanised Steel and Aluminium Zinc Coated Steel - Exporter Questionnaire – KOREA – accompanying spread sheet* provided alongside this questionnaire, detailing as follows:

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

Union has provided this spread sheet in Attachment 18 [CONFIDENTIAL].

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

Union has assigned the product codes, generated by the same methodology as used to code the exports, to each transaction of domestic sales in the "Domestic Sales" spread sheet in Attachment 11 – EQ spreadsheets [CONFIDENTIAL].

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SECTION D - DOMESTIC SALES

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

*All domestic sales of like goods to the GUC made during the investigation period must be listed transaction by transaction. If there is an extraordinarily large volume of sales data and you are unable to provide the complete listing electronically you **must** contact the Case Manager **before** completing the questionnaire.*

If the Case Manager agrees that it is not possible to obtain a complete listing he or she will consider a method for sampling that meets Customs and Border Protection requirements. If agreement cannot be reached as to the appropriate method Customs and Border Protection may not visit your company.

Customs and Border Protection will normally take the invoice date as being the date of sale in order to determine which sales fall within the investigation period.

*If, in response to question B4 (Sales to Australia, Export Price), you have reported that the date of sale is not the invoice date and you consider that this alternative date should be used when comparing domestic and export prices you **must** provide information on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

If you do not have any domestic sales of like goods you must contact the Case Manager who will explain the information Customs and Border Protection requires for determining a normal value using alternative methods.

D-1 Provide:

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

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

Union sells the merchandise concerned to [CONFIDENTIAL TEXT DELETED – types of customers and price basis]. A diagram of the distribution chain is provided in Attachment 19 [CONFIDENTIAL].

Union uses a delivery company, Intergis, for the delivery of the goods. The function of Intergis is only to transfer goods. Intergis does not take title. A contract with Intergis is presented in Attachment 20 [CONFIDENTIAL].

[CONFIDENTIAL TEXT DELETED – Union’s business arrangements with domestic market customers]

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

Prices of Union's products [CONFIDENTIAL TEXT DELETED –domestic pricing conventions].

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

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

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

Union receives notice of an intention to purchase from customers and negotiates the terms of sale; specification, price, and quantity of the product [CONFIDENTIAL TEXT DELETED – manner of business negotiation]. When a customer requirement is concluded, it is entered into Union's manufacturing order system. [CONFIDENTIAL TEXT DELETED – manner of recording sales in financial system].

Production is performed according to the manufacturing order ("MO") from the sales team in which production schedule and other details are described as requested by the customer.

As soon as production is completed, a shipping order is issued by the sales team to the manufacturing staff. When the goods are delivered to the customer, the shipping invoice is issued.

The sales team issues sales detail and tax invoice to the customer after shipment. Capital team is in charge of collections. In most cases payment for domestic sales is based on an open account system.

A domestic market sales flow chart is provided in Attachment 21 [CONFIDENTIAL].

[CONFIDENTIAL TEXT DELETED – details of price negotiation basis with customers].

- D-4** Complete the spread sheet entitled '**Domestic sales**' within the *Galvanised Steel and Aluminium Zinc Coated Steel Exporter Questionnaire – KOREA – accompanying spread sheet* provided alongside this questionnaire.

This spread sheet is to list **all domestic sales of like goods** (i.e. transaction by transaction) in the investigation period (do not include non-GUC items).

Provide the completed spread sheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

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The below table provides information as to what is meant by each column heading within the spread sheet.

Column Heading	Explanation
Customer name	names of your customers. If an English version of the name is not easily produced from your automated systems show a customer code number and in a separate table list each code and name.
Level of trade	the level of trade of your domestic customer
Model/grade/type	commercial model/grade or type
Product code	code used in your records for the model/grade/type identified. Explain the product codes in your submission.
Product Type	identify the finish product of the Galvanised Steel and Aluminium Zinc Coated Steel sold
Invoice number	invoice number
Invoice date	invoice date
Date of sale	refer to the explanation at the beginning of this section. If you consider that a date <i>other than</i> the invoice date best establishes the material terms of sale and should be used, report that date. For example, order confirmation, contract, or purchase order date.
Order number	show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale.
Delivery terms	e.g. ex factory, free on truck, delivered into store
Payment terms	payment terms agreed with the customer e.g. 60 days=60 etc
Quantity	quantity in units shown on the invoice e.g. kg.
Gross Invoice value	gross value shown on invoice <i>in the currency of sale</i> , net of taxes.
Discounts	the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Rebates	The amount of any deferred rebates or allowances paid to the importer in the currency of sale.
Net invoice value	the net invoice value expressed in your domestic currency as recorded in your accounting system
Other discounts	The actual amount of discounts not deducted from the invoice. Show a separate column for each type of discount.
Packing*	packing expenses
Inland transportation Costs*	amount of inland transportation costs included in the selling price.

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Handling, loading And ancillary Expenses*	handling, loading & ancillary expenses.
Warranty & Guarantee expenses*	warranty & guarantee expenses
Technical assistance & other services*	expenses for after sale services such as technical assistance or installation costs.
Commissions*	commissions paid. If more than one type is paid insert additional columns of data.
Other factors*	any other costs, charges or expenses incurred in relation to the domestic sales (include additional columns as required). See question D5.

Notes

Costs marked with * are explained in section E-2.

Please refer to the “Domestic sales” spread sheet in Attachment 11 – EQ spreadsheets [CONFIDENTIAL].

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

A column for “Credit expense” has been added as another factor in the “Domestic sales” spread sheet in Attachment 11 – EQ spreadsheets [CONFIDENTIAL].

For the specific explanation of credit expense, please refer to E-2-4 below. A sample calculation of credit expense is provided in the domestic sales sample packages at Attachments 22 [CONFIDENTIAL] and 23 [CONFIDENTIAL].

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

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

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

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

Not applicable.

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D-7 Select two domestic sales, in different quarters of the investigation period, that are at the same level of trade as the export sales.

Provide a complete set of documentation for those two sales. Include, for example:

- purchase order
- order acceptance
- commercial invoice
- discounts or rebates applicable
- credit/debit notes
- long or short term contract of sale
- inland freight contract
- bank documentation showing proof of payment

Customs and Border Protection will select additional sales for verification at the time of our visit.

Two sample packages of domestic sales are provided in Attachments 22 [CONFIDENTIAL] and 23 [CONFIDENTIAL].

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SECTION E - FAIR COMPARISON

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

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

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

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

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

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

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

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

E-1 COSTS ASSOCIATED WITH EXPORT SALES

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

1. Transportation

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

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Inland transportation costs related to export sales have been reported based on the actual expense incurred in KRW/ton.

Inland transportation costs related to export sales are located in the export expenses account of the general ledger.

Union delivers the goods to the port using only one delivery company, Intergis. Intergis' provides these services at competitive market rates.

2. Handling, loading and ancillary expenses

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

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

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

Handling and loading expenses are based on the actual incurred expenses in KRW per ton. These expenses are located in the export expense account of the general ledger.

3. Credit

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

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

Union reported the actual date of payment in the “Australian sales” spread sheet. Collection days were calculated as the period between the date of sale and the payment date. The calculation of the short-term interest rate is set out in Attachment 24 [CONFIDENTIAL].

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4. Packing costs

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

Unit packing cost has been calculated by product codes, based on Union's actual data of packing material and packing labour cost. Unit packing cost calculation is provided in Attachment 25 [CONFIDENTIAL].

5. Commissions

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

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

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

[CONFIDENTIAL TEXT DELETED – details of price basis for export sales]

6. Warranties, guarantees, and after sales services

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

[CONFIDENTIAL – information about warranty claims]

7. Other factors

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

No such other factors have been identified.

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8. Currency conversions

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

No such fluctuations have been identified.

E-2 COSTS ASSOCIATED WITH DOMESTIC SALES

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

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

1. Physical characteristics

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

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

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

All exported models to Australia have their own identical models in the domestic market based on the product codes, except for three models (210013331, 210323331, 210853341).

The differences between the GUC and the similar domestic models are set out in Attachment 18 [CONFIDENTIAL].

2. Import charges and indirect taxes

If exports to Australia:

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

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

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

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

In substantiating the drawback claim the following information is required:

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

Substitution drawback systems

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

If such a scheme operates in the country of export please provide **full** details about the operation of the scheme as well as providing the information requested above.

Not applicable.

3. Level of trade

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

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

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

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

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

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

This requires the following information:

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

or

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

No level adjustment has been identified.

4. Credit

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

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

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

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

The short term interest rate has been calculated by the “average of rates” method referred to above (by dividing the short-term interest expenses during the investigation period with the average of short-term borrowings). Average short-term borrowing is calculated by quarterly basis, because Union’s balancing is carried out at end of quarter. This calculation is provided in Attachment 24 [CONFIDENTIAL].

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

Where there is no fixed credit period agreed at the time of sale the period of credit is determined on the facts available. For example, where payment is made using an open account system,¹ the average credit period may be determined as follows:

1. Calculate an accounts receivable turnover ratio

This ratio equals the total credit sales divided by average accounts receivable. (It is a measure of how many times the average receivables balance is converted into cash during the year).

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

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

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

2. Calculate the average credit period

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

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

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

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

Union uses an open account system in its domestic account receivables collections. The account receivable turnover ratio and average credit period for each customer which purchased like goods during investigation period has been calculated in accordance with the above direction. A sample calculation of credit expense is provided in Attachments 22 [CONFIDENTIAL] and 23 [CONFIDENTIAL].

5. Transportation

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

Inland freight expenses have been reported on a transaction-specific basis. For the purpose of determining freight charges, all carriers use the weight of the sale as listed on the shipping invoice.

Shipment of Union’s home market sales are arranged by an affiliated freight forwarder “Intergis”. Union pays Intergis for domestic freight services in accordance with the applicable fee schedules. These schedules are based on a rate per ton by destination. Freight charges are incurred on a per ton basis by specific destination of delivery.

Transportation costs have been determined from the prevailing contractual arrangement. Translated copies of contract with Intergis and applicable freight fee schedules for its provision of freight services to Union during the investigation period are provided in Attachment 20 [CONFIDENTIAL]. Sample evidence of payment is provided in Attachments 22 [CONFIDENTIAL] and 23 [CONFIDENTIAL].

6. Handling, loading and ancillary expenses

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

Not applicable.

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7. Packing

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

Unit packing cost has been calculated by product codes, based on Union’s actual data of packing material and packing labour cost. Unit packing cost calculation is provided in Attachment 25 [CONFIDENTIAL].

8. Commissions

For any commissions paid in relation to the domestic sales:

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

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

[CONFIDENTIAL TEXT DELETED – price basis for domestic sales]

9. Warranties, guarantees, and after sales services

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

Not applicable. Union has some small warranty expenses but it is not presently considered to be relevant to attempt to link the expense to specific products or sales.

10. Other factors

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

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

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- *bad debt.*

Union has not identified any other factors at this time, but reserves the right to present any appropriate items for verification should they be identified.

E-3 DUPLICATION

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

For example:

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

Separate adjustment items must avoid duplication.

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

No duplication has been identified in the data as presented.

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SECTION F - EXPORT SALES TO COUNTRIES OTHER THAN AUSTRALIA

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

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

F-1 Complete the spread sheet entitled '**Third country sales**' within the *Galvanised Steel and Aluminium Zinc Coated Steel Questionnaire – KOREA – accompanying spread sheet* provided alongside this questionnaire.

This spread sheet is to list **all export sales of like goods** (i.e. transaction by transaction) to countries other than Australia in the investigation period (do not include non-GUC items).

Provide the completed spread sheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

The below table provides information as to what is meant by each column heading within the spread sheet.

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

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Please refer to the “Third country sales” spread sheet in Attachment 11 – EQ spreadsheets [CONFIDENTIAL].

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

Export sales to Australia and to third countries are affected by the different market conditions and factors applying to each such market. [CONFIDENTIAL TEXT DELETED – comparisons of prices to export markets]

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SECTION G - COSTING INFORMATION AND CONSTRUCTED VALUE

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

- *testing the profitability of sales of like goods on the domestic market;*
- *determining a constructed normal value of the GUC – i.e. of the goods exported to Australia; and*
- *making certain adjustments to the normal value.*

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

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

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

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

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

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

G-1 PRODUCTION PROCESS AND CAPACITY

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

A flowchart of the manufacturing process is provided at Attachment 26 [CONFIDENTIAL].

Union's factories were located in Busan and Giheung. The Busan factory is the only facility involved in the manufacture of the GUC. [CONFIDENTIAL TEXT DELETED – information about production at other factory]

Union's Busan factory produces the following products:

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[CONFIDENTIAL TEXT DELETED – full list of types of products manufactured at this location]

Under an outsourcing contract with Union, Unico produced the following subject merchandise during the POI at Union's Giheung factory:

[CONFIDENTIAL TEXT DELETED – list of tolling products]

Neither Union's Busan factory nor its Giheung factory produce by-products or co-products as a result of the production of the subject merchandise, although both produce scrap. [CONFIDENTIAL TEXT DELETED – details of production at other factory]

2. Complete the spread sheet entitled '**Production**' within the *Galvanised Steel and Aluminium Zinc Coated Steel Exporter Questionnaire – KOREA – accompanying spread sheet* provided alongside this questionnaire.

Provide the completed spread sheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

Please see "Production" spread sheet at Attachment 11 – EQ spreadsheets [CONFIDENTIAL].

Union's manufacturing processes are based on continuous production lines. Thus, the capacity of F/G (finished goods) is determined by the final process.

[CONFIDENTIAL TEXT DELETED – internal factory production layout and systems]

The formula used in the spread sheet is as follows.

$$\text{Capacity utilisation (\%)} = \frac{\text{Total hot-dipped galvanized steel product (Finished goods)}}{\text{Sum of [CONFIDENTIAL TEXT DELETED] galvanized lines capacity}}$$

G-2. COST ACCOUNTING PRACTICES

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

An outline of Union's cost (management) accounting system is provided at Attachment 27 [CONFIDENTIAL].

Union has maintained its cost accounting system based on actual cost, and it can be reconciled to its audited financial statements. Union's cost accounting system is an integral part of its accounting system used to prepare normal financial statements by providing a measure, in accordance with Korean GAAP and K-IFRS, of the cost of sales,

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inventory, etc.

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

Not applicable. Union's cost accounting system is maintained on an actual basis, and standard or budgeted cost system is not used.

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

Not applicable. There was no significant or unusual cost variance during the investigation period.

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

Union does not divide cost accounting system into sector by profit centre. The cost of each production line is calculated and allocated into the production line concerned.

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

Union uses a process accounting system, and not a standard or budget accounting system. A flowcharts illustrating Union's cost reporting is included in Attachment 27 [CONFIDENTIAL].

Union's accounting system is structured so that all costs incurred at its production facilities including periodic costs are recorded as production costs. Costs incurred in the selling divisions, administration and other corporate departments are classified as selling, general and administrative expenses. All of the aggregated costs are allocated into each MO (Manufacturing Order). Cost of the GUC by product code is calculated by the sum of the MOs.

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

As already mentioned above, production cost has been calculated on an MO basis. Each MO is the relevant unit for manufacturing and cost allocation (costs are allocated to each MO's product specifically).

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

Not applicable. Union does not maintain a separate cost accounting system, and thus has not valued any costs differently for cost and financial accounting purposes.

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

Not applicable. Union did not engage in any start-up production operations for the GUC during the investigation period which would provide the basis for a start-up adjustment.

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

Not applicable.

G-3 COST TO MAKE AND SELL ON DOMESTIC MARKET

This information is relevant to testing whether domestic sales are in the ordinary course of trade.²

1. Complete the spread sheet entitled '**Domestic CTMS**' within *the Galvanised Steel and Aluminium Zinc Coated Steel Exporter Questionnaire – KOREA – accompanying spread sheet* provided alongside this questionnaire.

Provide the completed spread sheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

In doing so, provide the actual unit cost to make and sell each model/type (identified in Section C) of the like goods sold on the domestic market.

Provide this cost data for each quarter over the investigation period. If your company calculates costs monthly, provide monthly costs.

Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

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

Please specify unit of currency.

² Customs and Border Protection applies the tests set out in s.269TAAD of the *Customs Act 1901* to determine whether goods are in ordinary course of trade. These provisions reflect the WTO Anti-Dumping Agreement – see Article 2.2.1.

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Monthly periods have been used in the spread sheet entitled “Domestic CTMS” at Attachment 11 – EQ spreadsheets [CONFIDENTIAL]. Basically, cost to make is allocated by specification of product and cost to sell is allocated by sales quantity. Domestic CTMS provides a summary of production cost of GUC by given formula. The monthly actual unit costs to make and sell of each product code are provided in Attachment 28 [CONFIDENTIAL]. Unit cost to sell is calculated by allocating the total expenses which occurred during the year.

G-4 COST TO MAKE AND SELL GOODS UNDER CONSIDERATION (GOODS EXPORTED TO AUSTRALIA)

Complete the spread sheet entitled ‘**Australian CTMS**’ within the *Galvanised Steel and Aluminium Zinc Coated Steel Exporter Questionnaire – KOREA – accompanying spread sheet* provided alongside this questionnaire.

Provide the completed spread sheet in electronic format on CD-ROM (or via email) with your response. If formulas are used to calculate the field within this sheet, please ensure they remain included in the submitted version.

In doing so, provide the actual unit cost to make and sell each model/type (identified in Section C) of the like goods sold on the domestic market.

Provide this cost data for each quarter over the investigation period. If your company calculates costs monthly, provide monthly costs.

Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

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

Please specify unit of currency.

Monthly periods have been used in the spread sheet entitled “Australian CTMS” at Attachment 11 – EQ spreadsheets [CONFIDENTIAL]. Basically, cost to make is allocated by specification of product and cost to sell is allocated by sales quantity. Domestic CTMS provides a summary of production cost of GUC by given formula. The monthly actual unit costs to make and sell of each product code are provided in Attachment 28 [CONFIDENTIAL]. Unit cost to sell is calculated by allocating the total expenses which occurred during the year.

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

G-5 Where there are cost differences between goods sold to the domestic market and those sold for export, give reasons and supporting evidence for these differences.

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Where product specifications are the same as between product sold on the domestic market and for export, the cost of goods (production cost, “total cost to make”) will be the same. There is no reason to apply different cost calculation between goods for domestic market and export market. However, in “cost to sell”, there are some differences in unit selling, administration, delivery and other costs.

- G-6** Give details and an explanation of any significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system. Reference should be made to any differences arising from movements in inventory levels and variances arising under standard costing methods.

For providing more accurate unit cost calculation, scrap deduction and monthly adjustment of material cost are reflected to COM (cost of manufacturing). However ending balance of movement in inventory is not affected.

As there are no differences in packing cost calculation, Union provides unit packing cost calculation in Attachment 25 [CONFIDENTIAL]. Packing cost is not a production cost, but is a kind of selling expense. However, Union calculated packing cost by actual cost of packing line and normally determined cost of goods includes packing cost. Packing cost should be excluded from production cost and recalculated unit packing cost by packing codes. Based on unit packing cost, packing costs by invoice are reported in the spread sheets of “Australian sales” and “Domestic sales” in Attachment 11 [CONFIDENTIAL].

- G-7** In calculating the unit cost to make and sell, provide an explanation if the allocation method used (e.g. number, or weight etc) to determine the unit cost differs from the prior practice of your company.

Not applicable. The unit cost determination method was maintained during the investigation period.

- G-8** List major raw material costs, which individually account for 10% or more of the total production cost.

For these major inputs:

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

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

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

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

If the major input is purchased or supplied from an integrated production process you should provide detailed information on the full costs of production of that input.

The major inputs and the primary raw materials used to produce the subject merchandise are hot-rolled carbon steel coil and galvanizing (zinc) materials (zinc/aluminium).

The portion of raw material in the total production cost is provided at Attachment 29 [CONFIDENTIAL]. The quantity and value of purchases of the inputs used in producing the GUC during the investigation period is provided in Attachment 30 [CONFIDENTIAL]. [CONFIDENTIAL TEXT DELETED – internal accounting methods]

With the exception of hot-rolled carbon steel, all material inputs used for Union's production were purchased from unaffiliated parties. Electricity, water, gas, and oil used at Union's production facility were all purchased from unaffiliated parties. All machinery and equipment used by Union were purchased from unaffiliated parties.

Among the hot-rolled coil suppliers to Union there are [CONFIDENTIAL TEXT DELETED – names of affiliated suppliers].

[CONFIDENTIAL TEXT DELETED – details of affiliated suppliers]

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SECTION I - CHECKLIST

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

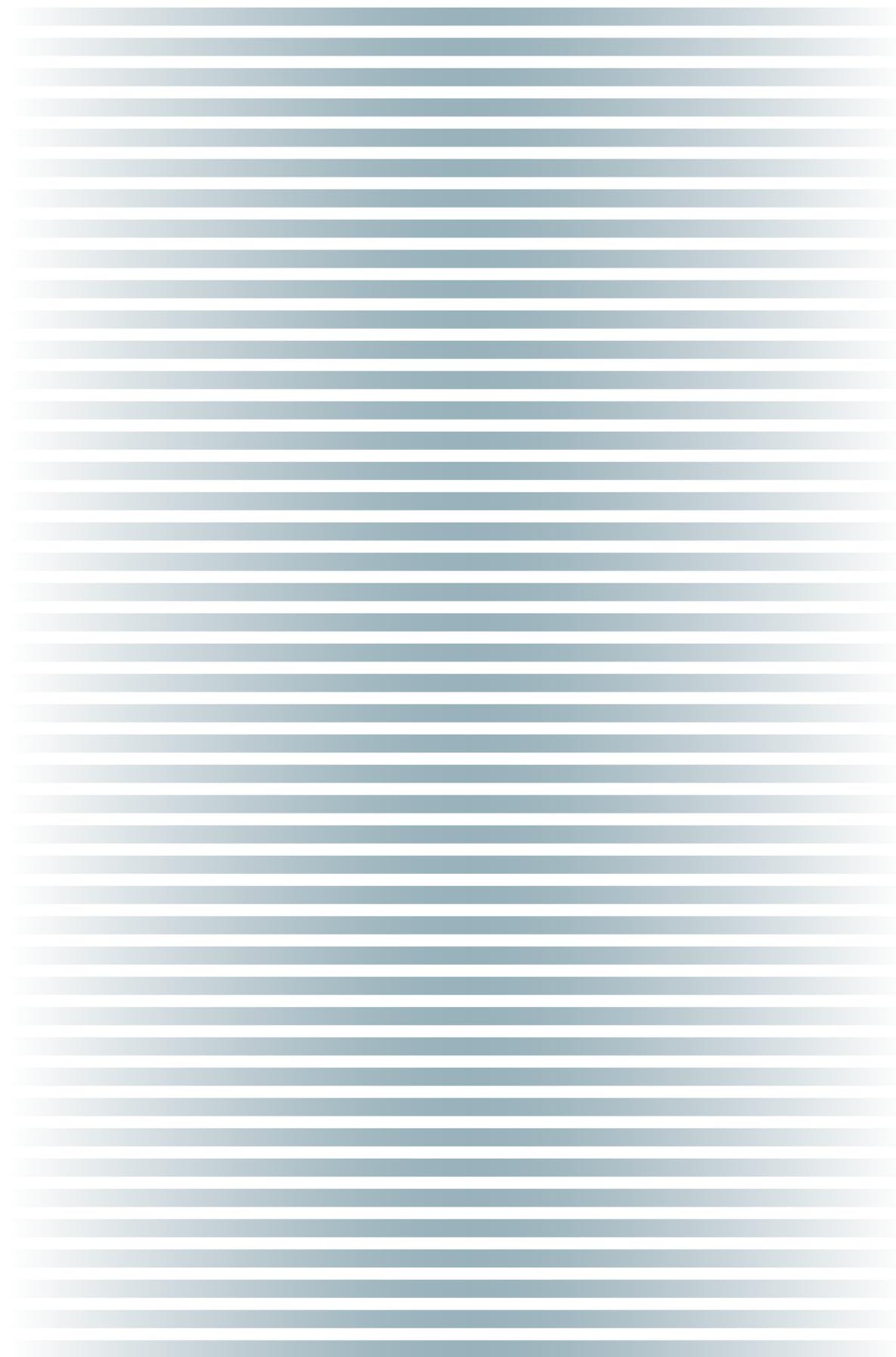
Section	Please tick if you have responded to all questions
Section A – general information	<input checked="" type="checkbox"/>
Section B – export price	<input checked="" type="checkbox"/>
Section C – like goods	<input checked="" type="checkbox"/>
Section D – domestic price	<input checked="" type="checkbox"/>
Section E – fair comparison	<input checked="" type="checkbox"/>
Section F – exports to third countries	<input checked="" type="checkbox"/>
Section G – costing information	<input checked="" type="checkbox"/>
Section H – declaration	<input checked="" type="checkbox"/>

Electronic Data	Please tick if you have provided spread sheet
INCOME STATEMENT	<input checked="" type="checkbox"/>
TURNOVER – sales summary	<input checked="" type="checkbox"/>
AUSTRALIAN SALES – list of sales to Australia	<input checked="" type="checkbox"/>
DOMESTIC SALES – list of all domestic sales of like goods	<input checked="" type="checkbox"/>
THIRD COUNTRY – third country sales	<input checked="" type="checkbox"/>
PRODUCTION – production figures	<input checked="" type="checkbox"/>
DOMESTIC COSTS – costs of goods sold domestically	<input checked="" type="checkbox"/>
AUSTRALIAN COSTS – costs of goods sold to Australia	<input checked="" type="checkbox"/>

Union's Board of Directors, Managing Director

(As of December 31, 2011)

Name	Position	Member of Chang Family	Holds Position in Another Dongkuk Group Company
Chang, Sae Joo	Chairman	Yes	Yes
Chang, Sae Wook	President	Yes	Yes
Chae, Ju Pyo	Vice President		
Jung, Kwang Yong	Senior Managing Director		Yes
Yang, Sam Seung	Outside Director		
Min, Seung Gi	Outside Director		
Lee, Yong Soo	Senior Managing Director		
Son, Gu Yeol	Managing Director		
Roh, Yang Jun	Managing Director		Yes
Kim, Suk Jin	Managing Director		
Son, Ho	Director		Yes
Wu, Nam Chul	Director		
Kim, Gap Tae	Director		
Choi, Jong Chul	Director		
Lee, Min Jae	Director		
Yim, Dong Kyu	Director		Yes
Kim, Sang yeop			



Beautiful
Finish

www.unionsteel.co.kr // www.eunionsteel.com

Company Introduction

1962년 설립된 유니온스틸은 동국제강그룹의 계열사로서 50여 년간 우리나라를 대표하는 냉연강판 전문업체로 전 세계에서 그 기술력을 인정받고 있습니다.

유니온스틸 부산공장에서는 국내 최초로 냉연강판 생산을 시작으로 전기아연도금강판, 갈바륨 강판을 국내 최초로 생산하였으며, 세계 최초로 갈바륨 전용살비를 도입하여 세계 최고의 갈바륨 생산 기술력을 보유하고 있습니다.

또한 국·내외 가전제품 및 건축 내·외장재로 사용되는 최고 품질의 세련되고 아름다운 컬러강판을 생산하고 있습니다.

Union Steel was established in 1962 as an affiliate of the Dongkuk Steel Group. Since then, it has taken the lead in Korea's steel industry, producing cold-rolled steel, galvanized steel, Galvalume (GL) steel, pre-painted steel, and high-performance steel. Its technological prowess and constant R&D have resulted in the introduction of a multitude of new, high-quality products. Today, the company is primed to become a world leader in the field of surface-treated steel, having recently completed the construction of new facilities and the Pickling Line and Tandem Cold Mill (PL-TCM). With its belief in open and ethical management, it is contributing to the growth of the national economy while helping to create a more beautiful world. In the future, Union Steel will continue heightening its enterprise value through continuous management innovations that will turn it into a "world's best" steel company.

Union Steel: Korea's best and most highly functional surface-treated steel company

Innovation for the Future >>

Endlessly Challenging >>

Ceaselessly Developing

Beautiful Finish



Beautiful Finish UNION STEEL

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Inspiring Innovations

“Global No. 1 Color Coating Company” 최첨단 설비 구축으로 이뤄집니다

유니온스틸은 2007년 8월 냉연강판 핵심설비인 연속산세압연설비(PLTCM)와 2009년 최신훈용융아연도금설비 No. 5 CGL 및 착색도장설비인 No. 5 CCL 설비 준공으로 연간 200만 톤의 냉연도금강판 및 칼라강판 생산체제를 완벽하게 갖춘 글로벌 철강 전문기업입니다. 유니온스틸은 도금제품을 기반으로 고부가가치 칼라제품의 양적·질적 성장을 실현하여 2015년 매출액 3조 원 달성을 목표로 하여 Global No. 1 Color Coating Company로 자리매김 할 것입니다.

Becoming a “Global No. 1 Color Coating Company” steel company through the construction of leading-edge facilities

Union Steel's Pickling Line and Tandem Cold Mill (PL-TCM), a core cold-rolling production facility with an annual capacity of 1.65 million tons, was completed in August 2007. It cost KRW 300.0 billion and took two years to complete. It gives the company a global production system for cold-rolled steel with an overall capacity of 2.0 million tons. We are committed to earning the public's trust, developing long-term, “win-win” operational strategies, and coping with change through state-of-the-art facilities. This will allow us to become a competitive, world-class, surface treatment-specialized company.

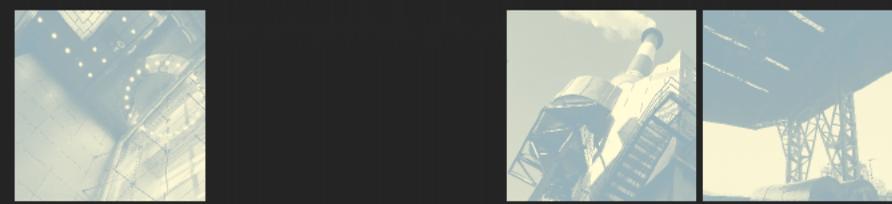


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Challenges for Growth

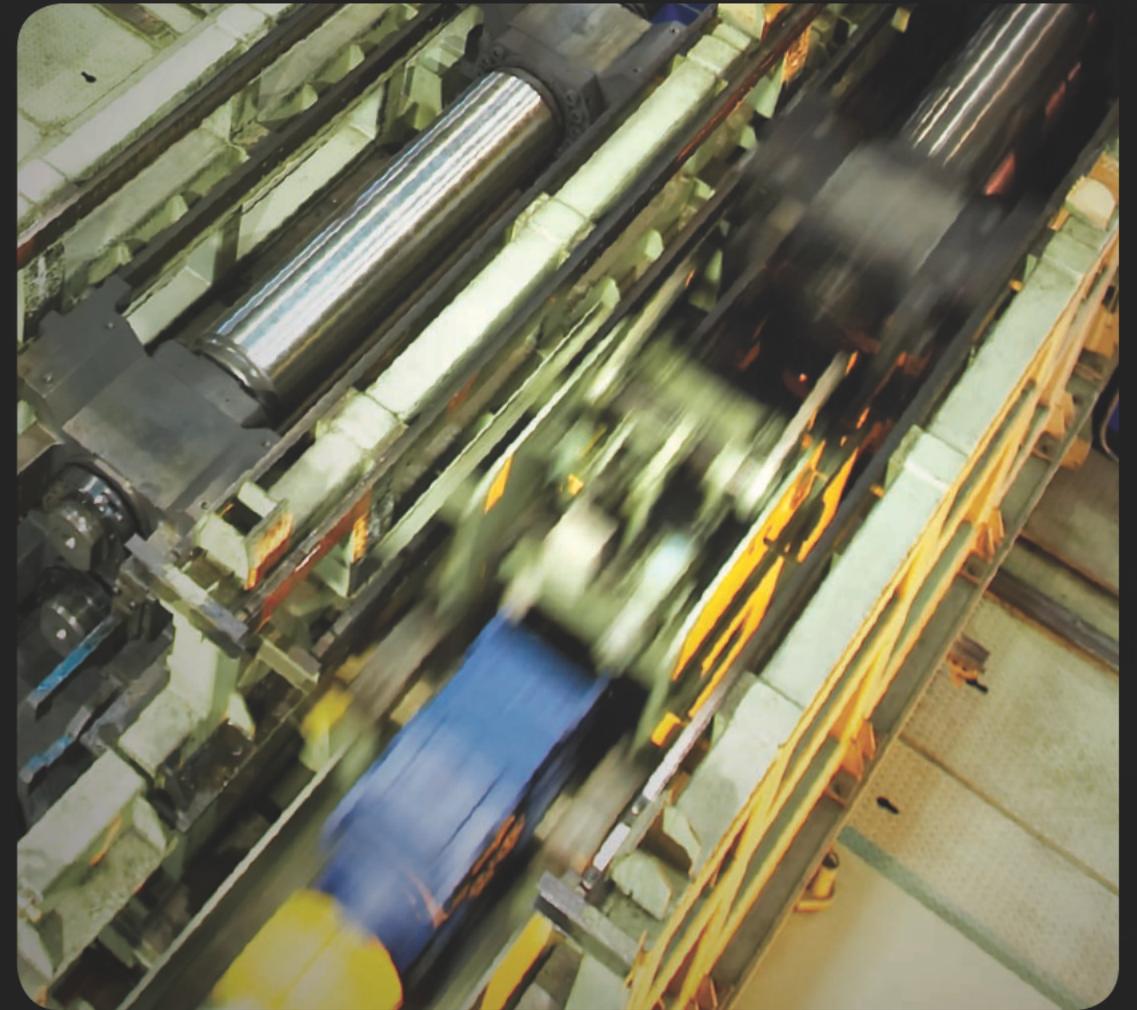


더 큰 세상을 향한 유니온스틸의 도전은 계속됩니다

유니온스틸은 창사 이래 국내 철강수요를 충족시키는 물론 해외시장 개척에도 적극적으로 힘써 온 결과 1974년 국내 최초로 수출 1억불을 달성하였고, 2010년에는 수출 6억불을 달성했습니다. 1997년 중국 무석시에 무석장강유한박판공사를 설립하였고, 2001년 강음시에 유니온스틸 차이나를 설립하여 거대한 중국 대륙 곳곳에 유니온스틸 제품을 공급하고 있습니다. 2008년에는 멕시코 코일센터를 설립하여 미주지역 가전용 표면처리강판 가공 및 공급 서비스를 확대하여 LG, 삼성, 월풀 등 세계 유수의 가전사에 공급하고 있습니다.

Facing all challenges to create a better world

Ever since its establishment, Union Steel has focused on meeting Korea's steel needs and proactively seeking out overseas markets. We have always been heavily involved in offshore operations; for example, we had exports worth USD 0.1 billion in 1974 and saw that figure balloon to USD 0.6 billion in 2010. We are continually busy tapping new markets. In China, we have been operating Wuxi Changjiang Metal (in Wuxi City) and Union Steel China (in Jiangyin City) since 1997 and 2001, respectively. In 2008, we completed a steel service center in Mexico called Union Steel Mexico (USM), with an annual processing capacity of 100,000 tons.



Passion with Creativity

멈추지 않는 열정으로 창의적인 신제품을 개발합니다

유니온스틸은 지식소유권 등록을 통해 지식 자산을 보호하며, 기술연구소 전문 연구원들의 창의적 신제품 개발로 국내 철강기술을 선진국 수준으로 향상시키는데 일조하고 있습니다. 유니온스틸은 앞으로도 표면처리 분야에서 최고 기술을 확보하고 미래지향적 연구 성과를 도출하기 위해 최선을 다할 것입니다.

A zest for developing creative new products

Union Steel is contributing to the advancement of steel technologies in Korea by developing creative new products and protecting our knowledge assets through leading-edge technologies and engaging in future-oriented research.



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열정과 도전은 유니온스틸이 추구하는 인재의 모습입니다

유니온스틸은 기업과 개인, 나아가 사회와 더불어 성장하는 사람 중심의 경영철학을 추구하며 평등한 기회, 공정한 평가, 서로 존중하는 기업문화를 조성하고 최고의 전문가와 리더의 육성을 지원하고 있습니다. The First(최초), The One(함께), The Best(최고), The Right(정도)의 "Wise People" 정신으로 Dynamic Knowledge를 끊임없이 실천하는 인재를 추구하며, 학습하는 창조인, 책임 있는 전문가, 함께하는 나눔인, 도전하는 미래인을 지향합니다.

Our human resources: passionate, pioneering people

Union Steel's management philosophy is that a company, a people, and a society should all grow together. That's why we're creating a corporate culture that's based on equal opportunities, fair evaluations, and mutual respect; that's why we only hire the best of the best. At Union Steel, our human resources must be dynamic, hard-working, and passionate about working and learning. Only those who are creative, responsible, sharing and forward-looking work here.

People Creating Value



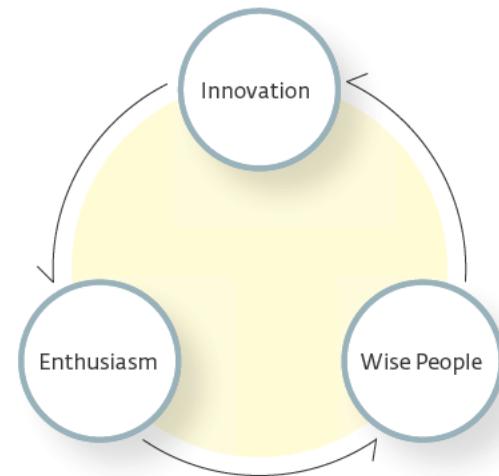
Vision

World's Best Steel Producer

Mission

Change & Growth

Core Values



기업가치 창조 및 발전을 위하여 내부적 변화에 의한 기존사업의 경쟁력을 강화하고 신사업영역 개발을 통한 미래성장을 이룩한다.

Union Steel will enhance its competitiveness through internal changes and achieve future growth by exploring new business areas for sustainability and value creation.

최고의 제품과 서비스를 제공하여 고객, 주주, 구성원의 가치를 창조하고 생활과 문화 발전에 기여한다.

Union Steel will be devoted to value creation for customers, shareholders and employees and contribute to the advancement of life and culture by delivering top-notch products and services.

A "World's Best" Steel Producer

철이 표현하는 더 완벽하고 아름다운 세상을 위해,
끊임없는 혁신과 뜨거운 열정으로 세계 최고에 도전하겠습니다.

To help create a better and more beautiful world, we will continue facing the future with constant innovations and a passion for change and challenge.

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“Global No. 1 Color Coating Company”

세계 최고의 고부가가치 칼라강판 전문기업으로의
가치를 높이기 위한

유니온스틸의 노력은 계속될 것입니다

유니온스틸은 동국제강그룹의 일원으로 1962년 국내 최초로 냉연강판을 생산한 이래 지난 50여년간 국내 철강산업을 이끌어온 업계 리더입니다. • 최신에 설비인 PLTCM과 No. 5 CGL · No. 5 CCL은 유니온스틸만이 가지고 있는 최고의 기술력과 최신 설비가 결합하여 미려하고, 아름다운 세계 최고의 도금 · 칼라강판을 생산하고 있습니다. • 유니온스틸은 도금강판을 기반으로 고부가가치 칼라강판의 양적 · 질적 성장을 통해 세계 최고의 칼라강판 전문업체가 되고자 하는 꿈을 키우고 있습니다. • 경쟁력 있는 제품 개발을 통해 국내외 시장 지배력을 강화시키고, 신흥국 중심의 글로벌 영업망을 구축하여 Global No. 1 Color Coating Company를 당당히 이루어 낼 것입니다. • 세계 속에 고기능성 철강 전문기업으로서의 가치를 높이기 위한 유니온스틸의 노력은 계속될 것입니다. 감사합니다.

Established in 1962, Union Steel was the first Korean company to begin producing cold-rolled steel. Since then, we have been continuously launching such new products as galvanized steel, Galvalume steel, and pre-painted steel. • With the completion of the Pickling Line and Tandem Cold Mill (PL-TCM) in August 2007, we have built the world's most advanced production system to continue our focus on high-performance, surface-treated steel. In addition, we are preemptively expanding markets and developing new ones to take full-scale advantage of our annual production capacity of 2 million tons. Finally, we are continuously investing in state-of-the-art facilities for surface-treated steel such as the color coating line (CCL) and continuous galvanizing line (CGL). • Union Steel is committed to creating value through a fully transparent corporate culture and long term growth with its customers. We believe in ethical management practices that are rooted in "best-practice" rules and principles. Just as importantly, we will contribute to the nation's economic and cultural development by participating in corporate social contribution activities and taking responsibility for the environment that we live in through green management.

Thank you.

유니온스틸 대표이사 사장 장 세 욱
President & CEO Sae-Wook Chang

냉연강판

Cold-Rolled Steel

냉간압연강판은 Hot-Coil을 상온에서 40% 이상의 압하율로 냉간압연한 제품으로, 소둔 및 조질공정을 거쳐 우수한 가공성과 균일한 평탄도를 지닌 제품입니다. • 높은 가공성을 바탕으로 아연도강판, 컬러강판의 원자재로 사용되기도 하며, 자동차, 전자제품의 소재로 사용됩니다.

Cold-rolled steel is manufactured by cold-rolling hot coils at ordinary temperatures and then applying over 40% reduction ratios; it then goes through annealing and thermal refining processes that result in excellent workability and even flatness levels. It is primarily used for automobiles, electronics as a raw material and the substrate of galvanized steel and pre-painted steel.



전기아연도금강판은 아연(Zn)이 녹은 전해액을 사용, 냉간압연강판에 전류를 통전시켜 아연도금을 한 제품으로 도금시 열적 영향을 받지 않아 소재의 기계적 성질을 그대로 유지할 수 있습니다. • 또한 용융도금강판에 비해 도금 부착량이 적고 균일해서 용접성과 내식성이 뛰어나며, 기능성 후처리 추가로 도장성이 우수한 제품입니다.

EGI is manufactured by applying electrical currents to cold-rolled steel, using electrolytes containing Zn and then galvanizing them. It maintains the mechanical properties of the original materials intact, because it is not affected by heat at the time of plating. In addition, it features a lower and more uniform coating weight than hot-dipped galvanized steel, resulting in excellent weldability and corrosion resistance. Finally, it also boasts outstanding paintability.

용융아연도금강판은 냉간압연된 제품을 용융아연 욕조에 담궈 아연 피막을 입힌 제품으로, 자기 희생방식의 특성을 갖는 아연의 영향으로 뛰어난 내식성을 가지며 그 외 도장성·가공성의 특징을 가지고 있습니다. • 1972년 국내 최초 연속도금라인의 설치 이후, 현재 3개 Line의 설비를 보유하고 있는 유니온스틸은 건축자재를 비롯하여 가전제품 등에 널리 공급하며 탁월한 기술력을 인정받고 있습니다.

Hot-dipped galvanized steel is processed by dipping cold-rolled products into a hot-dip galvanized bath and then coating it with zinc. The zinc's "sacrificial anodes," result in excellent paintability and workability and extraordinary corrosion resistance. In 1972, Union Steel became the first Korean company to install a continuous plating line; currently, we have three. This product is widely used in home appliances and building materials.



아연도금강판

EGI Electrolytic Galvanized Steel

전기아연도금강판

GI Hot-Dipped Galvanized Steel

용융아연도금강판

아연도금강판

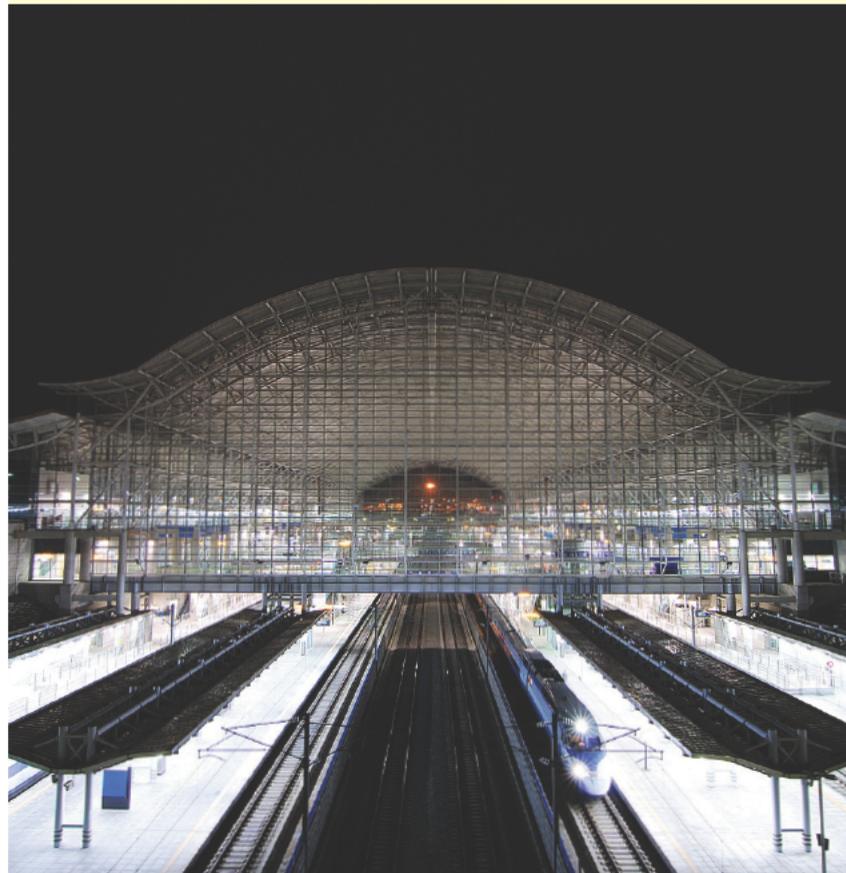
전기아연도금강판 | Electrolytic Galvanized Steel
용융아연도금강판 | Hot dipped Galvanized Steel
갈바륨강판 | Galvalume Steel (Aluminum Zinc Alloy Coated Steel)
합금화용융아연도금강판 | Galva annealed Steel

갈바륨강판은 알루미늄 도금 강판과 아연 도금 강판의 양쪽 특성을 결합시킨 제품으로, 알루미늄 55.0%, 아연 43.4%, 실리콘 1.6%로 이루어진 용탕에 강판을 통과시켜 생산합니다. • 13년간 각종 대기 환경하에서 시험한 결과, 알루미늄 도금강판의 내구성·내열성 및 열반사성과, 아연도금이 지니는 희생방식의 효과를 동시에 지니고 있어서 아연도금강판보다 내식성이 2~3배 가량 우수합니다. • 건축 내·외장재, 농업시설, 산업기구, 전기기기, 수송기기 등에 광범위하게 사용할 수 있으며, 표면처리강판 중 가장 경제성이 높은 제품으로 손꼽을 수 있습니다.

Galvalume steel combines the best features of aluminum-coated steel and galvanized steel. It is made by passing steel through a molten metal consisting of aluminum (55.0%), zinc (43.4%), and silicon (1.6%). Because it combines the durability, thermal resistance, and heat reflexivity of aluminum-coated steel with the "sacrificial anodes" of galvanized steel it is 2-3 times more resistant to corrosion than galvanized steel. This product is used extensively for building interiors and exteriors, agricultural facilities, and industrial, electrical, and transportation equipment. In addition, it boasts the highest economic efficiency of all surface-treated steel.

G/L Galvalume Steel

갈바륨강판



국내 최초로 컬러강판을 생산한 유니온스틸은 다양한 컬러와 창조적인 무늬의 제품을 공급함으로써 아름다운 철강 문화를 만들어 나가고 있습니다. • 유니온스틸의 컬러강판은 기존의 맛있는 2차원적 이미지에서 벗어나 도금제품의 표면에 엠보(Emboss) 처리, 꽃 무늬, 아라베스크(당초무늬) 등 다양한 디자인과 기능을 제공합니다. 특히 건물 외장재, 실내 인테리어 및 가전제품 소재, 각종 door 등에서 보다 세련되고 고급스러운 이미지를 보여줌으로써 국내는 물론 해외에서도 널리 사용되고 있습니다. • 컬러강판은 수요가 원하는 여러가지 형태로 가공하여 제품화할 수 있으며, 대량생산뿐만 아니라 다품종 소량 생산도 가능합니다. • 또한 처리에 따라 색상·광택·입체감 등을 나타낼 수 있으며, 방습과 방수·방청·방음·내유 기능 및 내열·전기절연 등 특수 성능을 가지고 있습니다. 유니온스틸 가전용 컬러강판은 2010년 지식경제부 선정된 세계일류상품입니다.

Union Steel was the first Korean company to manufacture and sell pre-painted steel and has been supplying its products to happy customers in a full range of colors, patterns, and designs ever since. The company's pre-painted steel is mainly used for building exteriors and interiors, home appliances, and doors. Sophisticated, luxurious, and a world away from the bland and two-dimensional products we had become used to, they include embossed, floral, and arabesque patterns. All our products can be custom-tailored to a customer's wishes, in large or small batches and a full range of colors, glosses, and three-dimensional effects. They are highly resistant to water, moisture, corrosion, and oil, and boast astounding electrical and sound insulation properties.



컬러 강판

폴리에스터수지강판 | Regular Modified Polyester Coated Steel (RMP)
실리콘수지강판 | Silicone Modified Polyester Coated Steel (SMP)
플소수지강판 | PVDF Coated Steel
하이폴리머수지강판(고 내후성 강판) | High Polymer Polyester Coated Steel (HPP)
편면 엠보스강판 | Embossed Color Steel
양면 엠보스강판 | Both side Embossed Steel
화이트보드 & 그린보드강판 | White Board & Green Board Steel
프린트강판 | Printed Steel
유니베스크강판 | Uni besque Steel
마블톤강판 | Marble Tone Steel
유니스톤 | UNISTONE Steel
항균 대전방지강판 | ANTI STATIC Steel
스크린스틸강판 | SCREEN STEEL
헤어라인 | HAIR LINE STEEL
컬러룸 | COLORLUME

Pre-Painted Steel



지역사회와 함께

중요로운 미래를

만들어 갑니다

Creating a better and more affluent tomorrow



유니온스틸은 1사 1교 자매결연을 통해 불우 학생 급식 및 장학금 지원과 도서 확충, 체육시설 지원, 기타 시설 보수를 비롯한 교육환경 개선사업에 힘쓰고 있습니다. • 또한 1사 1촌 자매결연을 통해 농번기 알손 돕기 및 우리 농·축·어산물 소비 촉진, 지역 환경보호 활동, 마을 주민 초청 공장 견학 등 지속적인 교류사업을 추진해 나가고 있습니다. • 이외에도 사랑의 쌀 나누기, 사랑의 연탄 배달 등 다양한 사회 공헌활동을 통해 지역사회를 실천하고 있습니다.

Union Steel is committed to improving the educational environment. Our efforts in this regard include supporting school meals and scholarships for students in need, supplying books, and assisting with sports facilities and other facility repairs through a "one company-one school" partnership campaign. Meanwhile, our "one company-one village" partnership campaigns provide helping hands during busy farming seasons, promote the use of Korean agricultural, livestock, and marine products, contribute towards regional environmental protection activities, and bring people living in nearby villages to visit our factories. Some of our other helping activities include sharing rice with and delivering charcoal briquettes to the underprivileged.

A company that cares for people and the environment

유니온스틸은 1997년 환경경영시스템(ISO14001)을 구축·시행하면서 부산공장의 전체 사용 연료를 청정연료인 LNG로 전환하였고, 각종 오염 질감 설비를 설치하여 대기 및 수질오염 물질을 크게 감소시켰습니다. • 또한 1992년부터 현재까지 '1사 1바다 가꾸기 운동'을 통해 해양오염물 수거에 앞장서고 있으며, 자율청결봉사대를 구성하여 '내 직장 앞 깨끗이 청소하기' 운동을 펼치고 있습니다. 이외에도 지역 환경보호단체를 적극 지원하며 환경을 먼저 생각하는 기업문화를 만들어 나가고 있습니다.

In 1997, Union Steel replaced the fuel for its entire Busan Plant with LNG clean fuel and built an ISO 14001 environmental management system. We have also sharply curtailed the production of air and water pollutants by installing a host of pollution reduction facilities. Since 1992, we have been taking the initiative in the collection of sea pollutants through our "one company-one sea cultivation campaign." We also operate another campaign to clean up "the neighborhood of my workplace." Finally, we actively support any and all regional environment groups, and are committed to creating a corporate culture that considers the needs of the environment first of all.



환경과 인류를

먼저 생각하는

기업이 되겠습니다



1962. 12. 10	회사설립	Company founded
1967. 09. 29	부산공장 준공(연산 10만 톤 규모)	Completed Busan Cold Rolling Mill (100,000tpy production capacity)
1972. 07. 13	KSD 3306, KSD 3312 인증 획득(CGI, CR)	Acquired KS D 3306 and KS D 3312 Certification (CGI, CR)
11. 20	제9회 수출의 날 금탑산업훈장 수상(수출 실적 1위)	Awarded Gold Tower at the 9th Annual Export Day as the No.1 exporter
1973. 06. 30	기업공개	Company listed on Korea Stock Exchange
12. 31	연산 100만 톤 생산규모로 시설 확장	Increased annual production capacity to 1 million tpy
1974. 11. 30	제11회 수출의 날 1억불 수출탑 수상(국내최초)	Received USD 100 million Export Tower Award at the 11st Annual Export Day as No.1 exporter
1979. 10. 30	No.2CCL 준공	Completed No. 2 Continuous Color Coating Line (CCL)
1980. 05. 17	KSD 3520 인증 획득(CCGI)	Acquired KS D 3520 Certification (CCGI)
07. 04	No.2 CGL 준공	No.2 Continuous Galvanizing Line completed
1986. 02. 05	갈바룸 설비 도입	Introduced Galvalume equipment (Aluminum-zinc alloy coated steel)
03. 21	EGL 준공(연산 20만 톤 규모)	Completed electrolytic-galvanized steel line (200,000tpy capacity)
1987. 06. 11	KSD 3528 인증 획득(EGI)	Acquired KS D 3528 Certification (EGI)
1990. 11. 26	수출 2억불 달성	Recorded USD 200 million of exports
1991. 11. 30	제28회 무역의 날 산업표창 수상	Awarded Order of Industrial Service Merit at the 28th Trade Day
1993. 01. 14	KSD 3370 인증 획득(G/L)	Acquired KS D 3370 Certification (G/L)
10. 08	No.3CCL 준공	Completed No. 3 Continuous Color Coating Line (CCL)
1995. 05. 11	ISO 9001 인증 획득(품질경영시스템)	Acquired ISO 9001 Certification (Quality Management System)
12. 10	No.3CGL 준공	Completed No. 3 Continuous Galvanizing Line
1997. 02. 18	ISO 14001 인증 획득(환경경영시스템)	Acquired ISO 14001 Certification (Environmental Management System)
04. 16	무석정강박판유한공사 설립	Founded Wuxi Changjiang Metal Co. Ltd.
1999. 04. 23	냉연제품 생산 누계 2,000만 톤 달성	Achieved 20 million tons of accumulated cold-rolled steel production
2000. 07. 18	신노사문화 우수기업선정(노동부)	Selected as an Accomplished Company for New Labor Relations by Korean Ministry of Labor
08. 01	철강업계 최초 전자상거래 실시(www.eunionsteel.com)	Launched "e-commerce" a first in the Korean Steel Industry
10. 05	InterZAC 2000 금상 수상(G/L누계 100만 톤 달성)	Received InterZAC 2000 Gold Award (Accumulated G/L amounted to 1 million tons)
10. 27	K-OHSMS 18001 인증 획득(안전보건경영시스템)	Acquired K-OHSMS 18001 Certification (Safety and Health Management System)
2001. 01. 04	제2창업 및 신 CI 선포	Announced second founding and new CI
12. 26	유니온스틸 차이나(USC) 설립	Established Union Steel China (USC)
2002. 10. 07	InterZac 2002 서울 개최	Hosted InterZAC 2002, Seoul
10. 18	표면처리 전문화 설비 준공(#4CGL, #4CCL)	Completed surface treatment facilities (No. 4 CGL, No. 4 CCL)
10. 28	UNIONSTEEL CHINA(강음공장) 착공	Began construction of Union Steel China (Jiangyin factory)
12. 11	유니온스틸 기술연구소 준공	Completed Union Steel Research and Development Center
2003. 08. 27	유니온스틸 윤리규범 선포	Announced Code of Ethics
2004. 03. 16	상호변경(연합철강공업(주)→유니온스틸주식회사)	Changed name from Yeonhap Steel Industry to Union Steel
10. 28	UNIONSTEEL CHINA 준공	Completed UNIONSTEEL CHINA
2005. 02. 24	'보람의 일터' 대상수상(한국경영자총협회)	'Best Workplace' grand prize award (Korea Employers Federation)
2006. 06. 07	부산녹색 환경상 수상(부산광역시)	Received Busan Green Environment Award
07. 06	전국 무재해 성공사례 발표대회 최우수상(노동부)	Received First Prize in National Accident Free Success Case Presentation from Ministry of Labor
2007. 06. 20	'2007 친환경경영대상' 제조업 부문 대상 수상	2007 Top Award in Environment-friendly management (Manufacturing Industry)
08. 31	PL TCM 준공	Completed PL-TCM
11. 28	KSD 3862 KS 획득(CCL)	Acquired KS D 3862 KS (CCL)
2008. 06. 04	5개 품목 신 JS 획득(GI, CCGI, CCLI, EGI, G/L)	Acquired New JS (GI, CCGI, CCLI, EGI, G/L) Certification
2009. 06. 09	제10회 철의 날 흥순철 사장 은탑산업훈장 수상	Received Silver Tower Industrial Medal
09. 18	No. 5 CGL No. 5 CCL 준공	Completed No. 5 CGL and No. 5 CCL
2010. 10	No. 6, No. 7 CCL 기공	Began construction of No. 6 and No. 7
2010. 10. 15	유니온스틸 차이나갈바룸 100만톤 달성 GOLD AWARD 수상	Gold Award (Accumulated G/L amounted to 1 million tons) USC
2010. 11. 30	제47회 무역의 날 수출 6억불 탑 수상	Recorded USD 600 million of exports
2010. 12. 07	가전용 칼라강판 세계일류상품 선정	PCM For Home Appliances No.1 World Class Product
2011. 03. 11	No.6CCL, No.7CCL 기공	Began construction of No. 6 CCL, No. 7CCL

변하지 않는 믿음으로, 멈추지 않는 도전으로
세상을 더욱 아름답고 풍요롭게 만들겠습니다

Creating a better tomorrow

with unwavering beliefs and convictions

세상에는 변하지 않는 아름다움이 있습니다.

유니온스틸은 그런 아름다움을 품은 철을 만듭니다.

변하지 않는 믿음과 소신으로, 멈추지 않는 도전과 열정으로

세계 최고 철강기업의 꿈을 키워가고 있습니다.

언제나 미래는 도전하는 자에게 길을 열어줍니다.

미래를 향한 유니온스틸의 도전은 멈추지 않을 것입니다.

The world is filled with unchanging beauty.

Union Steel makes steel with such beauty.

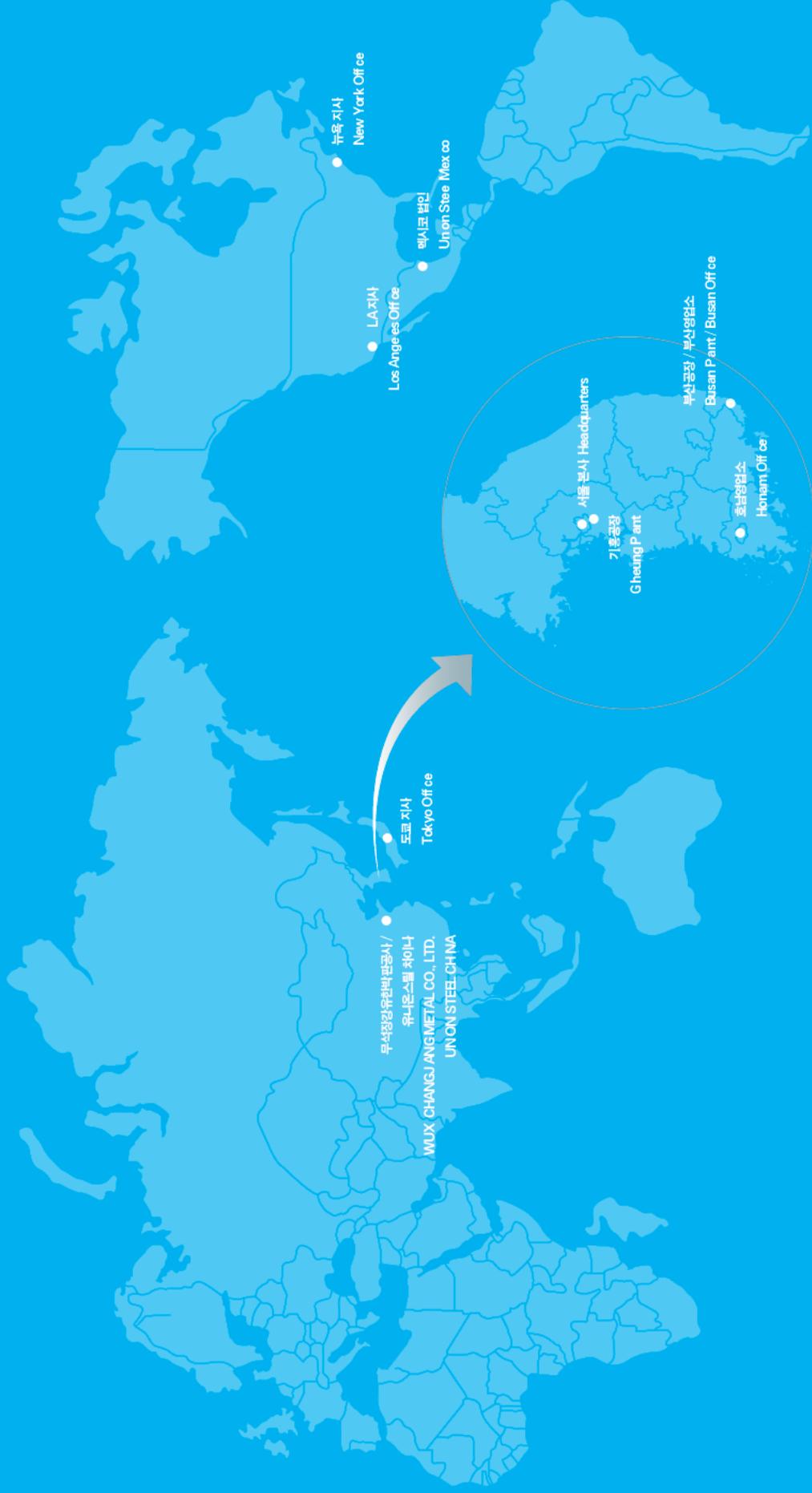
Filled with unwavering beliefs and ceaseless convictions,

incessant challenges and never-ending passion,

we dream of becoming the world's best steel company.

The future will only open its doors to those who greet challenges fearlessly.

At Union Steel, our dreams never stop.



Domestic Network

국내 사업장

- 서울본사 Headquarters**
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Overseas Corporation
해외법인

- 동남아시아**
WUX CHANG/JANGMETAL CO. LTD. WUX WORKS
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Overseas Subsidiaries
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Union Steel Co., Ltd

Audit Report

Current period: as of Dec 31, 2011

Previous period: as of Dec 31, 2010

Anjin Accounting Corp

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- Statements of Financial Position
- Statements of Comprehensive Income
- Statements of Changes in Equity
- Statements of Cash Flows
- Notes to the Financial Statements

Independent Auditor's Report

Union Steel Co., Ltd.

To Shareholders & The Board of Directors

We have audited the accompanying balance sheet of Union Steel Co., Ltd. (the Company) as of December 31, 2011 and December 31, 2010, and the related statements of income, appropriations of retained earnings, changes in capital and cash flows for the fiscal year. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. . In our report dated March 2, 2011, We expressed an opinion that the financial statements as of December 31, 2010 fairly presented in conformity with generally accepted accounting principles in the Republic of Korea ("Korean GAAP"). Principle adjustments made by the company in restating its previously published financial statements in Korean GAAP are described in Note4.

Our audit was performed in accordance with auditing standards generally accepted in the Republic of Korea. These standards require that we plan and perform the audit to obtain reasonable assurance about where the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Company and as of December 31, 2011 and December 31, 2010, and the results of its operations, the changes in retained earnings and the cash flows for the years then ended in conformity with financial accounting standards generally accepted in Korea.

23-5, Yeoido-Dong,
Yeongdeungpo-Gu, Seoul
Anjin Accounting Corp.
CEO, Jae Sul Lee
Mar 7, 2012

This Auditor's report is effective as of balance sheet date. Therefore any event or circumstance material to the financial statements can occur after the balance sheet date. This auditor's report is contingent on those events or circumstances.

Statement of Financial Position

Current period: as of Dec 31, 2011

Prior period: as of Dec 31, 2010

Transition date: as of Jan 01, 2010

Union Steel Co., Ltd

(unit: KRW)

Description	2011		2010		Transition date	
Assets						
I. Current Assets		695,188,582,171		704,263,625,434		593,147,428,152
1. Cash and cash equivalent (note 6,34)	42,736,561,818		66,451,435,348		95,462,349,034	
2. Short-term financial instrument (note 7, 8,35,36)	17,000,000,000		22,980,761,527		65,432,000,000	
3. Trade receivables (note 8,9)	371,315,699,319		319,099,349,387		228,975,053,650	
4. Loans and receivables (note 8,10)	26,663,579,818		2,090,715,024		1,332,890,209	
5. Current derivative asset (note8,23)	-		-		414,354,370	
6. Current held-to-maturity securities (note 8,11,35)	20,135,000		6,758,965,000		121,740,000	
7. Current available-for-sale securities (note 8,12)	16,656,161,941		15,972,823,409		8,000,000,000	
8. Inventories (note 14)	211,934,365,286		262,545,172,031		185,350,104,730	
9. Current assets held for sale (note 15)	1,737,289,742		797,230,000		-	
10. Income tax refund receivable	469,606,639		823,782,269		534,057,340	
11. Other Current Assets (note16)	6,655,182,608		6,743,391,439		7,524,878,819	
II. Non-current Assets		1,240,639,611,145		1,192,944,431,744		1,224,019,332,532
1. Long term financial instruments (note 7,8)	2,057,400,000		2,035,900,000		19,900,000	
2. Long-term loans and receivables (note	16,077,458,707		7,701,439,198		9,072,166,984	

Description	2011		2010		Transition date	
8,10)						
3. Non-current derivative asset (note 8,23)	-		-		93,397,767	
4. Held-to-maturity securities (note 8,11,35)	1,424,700,000		1,121,955,000		2,372,095,000	
5. Available-for-sale securities (note 8,12)	6,546,018,595		50,084,235,002		42,332,442,613	
6. Investment in Equity method (note 13)	170,388,017,852		140,757,647,852		135,097,131,852	
7. Tangible Assets (note 17,21,36)	927,139,334,739		876,433,378,854		957,554,247,301	
8. Investment Property (note 18)	110,279,963,333		107,234,269,214		70,708,603,686	
9. Intangible Assets (note 19)	6,726,717,919		7,575,606,624		6,769,347,329	
Total Assets		1,935,828,193,316		1,897,208,057,178		1,817,166,760,684
Liabilities						
I. Current Liabilities		707,929,498,979		740,757,158,838		591,300,202,162
1. Trade payables (note 20)	157,734,284,502		164,742,837,586		199,796,161,210	
2. Short-term borrowings and debentures (note 20,21)	511,911,593,833		540,280,197,766		347,059,532,702	
3. Current derivatives liabilities (note 20,23)	-		-		132,667,931	
4. Other financial liability (note 20,22)	35,425,589,887		32,404,961,687		39,726,527,753	
5. Other current liability (note 24)	2,858,030,757		3,329,161,799		4,585,312,566	
II. Non-Current Liabilities		497,713,260,451		410,214,952,856		520,924,720,313
1. Long-term borrowings and Debentures (note 20, 21)	443,853,362,000		348,804,648,000		463,525,966,000	
2. Pension liability (note 25)	20,256,092,277		28,712,395,489		17,150,774,209	
3. Other long-term financial liability (note 20, 22)	11,821,910,500		9,869,946,860		10,125,576,200	

Description	2011		2010		Transition date	
4. Non-current deferred income tax liabilities (note 32)	18,652,300,450		20,370,238,636		27,863,330,621	
5. Provision (note 26)	1,650,396,239		2,457,723,871		2,259,073,283	
6. Non-current derivatives liabilities(note 20, 23)	1,479,198,985		-		-	
Total Liabilities		1,205,642,759,430		1,150,972,111,694		1,112,224,922,475
Stockholder's Equity						
1. Capital Stock (note 27)		51,300,000,000		51,300,000,000		51,300,000,000
2. Capital Surplus (note 27)		51,640,703,538		51,640,703,538		51,640,703,538
3. Retained Earnings (note 27)		628,070,633,791		621,661,940,482		574,181,207,586
4. Other capital (note 27)		-825,903,443		21,633,301,464		27,819,927,085
Total Stockholder's Equity		730,185,433,886		746,235,945,484		704,941,838,209
Total Liabilities and Stockholder's Equity		1,935,828,193,316		1,897,208,057,178		1,817,166,760,684

Statements of comprehensive Income

Current period: For the year ended Dec 31, 2011

Prior period: For the year ended Dec 31, 2010

Union Steel Co., Ltd

(Unit: KRW)

Description	2011	2010
I. Sales (note 5)	1,946,033,328,675	1,927,458,647,111
II. Cost of sales (note28)	1,839,484,542,478	1,758,044,928,935
III. Gross profit(loss)	106,548,786,197	169,413,718,176
IV. SG&A (note 28,29)	72,048,061,891	78,066,012,282
1.Selling expenses	44,558,032,092	53,186,418,957
2.General and administration expenses	27,490,029,799	24,879,593,325
V. Other operating revenues (note 30)	32,740,495,503	14,081,851,423
VI. Other operating expense (note 30)	15,139,573,573	30,801,384,273
VII. Operating income(Loss)	52,101,646,236	74,628,173,044
VIII. Financial income (note31)	23,992,023,447	22,139,355,301
1.Gain on foreign currency transaction	16,582,026,975	7,526,598,659
2.Gain on transaction in foreign exchange	483,210,680	7,556,086,725
3. Interests earned (note 31)	6,163,605,392	6,390,344,717
4. Dividends income	763,180,400	666,325,200
IX. Financial expense (note31)	59,614,025,854	47,179,712,581
1.Loss on foreign currency transaction	1,841,113,370	5,123,475,343
2.Loss on transaction in foreign exchange	23,618,002,218	7,411,063,510
3.Interest expense (note31)	34,154,910,266	34,645,173,728
X. Income(loss) before income tax expenses	16,479,643,829	49,587,815,764
XI. Income tax expenses(benefit) (note 32)	5,995,564,042	(4,519,115,027)
XII. Net Income(loss)	10,484,079,787	54,106,930,791
XIII. Other comprehensive income	(21,404,752,385)	(12,812,823,516)
1. Net change in fair value of available- for-sale financial assets (note 12)	(21,305,429,699)	(6,186,625,621)
2. Net change in fair value of derivatives (note 23)	(1,153,775,208)	-
3. Defined benefit plan actuarial losses	1,054,452,522	(6,626,197,895)
XIV. Total comprehensive income	(10,920,672,598)	41,294,107,275
XV. Earnings per share		
1. Basic EPS (note 33)	1,022	5,274

Statement of Changes in Equity

Current period: For the year ended Dec 31, 2011

Prior period: For the year ended Dec 31, 2010

Union Steel Co., Ltd (Unit: KRW)

Description	Common stock	Capital Surplus	retained earnings	Other capital	Total
2010.01.01 [beginning balance]	51,300,000,000	51,640,703,538	574,181,207,586	27,819,927,085	704,941,838,209
1.Total comprehensive income					
1) Net Income	-	-	54,106,930,791	-	54,106,930,791
2) Other comprehensive income and loss	-	-	(6,626,197,895)	(6,186,625,621)	(12,812,823,516)
2010.12.31 [Ending balance]	51,300,000,000	51,640,703,538	621,661,940,482	21,633,301,464	746,235,945,484
2011.01.01 [beginning balance]	51,300,000,000	51,640,703,538	621,661,940,482	21,633,301,464	746,235,945,484
1. Annual Dividends	-	-	(5,129,839,000)	-	(5,129,839,000)
2. Total comprehensive income					
1) Net Income	-	-	10,484,079,787	-	10,484,079,787
2)Other comprehensive income	-	-	1,054,452,522	(22,459,204,907)	(21,404,752,385)
2011.12.31 [Ending balance]	51,300,000,000	51,640,703,538	628,070,633,791	(825,903,443)	730,185,433,886

Statements of Cashflows

Current period: For the year ended Dec 31, 2011

Prior period: For the year ended Dec 31, 2010

Union Steel Co., Ltd (Unit: KRW)

Description	2011	2010
I . Cash Flow from Operating Activities	42,442,984,534	(99,114,940,696)
1.Cash flows from operating	75,940,126,319	(70,412,395,588)
A. Net Income(Loss)	10,484,079,787	54,106,930,791
B. Adjustments (note 34)	87,683,304,960	86,733,163,334
C. Changes in working capital (note 34)	(22,227,258,428)	(211,252,489,713)
2. Dividends received	763,180,400	666,325,200
3. Dividends paid	(5,129,839,000)	-
4. Interest earned	6,458,945,977	7,033,568,676
5. Interest expenses	(34,267,340,416)	(36,752,610,397)

Description	2011		2010	
6. Decrease(Increase) in Income tax refund receivable	(1,322,088,746)		350,171,413	
II. Cash flows from investing activities		(106,203,480,477)		(8,536,355,608)
1. Decrease in Short-term financial instrument	5,980,761,527		42,451,238,473	
2. Increase in Long term financial instruments	(21,500,000)		(2,016,000,000)	
3. Increase in Long-term loans	(12,000,000,000)		-	
4. Disposition of Held-to-maturity securities	6,758,965,000		121,350,000	
5. Acquisition of Held-to-maturity securities	(322,880,000)		(5,508,435,000)	
6. Disposition of Available-for-sale securities	82,409,542,840		8,563,812,893	
7. Acquisition of Available-for-sale securities	(66,869,318,426)		(32,220,000,000)	
8. Acquisition of investment securities in Equity method	(29,630,370,000)		(5,660,516,000)	
9. Disposition of Tangible assets	237,677,146		6,404,951,507	
10. Acquisition of Tangible assets	(92,672,995,074)		(18,074,681,111)	
11. Acquisition of Intangible assets	(74,303,500)		(1,135,000,000)	
12. Cash flow from Other Investment	940,010		(1,463,076,370)	
III. Cash flows from financing activities		40,518,633,459		78,780,676,588
A. Increase(Decrease) in Short-term borrowings	(116,962,110,541)		228,095,800,588	
B. Increase in borrowings and Debentures	217,545,112,000		30,000,000,000	
C. Redemption of borrowings and Financial debentures	(60,064,368,000)		(179,315,124,000)	
IV. Increase(Decrease) in Cash (I + II + III)		(23,241,862,484)		(28,870,619,716)
V. Beginning Cash (note 34)		66,451,435,348		95,462,349,034
VI. Effect of exchange rate fluctuations on cash and cash equivalent		(473,011,046)		(140,293,970)
VIII. Ending Cash (note 19)		42,736,561,818		66,451,435,348

Notes to the Financial Statements

Current period: as of Dec 31, 2011

Prior period: as of Dec 31, 2010

Union Steel Co., Ltd

1. Summary of the company

Union Steel Co., Ltd ("the Company") is established in 1962, and listed on Korea Stock Exchange in 1973 and engaging in manufacturing and selling of cold rolled corrosion resistant flat products. As of the balance sheet date, the Company's headquarters are located in Suha-dong, Jung-gu and factory is located in Gamman-Dong, Busan and Hwasung-si, Dongtan-myun and annual capacity is 2,000,000 ton.

The company has increased its capital by several free issue of new shares and issue of new shares to be purchased and the current capital comprises of common stocks. (51, 300, 000)(000 KRW) The list of major shareholders as of December 31, 2010 is as follows:

Name	# of shares	Ratio (%)
Dongkuk Steel Mill	6,680,297	65.11
POSCO	1,005,000	9.80
Others	2,574,703	25.09
Total	10,260,000	100.00

2. Summary of significant accounting policies

(1) Basis of presentation

The company first adopted the International Financial Reporting Standards as adopted by Republic of Korea ("Korean IFRS") from the fiscal year 2011 (the date of first-time adoption to Korea IFRS: January 1, 2011). In accordance with Korea IFRS 1101, the date of transition to Korean IFRS is January 1, 2010. The effect of the transition from Korean Generally Accepted Accounting Principles ("K-GAAP") to K-IFRS on the company's reported financial position and financial performance is explained in note 4.

The significant accounting policies that applied to the financial statements after the

transition to Korean IFRS are described below. These standards have been consistently applied to 2011 and 2010 comparative financial information presented.

The financial statements were prepared on the historical cost basis except for non-current assets and financial assets. The historical cost is measured in value of exchanging assets or in fair value of the acquisition cost.

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which a company operates ('the functional currency'). The financial statements are presented in Korean Won (KRW).

There are standards, amendments and interpretations, which have been issued but not yet come into effect. New standards, amendments and interpretations issued but not effective for the current financial statements and not early adopted are as follows.

- K-IFRS No.1107 Financial instruments: Disclosures (Revised)

"Derecognition of financial assets"

The standard requires disclosures for the financial instruments that the company transferred but not derecognized, or derecognized but substantially retained of the asset. The standard will be applied prospectively for the company from July 1, 2011.

- K-IFRS No. 1012 Income Taxes (Revised)

"Deferred tax: Recovery of the underlying asset"

The standard defines the measurement of the deferred income taxes for the investment property using a fair value measurement and non-depreciable assets using a revaluation method (regarding to K-IFRS No. 1016) under the assumptions of reversal of the assets by selling . The standard will be applied prospectively for the company's annual periods beginning on or after January 1, 2012.

- K-IFRS No. 1019 (Revised) Employees benefits

The standard defines the repeal of standards regarding to the corridor approach method and at fair value through profit or loss method. The standard will be applied prospectively for the company's annual periods beginning on or after January 1, 2013.

- K-IFRS No. 1113 (amended) 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.

It is not expected to have any impact on the Company or the financial statements.

The important accounting policies applied in financial statements preparation are as follows.

(2) Cash and Cash equivalent

The company classifies currency, deposit, checking account, and all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Meanwhile, bank overdraft is classified as borrowings and debentures.

(3) Financial assets

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the company commits to purchase or sell the assets in accordance with the terms or regulations in the related markets. Investments are initially recognized at fair value plus transaction costs for all financial assets. However, financial assets classified at fair value through profit or loss at initial recognition are recognized at fair value.

The company classified its financial assets in the following categories; at fair value through profit or loss, held-to-maturity, available-for-sale, loans and receivables. The classification depends on the terms of the instruments and purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held for trading and financial assets designated at fair value through profit or loss at initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives including embedded derivatives that are separated from the host contract and accounted for separately are also categorized as held for trading unless they are designated as hedges. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and arising gain or loss

from changes in financial assets carried at fair value through profit or loss is presented in the current period income and loss. However, transaction costs are expensed in the current period income and loss as incurred.

Financial assets that are either designated in at fair value through profit or loss or held for trading are classified in financial assets at fair value through profit or loss.

Financial assets held for trading are classified as following:

- Acquired principally for the purpose of selling in the short-term.
- Marketable securities with the object of generating profit in short period that constitutes stock portfolio as trading stock at initial recognition
- Derivatives those are not designated and effective as hedges.

Financial assets that are not held for trading can be designated in financial assets at fair value through profit or loss as following:

- By designating items at fair value through profit or loss, the company can avoid any potential for inconsistencies between recognition and measurement that would otherwise occur.
- When the financial assets are the part of the financial asset groups (consisting of financial assets, financial liabilities or both) by the documented risk management or strategy, or managed or assessed at fair value and provided information internally.
- In the case of the financial assets included more than one embedded derivative, and designated a financial asset at fair value through profit or loss in accordance with K-IFRS 1039.

Financial assets carried at fair value through profit or loss are recognized at fair value, and arising gain or loss from changes in financial assets carried at fair value through profit or loss is presented in the current period income and loss. Dividend income and interest revenue from financial assets are recognized in the current period income or loss and accounted for other revenues in the statement of comprehensive income. However, transaction costs for acquisition are expensed in the current period income and loss as incurred.

2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are recorded as net value after deducting previously recognized cumulative gains or losses from amortized costs computed by the effective interest method. The interest revenues are recognized using the effective interest method.

3) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivatives assets that are designated in this category or not classified in financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value. Gains or losses arising from changes in fair value of available-for-sale financial assets are recognized in other comprehensive income except for impairment losses recognized as a current period income or loss, interest revenues calculated using the effective interest method, and gains and losses of monetary assets denominated in foreign currency classified as available-for-sale financial assets.

Available-for-sale securities that are not traded in an active market and whose fair values cannot be reliably estimated are accounted for at their acquisition costs. When financial assets classified as available-for-sale are sold or impaired, the cumulative gains or losses previously recognized in equity are reclassified to the current period income and loss. Dividends on available-for-sale financial assets are recognized in the current period income and loss as part of other operating income when the company's right to receive payments is established.

The fair value of monetary securities denominated in a foreign currency and classified as available-for-sale is measured using the functional currency and translated at the closing rate at the end of the reporting date. Gains and losses on monetary assets denominated in foreign currency classified as available-for-sale financial assets recognized as a current period are determined from the amortized costs of financial assets, other gains and losses on foreign currency transactions are recognized in other comprehensive income.

Available-for-sale financial assets that are not traded in an active market and whose fair values cannot be reliably estimated and the derivatives that is linked to and must be

settled by delivery of an unquoted equity instrument are measured at cost less previously recognized cumulative gains or losses at the end of each reporting period.

4) Loans and receivables

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

5) Impairment of Financial assets

The company assesses financial assets at the end of each reporting period whether there is objective evidence that it is impaired. financial assets are impaired and impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

Equity instruments (listed or non-listed securities) classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

One of following will be considered as an objective evidence for financial assets that are designated in available-for-sale financial assets:

- A debtor or issuer in a financially challenged situation
- Default or delinquency by a debtor
- A debtor or issuer will enter bankruptcy or in restructuring
- The disappearance of an active market for a security

In the case of a certain category in financial assets like trade receivables, the assessed financial assets that were not impaired are reassessed whether the financial assets are impaired as a group. An objective evidence for a group of receivables will be considered such as default or delinquency by a debtor in a country, a region with a significant

change of the economic situation, the historical experience of the company, or increase of more than 30 days, the average credit terms, overdue payments.

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.

An impairment loss in respect of a financial assets carried at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed. When the company determines not to be able to collect all amounts due according to the original terms of receivables, bad debts are written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the allowance account are recognized in the current period income or loss.

When the company determines that the available-for-sale is impaired, the cumulative loss (gain) on equity instruments previously recognized in other comprehensive income is reclassified to the current income or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss should not exceed the amortized cost that could have been accounted before the impairment loss recognition.

Impairment losses (gains) on available-for-sale previously recognized in the prior income or loss are not reversed through the current period income or loss. The amount of increase in fair value after recognizing impairment loss is recognized in other comprehensive income. 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 the prior income or loss, the impairment loss is reversed through the current period income or loss.

6) Derecognition of a financial asset

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets 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.

(5) Inventory

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average cost method, except for goods-in-transit. The cost comprises purchase costs or manufacturing costs, incidental costs directly related to preparing the inventories for use. Net realizable value is the estimated selling price in the ordinary course of business, less additional costs and applicable selling expenses.

Cost of sale is recognized as the carrying amount in the related sales period of inventories. However, if the impairment loss arises by assessing the inventories by lower of cost or market method, the loss is presented as deduction from inventory and added to cost of sales. In the meantime, if the impaired amount is recovered due to change of situation that had caused impairment loss, the impairment loss will be recovered. However, the recovered amount should not exceed the first book value of the inventory and the amount is deducted from the cost of sales.

(6) Tangible assets

Tangible assets are stated at cost at initial recognition less accumulated depreciation and accumulated impairment losses. The historical cost includes purchase costs or manufacturing costs, incidental costs directly related to preparing the property and equipment for use, and the discounted estimated cost to remove, dismantle or restore the property and equipment at the end of estimated useful lives of related assets, when those costs meet the conditions for the recognition.

The subsequent cost of property, plant and equipment is included in the carrying amount of the asset or recognized as a separate asset as necessary, if it is probable that the future economic benefits embodied within the part will flow into the company and if the cost can be reliably measured. Accordingly, the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of tangible assets are recognized in current period income or loss as incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Account	Estimated Useful Life
Building	20-40 yrs
Structure	20-40 yrs
Machinery	8-35 yrs
Other tangible assets	4 yrs

A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end, if expectations differ from previous estimates, and adjusted if appropriate. The change is accounted for as a change in an accounting estimate.

Tangible assets shall be derecognized (eliminated from the balance sheet) on disposal, or no future economic benefits are expected from use or its disposal. Gains or losses arising from the retirement or disposal of a tangible property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in the current period income or loss as incurred.

(7) Investment property

The property for the purpose of rental income and capital appreciation is classified as investment property. Investment property is stated at cost at initial recognition less accumulated depreciation and accumulated impairment losses. Historical cost includes a related expenditure that is directly attributable to the acquisition.

The cost of replacing a part of investment property is included in the carrying amount of the asset or recognized as a separate asset as necessary if it is probable that the future economic benefits embodied within the part will flow into the company and if the cost can be reliably measured. Accordingly, the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of tangible assets are recognized in current period income or loss as incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (20-40years).

An investment property shall be derecognized (eliminated from the balance sheet) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in the current period income or loss as incurred.

(8) Intangible asset

Intangible assets are measured at cost initially, and recognized at cost less accumulated amortization and accumulated impairment losses subsequent to initial recognition. Intangible asset comprises club memberships and other intangible assets and is amortized using straight-line method over the useful lives of the respective assets. The residual value of intangible assets is assumed to be zero.

(9) Impairment of non-financial assets

Non-financial assets including tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. The company estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the company estimates the recoverable amount of cash-generating unit ("CGU") to which the asset belongs. 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.

Intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, the impairment test may be performed at the same time every year.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less selling cost. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the current period income or loss.

The reversal of the previously recognized impairment loss should not exceed the carrying amount (or CGU) that is the smaller of the adjusted recovery amount or carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. The reversed impairment losses are recognized in the current period income or loss.

(10) Non-current assets held-for-sale

The company shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (or disposal group) as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

(11) Debt and equity instruments issued by the company

1) Classification of assets and liabilities

The company classifies financial instruments, or its components as financial liability or asset in accordance with the substance of the contractual agreement.

2) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Transaction costs of an equity issued by the company shall be accounted for as a deduction from equity, net of any related income tax benefit.

When the company repurchases its share capital, these amounts are recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss.

3) Financial guarantee liability

The company recognizes a financial guarantee liability at fair value at inception. The liability is measured at fair value through profit or loss, otherwise, after initial recognition, it shall be measured the guarantee liability at the higher of:

- The amount determined in accordance with K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets; and
- The amount determined, the initial recognized amount less the cumulative amortization recognized in accordance with K-IFRS 1018 Revenue

4) Financial liability

Financial liability classifies 'financial liability at fair value through profit' or loss or 'other liability'.

5) Financial liability at fair value through profit or loss

Financial liabilities that are either designated in at fair value through profit or loss or held for trading are classified in financial liabilities at fair value through profit or loss.

Financial liability held for trading are classified as following:

- Acquired principally for the purpose of selling in the short-term.
- Marketable securities with the object of generating profit in short period that constitutes stock portfolio as trading stock at initial recognition
- Derivatives those are not designated and effective as hedges.

Financial liabilities that are not held for trading can be designated in financial liabilities at fair value through profit or loss as following.

- By designating items at fair value through profit or loss, the company can avoid any potential for inconsistencies between recognition and measurement that would otherwise has been occurred.
- When the financial liabilities are the part of the financial liability groups (or a group of financial assets, financial liabilities or both) by the documented risk management or strategy, or managed or assessed at fair value and provided information internally.
- In the case of the financial liability included more than one embedded derivative, and designated a financial liability at fair value through profit or loss by K-IFRS 1039.

A financial liability is classified as a financial liability at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in the current period income or loss when incurred. Dividend income from financial assets at fair value through profit or loss is recognized in the current period income or loss when the company's right to receive payments is established.

6) Other financial liability

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. Interest expense is recognized using the effective interest method. The effective interest method uses for an amortization and allocation of the interest expense over the related period.

7) Derecognition of a financial liability

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

(12) 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 surrounded many events and circumstances are taken into account in reaching the best estimate of a provision at the end of reporting periods. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized in the current period income or loss.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of a reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the end of a reporting period or to transfer it to a third party at that time.

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.

(13) Derivatives

The company enters into forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk.

The company evaluates its derivatives at fair value at initial recognition, after initial recognition, it is measured at fair value at the end of each reporting period. Derivatives are accounted for as asset and liability incurred in accordance with the current period contracts. Gain or loss from the derivatives is recognized as current net income loss at the time of incurrence. However, effective part for risk hedge among gain or loss on valuation of derivatives for cash flow risk hedge is recorded as other comprehensive accumulated income or loss in the account of gain or loss on valuation of derivatives for cash flow hedge.

1) Hedge accounting

The company designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

2) Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in the current period income or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the statement of comprehensive income.

If the hedging instrument expires or is sold, terminated or exercised or the hedge no longer meets the criteria for hedge accounting or the company revokes the designation, the hedge accounting is discontinued prospectively.

3) Cash Flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the current period income or loss.

If the hedging instrument expires or is sold, terminated or exercised or the hedge no longer meets the criteria for hedge accounting or the company revokes the designation, the hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in the current period income or loss.

(14) Revenue recognition

Revenue shall be measured the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the company. Revenue is recognized when it is probable that future economic benefits will flow to the company and these benefits can be measured reliably.

Revenue is recognized from the following transactions and events:

1) Sales of goods

The company recognizes revenues for products or merchandize sales upon the delivery basis when the significant risks and rewards of ownership of goods have transferred to

the buyer.

2) Rental sales

The company recognizes the revenue as the rental period progresses for rental sales.

3) Interest income and Dividends

Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established.

An effective interest method is the method that a present value of a future cash flow is equal to a carrying value by amortizing over the remaining term of the securities.

(15) 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. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. 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 a current expense.

(16) Retirement and severance Benefits

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 expense.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method at the end of each reporting period. 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 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. However, the discount rate at the reporting date on government bonds is used when there is no active market existed for corporate bonds. The company recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred. Actuarial gains and losses recognized in other comprehensive income is recognized as capital surplus as incurred, and it is not reversed in the same period after recognition. 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, otherwise, linked past service costs in prior periods is recognized as an expense on a straight-line basis over the average period until the benefits become vested.

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.

(17) Foreign currency transactions

In preparing financial statements of the company, transactions in currencies other than functional currencies are recorded using the exchange rate at the transaction date. Monetary foreign currency items are translated using closing rate at the end of the reporting period. Non-monetary foreign currency items denominated in foreign currencies that are measured at fair value are translated using the exchange rate on the date that the fair value was determined. However, Non-monetary foreign currency items that are measured in terms of historical cost are translated using the exchange rate at the transaction date.

Exchange differences arising from monetary foreign currency items at the settlement date are recognized in profit or loss, except as following:

- For foreign currency differences from net investment in a foreign operation

- From translation of monetary foreign currency items arising from financial liabilities which are designated as a qualifying cash flow hedges.

(18) Income tax

Income tax expense comprises current and deferred tax.

1) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period. 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 (loss) of future periods, non-taxable or non-deductible items from the accounting profit. Current tax liability for the current and prior periods are measured at the amount expected to be paid to the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) 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 purpose 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 either accounting nor taxable profit or loss.

The company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. A

deferred tax asset is recognized for all deductible temporary differences to the extent that, and only to the extent that, it is probable that the differences relating to investments in subsidiaries and associates only 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. The company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part of 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 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 if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3) Recognition of current tax and deferred tax

The company accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognized in the other comprehensive income, any related tax effects are also recognized in other comprehensive income. For transactions and other events recognized directly in equity, any related tax effects are also recognized directly in equity. The recognition of deferred tax assets and liabilities in a business combination is also similar. Otherwise, they are recognized in the current period income or loss. The tax effect on a business combination is accounted for over the cost of the combination.

K-IFRS may be adopted from Jan, 01, 2010, or after 2011. However, it is reasonable to

expect that additional standards and interpretations may be published in the future. Accordingly, the different accounting policies may be applied to the first presented financial statements and the interim financial statements under K-IFRS. As the amendments and revisions of K-IFRS are still processing, financial information can be changed.

3. Significant estimates and judgments

The preparation of the 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. Significant judgment and assumptions are based on historical experience and other factors believed to be reasonable under the circumstances. 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(1) Fair value measurement of financial assets

Financial assets (i.e. available-for-sale or derivatives) measured at fair value, after initial recognition, changes in fair value were recognized in the current period income or loss or other comprehensive income. For recognition, the quoted market price in an active market will be applied, otherwise measured based on the estimated future cash flows expected and the discounted rate estimated by the management.

(2) Allowance for loans and receivables

The Company provides allowance for doubtful accounts based on individual analysis on possibility of collection of each receivable account such as trade receivable and long term account receivable as of the current BS date and the rates of the bad debts in the past. Considering past experience, economic and industrial environment factors, the company estimates the amounts.

(3) The measurement of Tangible and Intangible assets

If a tangible or intangible asset is acquired in a business combination, the cost of asset is its fair value at the acquisition date by assessing its fair value. Other than that, the estimated useful life for depreciation is required, and a judgment by management for above is important.

(4) Impairment of non-financial assets

The carrying amounts of the company's non-financial assets 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 assets' recoverable amounts are estimated. Intangible assets with 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. If there is any indication of impairment for other non-financial assets, the test will be applied.

The company estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the company estimates the recoverable amount of cash-generating unit ("CGU"). The value in use is estimated by applying a pre-tax discount rate that reflect 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.

(6) Employees benefits

The company uses actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. This requires the company to determine how much benefit is attributable and to make estimates (actuarial assumptions), financial variables (such as future increases in salaries), discount rate, etc. The uncertainty may be inevitable under the circumstance of a long term plan.

(6) Deferred tax

Deferred income tax is recognized using the asset-liability method. This requires management's judgment to measure and recognize deferred income tax under the

assumption of future circumstance.

4. Transition to International Financial Reporting Standards as adopted by the Republic of Korea from Generally Accepted Accounting Principle in the Republic of Korea.

The company first adopted the International Financial Reporting Standards as adopted by Republic of Korea ('Korea-IFRS') from the fiscal year 2011 (the date of first-time adoption to Korea IFRS: Jan, 01, 2011). The comparison year 2010, is restated in accordance with Korea IFRS 1101, First-time adoption of International Financial Reporting Standards (the date of transition to Korea –IFRS: Jan, 01, 2010).

Significant differences between the accounting policies chosen by the company under Korean IFRS and under previous Korean GAAP are as follows:

(1) Optional exemptions under K-IFRS 1101

In accordance with K-IFRS 1101 the company may elect to apply one or more exemptions in applying other K-IFRS regarding the preparation of its opening K-IFRS statements of financial position. The company elected to apply the following exemptions:

- 1) Business combination: Past business combinations that occurred before the date of transition to Korean IFRS is not retrospectively restated.
- 2) Investment in equity method: The company elects to measure the investment in equity method on the transition to Korean IFRS and uses the carrying value in accordance with K-GAAP as its deemed cost.
- 3) Fair value as deemed cost: The company elects to measure certain land assets at fair value at the date of transition to Korean IFRS and use the fair value as its deemed cost.
- 4) 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 at or after the transition.
- 5) Cumulative translation differences: All cumulative translation gains and losses arising from foreign subsidiaries and associates as of the date of transition to Korean IFRS are reset to zero.
- 6) Lease: The company assessed whether a contract or arrangement contains a lease as

of the date of the transition based on the facts.

- 7) Compound financial instruments: Compound financial instruments do not need to be bifurcated if the liability component is not outstanding at the transition date.
- 8) Designation of previously recognized financial instruments: The company chose to designate a financial instruments as a financial asset or liability "at fair value through profit or loss" or "available-for-sale" at the transition date.

(2) Explanation of transition to Korea-IFRS

Significant differences between the accounting policies chosen by the company under Korean IFRS and under previous Korean GAAP are as following:

1) Impairment of financial assets

The allowance for receivables was estimated by assessing the loss of future undiscounted cash flows under K-GAAP. The company assesses if there is any indication that a financial asset may be impaired. If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount as an identifiable group for estimating allowance in accordance with K-IFRS

2) Derecognition of financial assets

Transferring receivables to the financial institutions are considered as sales transaction under K-GAAP. However, transferring receivables to the financial institutions is not satisfied of derecognition of financial assets category under K-IFRS, it is accounted for borrowings pledged on receivables.

3) Reclassification of other intangible assets

Other non-current assets such as club membership classified under K-GAAP were reclassified as intangible assets with an indefinite useful life.

4) Reclassification of Investment property

Investment property was property held to earn rentals or for capital appreciation under K-GAAP, it is reclassified as investment property under K-IFRS.

5) Employee benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with SEC, its Korean subsidiaries and certain foreign subsidiaries, based on their length of service and rate of pay at the time of termination. Under the previous severance policy pursuant to Korean GAAP, Accrued severance benefits represented the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the end of the reporting period. However, under Korean IFRS, the liability is determined based on the present value of expected future payments calculated and reported using actuarial assumptions.

6) Deferred Tax

Under Korean GAAP, deferred tax assets and liabilities were classified as either current or non-current based on the classification of their underlying assets and liabilities. If there are no corresponding assets or liabilities, deferred tax assets and liabilities were classified based on the periods the temporary differences were expected to reverse Under Korean IFRS deferred tax assets and liabilities are all classified as non-current on the statement of financial position. The tax effect of adjustments above is reflected on the financial statements.

(3) Adjustment of financial position due to the transition

1) The effects of the adoption of K-IFRSs on the company's financial position as of January 1, 2010, the Transition date to K-IFRSs are as follows:

(unit : million KRW)

Description	Korean GAAP	Impairment of financial assets	Reclassification of club membership	Reclassification of investment property	pension	Valuation of inventories	Eliminated valuation of equity method	Deferred tax	others	Korean IFRS
Assets	1,810,355	6,661	-	-	-	1,544	-	-1,393	-	1,817,167
I. Current Assets	590,040	2,956	-	-	-	1,544	-	-1,393	-	593,147
1. Cash and cash equivalent	95,462	-	-	-	-	-	-	-	-	95,462
2. Short-term financial instrument	65,432	-	-	-	-	-	-	-	-	65,432
3. Trade receivables	226,019	2,956	-	-	-	-	-	-	-	228,975

Description	Korean GAAP	Impairment of financial assets	Reclassification of club membership	Reclassification of investment property	pension	Valuation of inventories	Eliminated valuation of equity method	Deferred tax	others	Korean IFRS
4. Loans and receivables	1,217	-	-	-	-	-	-	-	-	1,217
5. Current held-to-maturity securities	122	-	-	-	-	-	-	-	-	122
6. Current available-for-sale securities	8,000	-	-	-	-	-	-	-	-	8,000
7. Inventories	183,806	-	-	-	-	1,544	-	-	-	185,350
8. Income tax refund receivable	534	-	-	-	-	-	-	-	-	534
9. Deferred income tax asset	1,393	-	-	-	-	-	-	-1,393	-	-
10. Derivative assets	414	-	-	-	-	-	-	-	-	414
11. Other current assets	7,640	-	-	-	-	-	-	-	-	7,640
II. Non-current Assets	1,220,315	3,705	-	-	-	-	-	-	-	1,224,020
1. Long term financial instruments	20	-	-	-	-	-	-	-	-	20
2. Long term loans and receivables	8,055	3,705	-2,687	-	-	-	-	-	-	9,073
3. Held-to-maturity securities	2,372	-	-	-	-	-	-	-	-	2,372
4. Available-for-sale securities	42,332	-	-	-	-	-	-	-	-	42,332
5. Equity method investment	135,098	-	-	-	-	-	-	-	-	135,098
6. Derivative asset	93	-	-	-	-	-	-	-	-	93
7. Tangible Assets	1,028,263	-	-	-70,709	-	-	-	-	-	957,554
8. Investment property	-	-	-	70,709	-	-	-	-	-	70,709
9. Intangible Assets	4,082	-	2,687	-	-	-	-	-	-	6,769
Liabilities	1,105,092	-	-	-	2,266	-	-5,545	5,110	5,302	1,112,225
I. Current Liabilities	588,257	-	-	-	-	-	-	-	3,043	591,300

Description	Korean GAAP	Impairment of financial assets	Reclassification of club membership	Reclassification of investment property	pension	Valuation of inventories	Eliminated valuation of equity method	Deferred tax	others	Korean IFRS
1. Trade payables	199,796	-	-	-	-	-	-	-	-	199,796
2. Borrowings and debentures	347,060	-	-	-	-	-	-	-	-	347,060
3. Other financial liability	37,026	-	-	-	-	-	-	-	2,700	39,726
4. Derivatives liabilities	133	-	-	-	-	-	-	-	-	133
5. Other current liabilities	4,242	-	-	-	-	-	-	-	343	4,585
II. Non-Current Liabilities	516,835	-	-	-	2,266	-	-5,545	5,110	2,259	520,925
1. Long term borrowings and debentures	463,526	-	-	-	-	-	-	-	-	463,526
2. pension	14,885	-	-	-	2,266	-	-	-	-	17,151
3. long term other financial liability	10,126	-	-	-	-	-	-	-	-	10,126
4. Deferred income tax liabilities	28,298	-	-	-	-	-	-5,545	5,110	-	27,863
5. Provisions	-	-	-	-	-	-	-	-	2,259	2,259
Equity	705,263	6,661	-	-	-2,266	1,544	5,545	-6,503	-5,302	704,942

2) Details of differences of the financial statements as of December 31, 2010 between K-IFRSs and K-GAAP.

(Unit : million KRW)

Description	Korean GAAP	Impairment of financial assets	Derecognition of financial assets	Reclassification of club membership	Reclassification of investment property	Pension	Valuation of inventory	Eliminated valuation of Equity method	Deferred taxes	others	Korea IFRS
Assets	1,846,510	8,510	23,731	-	-	(99)	986	5,932	(2,708)	14,346	1,897,208
I. Current Assets	677,798	6,111	23,731	-	-	-	986	-	(2,708)	(1,654)	704,264
1. Cash and cash equivalent	66,451	-	-	-	-	-	-	-	-	-	66,451
2. Short-term financial instrument	22,981	-	-	-	-	-	-	-	-	-	22,981
3. Trade	289,258	6,111	23,731	-	-	-	-	-	-	-	319,100

Description	Korean GAAP	Impairment of financial assets	Derecognition of financial assets	Reclassification of club membership	Reclassification of investment property	Pension	Valuation of inventory	Eliminated valuation of Equity method	Deferred taxes	others	Korea IFRS
receivables											
4. Loans and receivables	8,474	-	-	-	-	-	-	-	-	(6,383)	2,091
5. Current held-to-maturity securities	6,759	-	-	-	-	-	-	-	-	-	6,759
6. Current available-for-sale securities	15,973	-	-	-	-	-	-	-	-	-	15,973
7. Inventories	264,010	-	-	-	-	-	986	-	-	(2,451)	262,545
8. Income tax refund receivable	-	-	-	-	-	-	-	-	-	797	797
9. Held-for-sale	824	-	-	-	-	-	-	-	-	-	824
10. Deferred income tax asset	2,708	-	-	-	-	-	-	-	(2,708)	-	-
11. Other current assets	360	-	-	-	-	-	-	-	-	6,383	6,743
II. Non-current Assets	1,168,712	2,399	-	-	-	(99)	-	5,932	-	16,000	1,192,944
1. Long term financial instruments	2,036	-	-	-	-	-	-	-	-	-	2,036
2. Long term loans and receivables	9,125	2,399	-	(3,823)	-	-	-	-	-	-	7,701
3. Held-to-maturity securities	1,122	-	-	-	-	-	-	-	-	-	1,122
4. Available-for-sale securities	184,910	-	-	-	-	-	-	-	-	-	50,084
5. Equity method investment	50,084	-	-	-	-	-	-	5,932	-	-	140,758
6. Tangible Assets	966,965	-	-	-	(107,234)	(99)	-	-	-	16,801	876,433
7. Investment property	3,757	-	-	-	107,234	-	-	-	-	-	107,234
8. Intangible assets	-	-	-	3,823	-	-	-	-	-	(4)	7,576
9. Other investments	797	-	-	-	-	-	-	-	-	(797)	-
Liabilities	1,122,537	-	23,731	-	-	2,522	-	(6,999)	6,533	2,647	1,150,971
I. Current Liabilities	716,837	-	23,731	-	-	-	-	-	-	189	740,757
1. Trade payables	164,743	-	-	-	-	-	-	-	-	-	164,743

Description	Korean GAAP	Impairment of financial assets	Derecognition of financial assets	Reclassification of club membership	Reclassification of investment property	Pension	Valuation of inventory	Eliminated valuation of Equity method	Deferred taxes	others	Korea IFRS
2.Borrowings and debentures	516,549	-	23,731	-	-	-	-	-	-	-	540,280
3. Other financial liability	32,074	-	-	-	-	-	-	-	-	331	32,405
4. Other current liabilities	3,471	-	-	-	-	-	-	-	-	(142)	3,329
II. Non-Current Liabilities	405,700	-	-	-	-	2,522	-	(6,999)	6,533	2,458	410,215
1.Long term borrowings and debentures	348,805	-	-	-	-	-	-	-	-	-	348,805
2.pension	26,190	-	-	-	-	2,522	-	-	-	-	28,712
3.long term other financial liability	9,869	-	-	-	-	-	-	-	-	-	9,869
4. Deferred income tax liabilities	20,836	-	-	-	-	-	-	(6,999)	6,533	-	20,370
5. Provisions	-	-	-	-	-	-	-	-	-	2,458	2,458
Equity	723,973	8,510	-	-	-	(2,621)	986	12,931	(9,241)	11,699	746,236

(4) Adjustment of the statements of comprehensive income due to transition

1) Details of differences of the statements of comprehensive income as of December 31, 2010 between K-IFRSs and K-GAAP.

(Unit : million KRW)

Description	Korean GAAP	Impairment of financial asset	Pension	Valuation of inventory	Eliminated valuation of equity method	Deferred tax	others	Korean IFRS
I. Sales	1,926,594	-	-	-	-	-	865	1,927,459
II. Cost of sales	1,780,675	-	(7,344)	881	-	-	(16,167)	1,758,045
III. Gross profit(loss)	145,919	-	7,344	(881)	-	-	17,032	169,414
IV. SG&A	82,484	(2,926)	(2,065)	-	-	-	573	78,066
V. Non-operating income	36,005	(1,270)	-	-	(18,951)	-	(1,702)	14,082
VI. Non-operating expense	52,070	-	-	-	(21,890)	-	621	30,801
VII. Operating income(Loss)	47,370	1,656	9,409	(881)	2,939	-	14,136	74,629
VIII. Financial Revenues	23,350	-	-	-	-	-	(1,211)	22,139

1. Gain on foreign currency transaction	7,527	-	-	-	-	-	-	7,527
2. Gain on transaction in foreign exchange	7,556	-	-	-	-	-	-	7,556
3. Interests earned	7,661	-	(1,271)	-	-	-	-	6,390
4. Dividends income	606	-	-	-	60	-	-	666
IX. Financial expense	47,180	-	-	-	-	-	-	47,180
1. Loss on foreign currency transaction	5,123	-	-	-	-	-	-	5,123
2. Loss on transaction in foreign exchange	7,412	-	-	-	-	-	-	7,412
3. Interest expense	34,645	-	-	-	-	-	-	34,645
X. Income(loss) before income tax expenses	23,540	1,656	9,409	(881)	2,939	-	12,925	49,588
XI. Income tax expenses(benefit)	(6,776)	-	-	-	-	2,257	-	(4,519)
XII. Net Income(loss)	30,316	1,656	9,409	(881)	2,939	(2,257)	12,925	54,107
IV. Other comprehensive income	(9,176)	-	(6,626)	-	2,989	-	-	(12,813)
1. Gains(Loss) on valuation of available-for-sale securities (note 6)	(6,187)	-	-	-	-	-	-	(6,187)
2. Loss(gain) from using equity method	(2,989)	-	-	-	2,989	-	-	-
3. Actuarial gains and losses	-	-	(6,626)	-	-	-	-	(6,626)
4. Loss(gain) on revaluation of assets	(2,111)	-	-	-	-	-	2,111	-
XIV. total comprehensive income	19,029	1,656	2,783	(881)	5,928	(2,257)	15,234	41,294

Operation incomes under K-GAAP are 63,436,000('000 KRW). It is the difference due to the reclassification items between non-operating revenue (expense) under K-GAAP and other revenue (expense) under K-IFRS.

(5) According to Korean IFRS, cash flows from interest, dividends received and taxes on income shall each be disclosed separately. For presentation, it is adjusted differences on cash flows of related revenue (expense) and assets (liabilities).

Meanwhile, foreign currency transactions are recorded in total amount and deducted from the monetary assets. There are no other material differences between the statement of cash flows presented under K-IFRSs and the statement of cash flows presented under previous K-GAAP.

Cash flows from interest, dividends received and taxes on income classified as non-monetary assets under K-GAAP are reclassified as operation cash flows under K-IFRS. Furthermore, changes in monetary assets denominated foreign currency classified as operating cash flow activities under K-GAAP are not stated separately classifying as operating, investment, financing cash flow activities

5. Operating segments

(1) The company identifies the single reportable segment as a company. Accordingly, note to the reportable segment for operating incomes, income (loss) before income tax expenses, total Liabilities and Stockholder's Equity is not provided.

(2) Details of operating incomes for goods and services at the ends of current and prior accounting periods are as follows.

(unit: thousand won)

Reporting segment	Primary goods and services	Current period	Prior period
Union steel	Sales in Finished goods	1,839,577,472	1,857,123,999
	Sales in merchandise	98,958,114	64,260,683
	Rental sales	7,497,743	6,073,965
Total		1,946,033,329	1,927,458,647

(3)Details of sales by regions are as follows.

(unit: thousand won)

Period	Domestic	Asia	America	Oceania	East Asia	Africa	Total
Current period	1,121,318,474	264,420,497	364,091,122	23,473,066	55,090,502	117,639,668	1,946,033,329
Prior period	1,117,172,167	275,798,815	356,008,742	25,153,306	48,867,450	104,458,167	1,927,458,647

Sales by regions above are inclusive all in domestic.

6. Cash and Cash equivalent

Cash and cash equivalents in the statement of financial position are treated the same amount in the cash flow statement.

Cash and cash equivalents at the ends of current and prior accounting periods are as follows;

(unit: thousand won)

	Current period	Prior period	Transition date
Deposits and Savings	42,725,576	41,374,934	65,224,826
Cash equivalent	10,986	25,076,501	30,237,523
Total	42,736,562	66,451,435	95,462,349

7. Restricted Bank Deposits

The details of bank deposit at the ends of current and prior accounting periods are as follows;

(unit: thousand won)

Account	Bank	Current period	Prior period	Transition date	Restriction
Short-term financial instrument	KDB	7,000,000	8,700,000	14,200,000	Mortgage for subsidiary company's borrowings
		10,000,000	10,000,000	-	Mortgage for borrowings
Long term financial instruments	Shinhan Bank and others	17,400	19,900	19,900	Deposits for account opening
Total		17,017,400	18,719,900	14,219,900	

8. Financial instruments by category

Financial instruments by category at the ends of current and prior accounting periods are as follows;

< Current period >

(unit: thousand won)

	Held-to-maturity securities	Available-for-sale securities	Loans and Receivables	Total
Short-term financial instruments	-	-	17,000,000	17,000,000
Trade and other receivables	-	-	371,315,699	371,315,699
Loans and Receivables	-	-	26,663,580	26,663,580
Current held-to-maturity securities	20,135	-	-	20,135
Current available-for-sale securities	-	16,656,162	-	16,656,162
Long-term financial instruments	-	-	2,057,400	2,057,400
Long-term loans and receivables	-	-	16,077,459	16,077,459
Held-to-maturity securities	1,424,700	-	-	1,424,700

Available-for-sale securities	-	6,546,019	-	6,546,019
Total	1,444,835	23,202,181	433,114,138	457,761,154

< Prior period >

(unit: thousand won)

	Held-to-maturity securities	Available-for-sale securities	Loans and Receivables	Total
Short-term financial instruments	-	-	22,980,762	22,980,762
Trade and other receivables	-	-	319,099,349	319,099,349
Loans and Receivables	-	-	2,090,715	2,090,715
Current held-to-maturity securities	6,758,965	-	-	6,758,965
Current available-for-sale securities	-	15,972,823	-	15,972,823
Long-term financial instruments	-	-	2,035,900	2,035,900
Long-term loans and receivables	-	-	7,701,439	7,701,439
Held-to-maturity securities	1,121,955	-	-	1,121,955
Available-for-sale securities	-	50,084,235	-	50,084,235
Total	7,880,920	66,057,058	353,908,165	427,846,143

< Transition date >

(unit: thousand won)

	financial assets at fair value through profit or loss	Held-to-maturity securities	Available-for-sale securities	Loans and Receivables	Total
Short-term financial instruments	-	-	-	65,432,000	65,432,000
Trade and other receivables	-	-	-	228,975,054	228,975,054
Loans and Receivables	-	-	-	1,332,890	1,332,890
Current derivatives liabilities	414,354	-	-	-	414,354
Current held-to-maturity securities	-	121,740	-	-	121,740
Current available-for-sale securities	-	-	8,000,000	-	8,000,000
Long-term financial instruments	-	-	-	19,900	19,900
Long-term loans and receivables	-	-	-	9,072,167	9,072,167
Non-current derivatives liabilities	93,398	-	-	-	93,398
Held-to-maturity securities	-	2,372,095	-	-	2,372,095
Available-for-sale securities	-	-	42,332,443	-	42,332,443
Total	507,752	2,493,835	50,332,443	304,832,011	358,166,041

The company determines that BV of financial assets measured at amortized cost approximates a reasonable estimate of fair value for the financial liabilities.

9. Trade and receivables

(1) Details of receivables at the ends of current and prior accounting periods are as follows;

(unit: thousand won)

	Current period	Prior period	Transition date
Accounts receivable	372,914,676	321,179,560	230,983,267
less: allowance	-1,598,977	-2,080,211	-2,008,213
Accounts receivable(net amount)	371,315,699	319,099,349	228,975,054

(2)) Details of analysis on possibility of collection for receivables.

(Unit : thousand won)

	Current period	Prior period	Transition date
Less than 3 months	-	-	-
3-6 months	-	-	-
6 ~ 12 months	-	-	477,477
More than 1 year	1,243,288	1,224,891	1,138,072
Total	1,243,288	1,224,891	1,615,549

(3) Details of analysis on possibility of collection for overdue but not impaired receivables

(Unit : thousand won)

	Current period	Prior period	Transition date
Less than 3 months	120,340,347	36,379,932	25,457,313
3-6 months	12,106,268	822,414	980,310
6 ~ 12 months	977,997	1,224,910	7,339,628
More than 1 year	1,828	3,480,329	2,834
Total	133,426,440	41,907,585	33,780,085

(4) Details of changes in allowances at the ends of current and prior accounting periods are as follows;

(Unit : thousand won)

account	Current period	Prior period
Beginning	2,080,211	2,008,213
Unused amounts reversed	-479,158	-228,002
Receivables written off during the year as uncollectible	-2,076	300,000
ending	1,598,977	2,080,211

(5) The Company transferred receivable balance amounting 20,200,938,000 won to financial institutions in exchange for cash. The outstanding balance of transferred has been accounted for as borrowings as of BS date. Transferee has the right to pledge or

exchanges the assets.

10. Loans and receivables

(1) Details of Loans and receivables at the ends of current and prior accounting periods are as follows;

(Unit : thousand won)

	Current period		Prior period		Transition date	
	Current	Non-current	Current	Non-current	Current	Non-current
Account receivable	25,213,879	-	434,161	4,620,666	115,518	7,454,861
Accrued revenue	1,449,701	-	1,655,614	-	1,216,042	-
Loans	-	12,000,000	940	-	1,330	-
Deposit	-	4,077,459	-	3,080,773	-	1,617,306
Total	26,663,580	16,077,459	2,090,715	7,701,439	1,332,890	9,072,167

(2) Details of ages of loans and receivables at the ends of current and prior accounting periods are as follows;

(Unit : thousand won)

	Current period	Prior period	Transition date
Less than 3 months	26,663,580	2,090,715	1,332,890
3 ~ 6 months	-	-	-
6 ~ 12 months	-	-	-
More than 1 year	16,077,459	7,701,439	9,072,167
Total	42,741,039	9,792,154	10,405,057

11. Held to maturities securities

(1) Details of Held-to-maturity securities in current and prior periods are as follows.

(unit: thousand won)

Account	Current period		Prior period		Transition date	
	Acquisition cost	Book Value	Acquisition cost	Book Value	Acquisition cost	Book Value
Current held-to-maturity securities:						
Housing Bond (note 1)	14,320	14,320	1,207,710	1,207,710	110,700	110,700
Train Bond	3,010	3,010	51,180	51,180	10,010	10,010
Region Development Bond	2,805	2,805	75	75	1,030	1,030
Transaction Bond	-	-	5,500,000	5,500,000	-	-

(note 1)						
Sub-Total	20,135	20,135	6,758,965	6,758,965	121,740	121,740
Held-to-maturity securities:						
Housing Bond (note 1)	1,398,860	1,398,860	1,093,130	1,093,130	2,293,360	2,293,360
Train Bond	16,110	16,110	17,820	17,820	68,610	68,610
Region Development Bond	9,730	9,730	11,005	11,005	10,125	10,125
Sub-Total	1,424,700	1,424,700	1,121,955	1,121,955	2,372,095	2,372,095
Total	1,444,835	1,444,835	7,880,920	7,880,920	2,493,835	2,493,835

(2) As of the end of current period, the classification details of HTM are as follows

(unit: thousand won)

Account	Within 1yr	1yr ~ 5yr	Total
Housing Bond	14,320	1,398,860	1,413,180
Train Bond	3,010	16,110	19,120
Region Development Bond	2,805	9,730	12,535
Total	20,135	1,424,700	1,444,835

Financial income recognized regarding the above HTM in current and prior periods are each 123,550 ('000 KRW) and 234,052 ('000 KRW).

12. Available-for-sale securities

(1) Details of Available-for-sale securities are as follows

(unit: thousand won)

Account	Current period		Prior period		Prior period	
	Acquisition cost	Book Value	Acquisition cost	Book Value	Acquisition cost	Book Value
Current available-for-sale securities:						
Funds:						
Restricted Trust	6,000,000	6,176,127	15,690,000	15,972,823	-	-
Private investment trust	-	-	-	-	8,000,000	8,000,000
Total	6,000,000	6,176,127	15,690,000	15,972,823	8,000,000	8,000,000
Investment Bonds						
Bond	10,242,000	10,480,035	-	-	-	-
Sub-Total	10,242,000	10,480,035	-	-	-	-
Total	16,242,000	16,656,162	15,690,000	15,972,823	8,000,000	8,000,000
Available-for-sale securities :						
Funds:						
Mutual Fund	5,000,000	5,131,497	10,000,000	10,125,137	-	-
Sub-Total	5,000,000	5,131,497	10,000,000	10,125,137	-	-

Investment Bonds						
Bond	-	-	6,530,000	6,671,579	-	-
Sub-Total	-	-	6,530,000	6,671,579	-	-
Listed Stock:						
POSCO (note 1)	-	-	4,562,224	31,732,920	4,562,224	40,268,880
KTB Network	210,960	85,650	210,960	225,727	210,960	170,878
Sub-Total	210,960	85,650	4,773,184	31,958,647	4,773,184	40,439,758
Non-Listed Stock:						
The Korea economic daily	8,632	8,632	8,632	8,632	8,632	8,632
Daehan steel Co., Ltd	246,000	246,000	246,000	246,000	246,000	246,000
Sinsung control	574,233	574,233	574,233	574,233	1,138,026	1,138,026
Ace industry	500,007	500,007	500,007	500,007	500,007	500,007
Ace industry						
Daewoo Motor	-	-	-	-	20	20
Sub-Total	1,328,872	1,328,872	1,328,872	1,328,872	1,892,685	1,892,685
Total	6,539,832	6,546,019	22,632,056	50,084,235	6,665,869	42,332,443

(2) Details of Funds among Available-for-sale at the end of current and prior periods are as follows

<Current period>

(unit: thousand won)

Account	Acquisition cost	Unrealized holding income or loss			BV
		Before tax	Income tax effects	After tax	
Trust	6,000,000	176,127	-38,748	137,379	6,176,127
Mutual Fund	5,000,000	131,497	-28,929	102,568	5,131,497
Bond	10,242,000	238,035	-52,368	185,667	10,480,035
Total	21,242,000	545,659	-120,045	425,614	21,787,659

<Prior period>

(unit: thousand won)

Account	Acquisition cost	Unrealized holding income or loss			BV
		Before tax	Income tax effects	After tax	
Trust	15,690,000	282,823	(62,222)	220,601	15,972,823
Mutual Fund	10,000,000	125,137	(27,530)	97,607	10,125,137
Bond	6,530,000	141,579	(31,147)	110,432	6,671,579
Total	32,220,000	549,539	(120,899)	428,640	32,769,539

<Transition date>

(unit: thousand won)

Account	Acquisition cost	Unrealized holding income or loss			BV
		Before tax	Income tax effects	After tax	

Private investment trust	8,000,000	-	-	-	8,000,000
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(3) Details of listed stocks among Available-for-sale at the end of current and prior periods are as follows.

<Current period>

(unit: thousand won)

Account	Acquisition cost	Unrealized holding income or loss			BV (note 1)
		Before tax	Income tax effects	After tax	
KTB Network	210,960	-125,310	27,568	-97,742	85,650

<Prior period>

(unit: thousand won)

Account	Acquisition cost	Unrealized holding income or loss			BV (note 1)
		Before tax	Income tax effects	After tax	
POSCO	4,562,224	27,170,696	(5,977,553)	21,193,143	31,732,920
KTB Network	210,960	14,767	(3,249)	11,518	225,727
Total	4,773,184	27,185,463	(5,980,802)	21,204,661	31,958,647

<Transition date>

(unit: thousand won)

Account	Acquisition cost	Unrealized holding income or loss			BV (note 1)
		Before tax	Income tax effects	After tax	
POSCO	4,562,224	35,706,656	(7,855,465)	27,851,191	40,268,880
KTB Network	210,960	(40,082)	8,818	(31,264)	170,878
Total	4,773,184	35,666,574	(7,846,647)	27,819,927	40,439,758

(note 1) BV of listed stock is a FMV and assess as closing price at the BS date (in the absence of closing price at the BS date, closing price of the last trading date).

(4) Changes in unrealized holding income or loss of listed stocks, funds, bonds in current period is as follows

<Current period>

(unit: thousand won)

Account	Beginning balance	Increase and decrease by valuation	Realization by sales	Ending balance
Trust	282,823	-106,696	-	176,127
Mutual Fund	125,137	6,360	-	131,497

Bond	141,579	96,456	-	238,035
POSCO	27,170,696	-	-27,170,696	-
KTB Network	14,767	-140,077	-	-125,310
Sub-Total	27,735,002	-143,957	-27,170,696	420,349
Income tax effect	-6,101,701	31,671	5,977,553	-92,477
Amounts after reflecting income tax effect	21,633,301	-112,286	-21,193,143	327,872

<Prior period>

(unit: thousand won)

Account	Beginning balance	Increase and decrease by valuation	Realization by sales	Ending balance
Trust	-	282,823	-	282,823
Mutual Fund	-	125,137	-	125,137
Bond	-	141,579	-	141,579
POSCO	35,706,656	(8,535,960)	-	27,170,696
KTB Network	(40,082)	54,849	-	14,767
Sub-Total	35,666,574	(7,931,572)	-	27,735,002
Income tax effect	(7,846,647)	1,744,946	-	(6,101,701)
Amounts after reflecting income tax effect	27,819,927	(6,186,626)	-	21,633,301

(5) Details of non-listed stocks among Available-for-sale securities at the ends of current and prior periods are as follows

<Current period>

(unit: thousand won)

Account	Ratio(%)	acquisition cost	Net Asset Value	BV (note 1)
The Korea economic daily	0.01	8,632	12,610	8,632
Daehan steel Co., Ltd.	4.59	246,000	22,327	246,000
Sinsung control	4.83	574,233	797,597	574,233
Ace industry	7.53	500,007	393,406	500,007
Total		1,328,872	1,225,940	1,328,872

<Prior period>

(unit: thousand won)

Account	Ratio(%)	acquisition cost	Net Asset Value	BV (note 1)
The Korea economic daily	0.01	8,632	11,738	8,632
Daehan steel Co., Ltd.	4.59	246,000	41,450	246,000
Sinsung control	4.83	574,233	776,758	574,233

Ace industry	7.53	500,007	412,410	500,007
Total		1,328,872	1,242,356	1,328,872

<Transition date>

(unit: thousand won)

Account	Ratio(%)	acquisition cost	Net Asset Value	BV (note 1)
☞The Korea economic daily	0.01	8,632	10,906	8,632
Daehan steel Co., Ltd.	4.59	246,000	246,000	246,000
Sinsung control	4.83	1,138,026	1,437,875	1,138,026
Ace industry	7.77	500,007	466,104	500,007
Daewoo Motor	0.01	20	-	20
Total		1,328,872	1,225,940	1,328,872

(note 1) As the information required for estimating fair market value was not sufficient, it was impossible to assess fair market value with reliable assessment model; the company used acquisition cost for alteration.

13. Equity method investment

(1) Details of Equity method investment at the ends of current period are as follows.

(Unit : thousand won)

Company	Primary business	Location	Ratio (%)	Book Value		
				Current period	Prior period	Transition date
Investments in subsidiaries						
Wuxi-Changjiang Metal	manufacturing and selling of cold rolled steel sheets	China	100	39,362,014	39,362,014	39,362,014
Union steel china	manufacturing and selling of cold rolled steel sheets	China	100	32,939,049	20,623,809	20,623,809
Union Coating	lease service	Korea	70.9	27,299,955	27,299,955	27,299,955
Union Steel Mexico, S.A. De C.V.	manufacturing of cold rolled steel sheets	Mexico	55.6	4,728,582	4,728,582	4,728,582
USI Service Center Private Ltd.	manufacturing of cold rolled steel sheets	India	75	12,626,790	-	-
Union Steel Processing Center (Thailand), Ltd.	manufacturing of cold rolled steel sheets	Thailand	100	4,688,340	-	-
sub-total				121,644,730	92,014,360	92,014,360
Investments in associates						
Dongkuk International Inc.	trading service	U.S.A	35.4	11,152,810	11,152,810	11,152,810
Dongkuk	sales agency	Japan	44.8	14,289,725	14,289,725	14,289,725
Intergis (previous:	sales agency and	Korea	15.4	15,540,459	15,540,459	15,540,459

Dongkuk Transportation)(note 1)	transport					
Union Logistic Co., Ltd	sales agency and transport	China	40	5,660,516	5,660,516	-
DK UNC	IT service	Korea	14.6	2,099,778	2,099,778	2,099,778
sub-total				48,743,288	48,743,288	43,082,772
Total				170,388,018	140,757,648	135,097,132

The company elects to measure the investment in equity method on the transition to Korean IFRS and uses the carrying value in accordance with K-GAAP as its deemed cost.

(2) Changes of Equity method investment at the ends of current and prior periods are as follows.

<Current period>

(unit: thousand won)

Account	Beginning balance	acquisition	Realization by sales	Ending balance
investments in subsidiaries				
Wuxi-Changjiang Metal	39,362,014	-	-	39,362,014
Union steel china	20,623,809	12,315,240	-	32,939,049
Union Coating	27,299,955	-	-	27,299,955
Union Steel Mexico, S.A. De C.V.	4,728,582	-	-	4,728,582
USI Service Center Private Ltd.	-	12,626,790	-	12,626,790
Union Steel Processing Center (Thailand), Ltd.	-	4,688,340	-	4,688,340
investments in associates				
Dongkuk International Inc.	11,152,810	-	-	11,152,810
Dongkuk	14,289,725	-	-	14,289,725
Intergis (previous: Dongkuk Transportation)	15,540,459	-	-	15,540,459
Union Logistic Co., Ltd	5,660,516	-	-	5,660,516
DK UNC	2,099,777	-	-	2,099,777
Total	140,757,647	29,630,370	-	170,388,017

<Prior period>

(unit: thousand won)

Account	Beginning balance	acquisition	Realization by sales	Ending balance
investments in subsidiaries				
Wuxi-Changjiang Metal	39,362,014	-	-	39,362,014
Union steel china	20,623,809	12,315,240	-	32,939,049

Union Coating	27,299,955	-	-	27,299,955
Union Steel Mexico, S.A. De C.V.	4,728,582	-	-	4,728,582
investments in associates				
Dongkuk International Inc.	11,152,810	-	-	11,152,810
Dongkuk	14,289,725	-	-	14,289,725
Intergis (previous: Dongkuk Transportation)	15,540,459	-	-	15,540,459
Union Logistic Co., Ltd	5,660,516	-	-	5,660,516
DK UNC	2,099,777	-	-	2,099,777
Total	140,757,647	29,630,370	-	170,388,017

14. Inventory

Details of valuation of inventory.

(unit: at the end of current and prior periods are as follows thousand won)

	Current period			Prior period			Transition date		
	Acquisition cost	Loss from valuation	Book Value	Acquisition cost	Loss from valuation	Book Value	Acquisition cost	Loss from valuation	Book Value
Merchandise	2,475,548	-	2,475,548	8,939,999	-	8,939,999	863,824	-	863,824
Finished goods	82,349,200	5,679,967	76,669,233	98,803,186	4,922,008	93,881,178	52,761,629	1,410,165	51,351,464
Work in process	44,284,399	-747,085	43,537,314	32,923,659	-418,609	32,505,050	34,639,619	-774,418	33,865,201
Raw materials	68,522,939	3,705,335	64,817,604	98,958,705	-120,484	98,838,221	52,621,096	-363,362	52,257,734
Storage	18,183,705	-	18,183,705	22,990,575	-	22,990,575	25,786,375	-	25,786,375
Goods in transit	5,902,078	-	5,902,078	5,277,128	-	5,277,128	21,115,509	-	21,115,509
Other Inventories	348,883	-	348,883	113,021	-	113,021	109,998	-	109,998
Total	222,066,752	10,132,387	211,934,365	268,006,273	5,461,101	262,545,172	187,898,050	2,547,945	185,350,105

Losses from valuation of inventories recognized regarding the above the book value of inventories in current and prior periods are each 4,671,286 ('000 KRW) and 2,913,156 ('000 KRW).

15. Held-for-sale assets

Details of held-for-sale assets at the end of current and prior periods are as follows.

(Unit : thousand won)

	Current period	Prior period	Transition date
Machinery and equipment	6,298,737	3,783,968	-
Impairment loss	-4,561,447	-2,986,738	-
Net asset	1,737,290	797,230	-

#2RM classified as assets not in use is transferred to held-for-sale assets and impairment loss for the machinery and equipment is recognized by deducting from the sales price.

16. Other current assets

(unit: thousand won)

	Current period	Prior period	Transition date
Prepayment	3,238,715	266,894	746,204
Prepaid expenses	187,800	93,080	800,986
Income tax refunds	3,228,668	6,383,417	5,977,689
Total	6,655,183	6,743,391	7,524,879

17. Tangible Assets

(1) Tangible assets at the end of reporting period are as follows

<Current period>

(unit: thousand won)

	Land	Building	Structures	Machinery and equipment	Other Tangible Assets	Construction in progress	Total
Acquisition	254,020,062	141,348,118	31,943,404	796,340,830	20,957,446	83,407,524	1,328,017,384
Accumulated depreciation (Including impairment loss)	-	(40,303,811)	(9,156,264)	(332,717,222)	(18,700,752)	-	(400,878,049)
Ending	254,020,062	101,044,307	22,787,140	463,623,608	2,256,694	83,407,524	927,139,335

<Prior period>

(unit: thousand won)

	Land	Building	Structures	Machinery and equipment	Other Tangible Assets	Construction in progress	Total
Acquisition	256,214,768	139,533,599	31,668,831	829,217,396	22,463,910	7,560,423	1,286,658,927

Accumulated depreciation (Including impairment loss)	-	(36,504,736)	(8,098,453)	(345,089,611)	(20,532,748)	-	(410,225,548)
Ending	256,214,768	103,028,863	23,570,378	484,127,785	1,931,162	7,560,423	876,433,379

<Transition date>

(unit: thousand won)

account	Land	Building	Structures	Machinery and equipment	Other Tangible Assets	Construction in progress	Total
Acquisition	289,439,676	146,813,737	30,688,011	830,796,307	21,155,793	12,388,447	1,331,281,971
Accumulated depreciation (Including impairment loss)	-	(32,380,215)	(6,999,315)	(314,566,902)	(19,781,292)	-	(373,727,724)
Ending	289,439,676	114,433,522	23,688,696	516,229,405	1,374,501	12,388,447	957,554,247

(2) Details of increase and decrease of tangible assets in current and prior periods are as follows.

<Current period>

(unit: thousand won)

classification	Land	Building	Structures	Machinery and equipment	Other Tangible Assets	Construction in progress	Total
Beginning balance	256,214,768	103,028,863	23,570,378	484,127,785	1,931,162	7,560,423	876,433,379
Acquisition	1,392,454	87,000	-	5,272,986	1,160,769	84,759,786	92,672,995
Other increases and decreases	(3,587,160)	1,850,482	348,709	1,584,083	53,999	(8,912,685)	(8,662,572)
Disposal and abandonment	-	(22,947)	-	(45,599)	(82)	-	(68,628)
Depreciation	-	(3,899,091)	(1,131,947)	(27,315,647)	(889,154)	-	(33,235,839)
Ending balance	254,020,062	101,044,307	22,787,140	463,623,608	2,256,694	83,407,524	927,139,335

<Prior period>

(unit: thousand won)

	Land	Building	Structures	Machinery and equipment	Other Tangible Assets	Construction in progress	Total
Beginning balance	289,439,676	114,433,522	23,688,696	516,229,405	1,374,501	12,388,447	957,554,247
Acquisition	-	-	760000	3,203,322	863,064	13,248,295	18,074,681
Other increases and decreases	(26,576,896)	(7,253,492)	220,820	(1,906,259)	445,053	(18,076,319)	(53,147,093)
Disposal and abandonment	(6,648,012)	(26,646)	-	(145,716)	-	-	(6,820,374)
Depreciation	-	(4,124,521)	(1,099,138)	(30,522,709)	(751,456)	-	(36,497,824)
Impairment loss	-	-	-	(2,730,258)	-	-	(2,730,258)
Ending balance	256,214,768	103,028,863	23,570,378	484,127,785	1,931,162	7,560,423	876,433,379

18. Investment property

(1) Details of investment property at the end of current and prior period are as follows.

<Current period>

(unit: thousand won)

	Land	Building	Total
Acquisition	79,282,011	50,205,281	129,487,292
Accumulated depreciation	-	(19,207,329)	(19,207,329)
Book Value	79,282,011	30,997,952	110,279,963

<Prior period>

(unit: thousand won)

	Land	Building	Total
Acquisition	75,592,480	49,277,206	124,869,686
Accumulated depreciation	-	(17,635,417)	(17,635,417)
Book Value	75,592,480	31,641,789	107,234,269

<Transition date>

(unit: thousand won)

	Land	Building	Total
Acquisition	48,938,822	38,064,761	87,003,583
Accumulated depreciation	-	(16,294,979)	(16,294,979)
Book Value	48,938,822	21,769,782	70,708,604

(2) Details of increase and decrease in investment property in current and prior periods are as follows.

<Current period>

(unit: thousand won)

	Land	Building	Total
Beginning balance	75,592,480	31,641,789	107,234,269
Depreciation	-	(1,513,734)	(1,513,734)
Other increases and decreases	3,689,531	869,897	4,559,428
Ending balance	79,282,011	30,997,952	110,279,963

<Prior period>

(unit: thousand won)

	Land	Building	Total
Beginning balance	48,938,822	21,769,782	70,708,604
Depreciation	26,653,658	11,212,445	37,866,103
Other increases and decreases	-	(1,340,438)	(1,340,438)
Ending balance	75,592,480	31,641,789	107,234,269

3) Details of revenue and expense in investment property in current and prior periods are as follows.

(unit: thousand won)

	Current period	Prior period
Rental income	7,497,742	6,073,964
Operating expenses (regarding to the investment property)	(3,641,710)	(3,129,080)
Total	3,856,032	2,944,884

(4) Details of fair value of investment property in current and prior periods are as follows.

(unit: thousand won)

	Current period		Prior period		Prior period	
	Book Value	Fair value	Book Value	Fair value	Book Value	Fair value
Land	79,282,011	79,282,011	75,592,480	75,592,480	48,938,822	48,938,822
Building	30,997,952	42,397,864	31,641,789	41,527,967	21,769,782	39,487,341
Total	110,279,963	121,679,875	107,234,269	117,120,447	70,708,604	88,426,163

19. Intangible Assets

(1) Details of intangible assets at the end of current and prior periods are as follows.

<current period>

(unit: thousand won)

	club membership	other intangible assets	Total
Acquisition	3,896,788	4,918,306	8,815,094
Accumulated depreciation	-	(1,493,923)	(1,493,923)
Accumulated impairment losses	(594,452)	-	(594,452)
Book value	3,302,336	3,424,383	6,726,718

<Prior period>

(unit: thousand won)

	club membership	other intangible assets	Total
Acquisition	3,822,484	4,918,306	8,740,790
Accumulated depreciation	-	(1,165,183)	(1,165,183)
Book value	3,822,484	3,753,123	7,575,607

<Transition date>

(unit: thousand won)

	club membership	other intangible assets	Total
Acquisition	2,687,484	4,918,306	7,605,790
Accumulated depreciation	-	(836,442)	(836,442)
Book value	2,687,484	4,081,864	6,769,348

(2) Changes in intangible assets in current period are as follows.

<Current>

(unit: thousand won)

	club membership	other intangible assets	Total
Beginning balance	3,822,484	3,753,123	7,575,607
Capital expenditure	74,304	-	74,304
Depreciation	-	(328,740)	(328,740)
Impairment loss	(594,452)	-	(594,452)
Ending	3,302,336	3,424,383	6,726,718
Acquisition	3,896,788	4,918,306	8,815,094
Accumulated depreciation (Including impairment loss)	(594,452)	(1,493,923)	(2,088,375)

<Prior>

(unit: thousand won)

	club membership	other intangible assets	Total
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Beginning balance	2,687,484	4,081,864	6,769,347
Capital expenditure	1,135,000	-	1,135,000
Depreciation	-	(328,741)	(328,741)
Ending	3,822,484	3,753,123	7,575,607
Acquisition	3,822,484	4,918,306	8,740,790
Accumulated depreciation (Including impairment loss)	-	(1,165,183)	(1,165,183)

Club membership classified as intangible assets is regarded as having an indefinite useful life and not amortized

20. Financial liabilities by categories

Details of financial instruments by category are as follows;

<Current>

(unit: thousand won)

	Liabilities at fair value through the profit and loss	Other financial liabilities	Derivatives	Total
Trade and other payables	-	157,734,285	-	157,734,285
Borrowings and Debentures	-	511,911,594	-	511,911,594
Other financial liabilities	-	35,425,590	-	35,425,590
Long-term borrowings and Debentures	-	443,853,362	-	443,853,362
Long-term other financial liabilities	-	11,821,911	-	11,821,911
Derivatives liabilities	-	-	1,479,199	1,479,199
Total	-	1,160,746,742	1,479,199	1,162,225,941

<Prior>

(unit: thousand won)

	Liabilities at fair value through the profit and loss	Other financial liabilities	Derivatives	Total
Trade and other payables	-	164,742,838	-	164,742,838
Borrowings and Debentures	-	540,280,198	-	540,280,198
Other financial liabilities	-	32,404,962	-	32,404,962
Long-term borrowings and Debentures	-	348,804,648	-	348,804,648
Long-term other financial liabilities	-	9,869,947	-	9,869,947

Total	-	1,096,102,593	-	1,096,102,593
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<Transition date>

(unit: thousand won)

	Liabilities at fair value through the profit and loss	Other financial liabilities	Derivatives	Total
Trade and other payables	-	199,796,161	-	199,796,161
Borrowings and Debentures	-	347,059,533	-	347,059,533
Derivatives liabilities	132668	-	-	132,668
Other financial liabilities	-	39,726,528	-	39,726,528
Long-term borrowings and Debentures	-	463,525,966	-	463,525,966
Long-term other financial liabilities	-	101,255,764	-	10,125,576
Total	132668	1,060,233,764	-	1,060,366,432

The company determines that the book value approximates a reasonable estimate of fair value for the financial liabilities.

21. Borrowings and Debentures

Details of Korean currency denominated long-term borrowings at the end of current and prior periods are as follows.

(unit: thousand won)

Account	Lender	Interest rate (%)	Current period	Prior period	Transition date
Bank overdraft	Hana bank	6.7	723,101	1,939,606	1,951,956
	Sub-Total		723,101	1,939,606	1,951,956
Short-term borrowings	Korea Exim Bank (note 1)	-	-	40,000,000	40,000,000
	Shinhan bank	-	-	-	11,676,000
	SCFB	-	-	-	10,000,000
	Sub-Total		-	40,000,000	61,676,000
Collateral borrowings	Shinhan bank	1.67 ~ 3.81	9,730,143	4,239,773	-
	KEB	1.64 ~ 4.56	9,097,293	19,491,921	-
	Hana bank	1.64	1,373,502	-	-
	Sub-Total		20,200,938	23,731,694	-
Trade financing	Shinhan bank	1.37 ~ 2.58	6,711,522	25,740,446	-
	KEB	1.39 ~ 1.73	68,128,834	95,789,213	36,743,286
	Hana bank	1.18 ~ 1.93	27,618,265	39,660,393	14,761,374
	Kookmin bank	1.48 ~ 1.88	49,410,282	55,693,316	31,178,107
	Nong-hyup	1.59 ~ 2.62	32,285,599	56,745,090	14,675,168

	Woori bank	1.23 ~ 2.58	21,229,754	12,797,205	15,087,893
	KDB	1.38 ~ 1.68	117,215,305	123,660,152	81,670,625
	SCFB	-	-	5,222,827	-
	Busan bank	1.48 ~ 1.89	36,316,360	-	-
	Kyongnam bank	1.5	4,315,260	-	-
	Sub-Total		363,231,181	415,308,642	194,116,453
Total			384,155,220	480,979,942	257,744,409
Current portion of long-term borrowings in foreign currency			74,453,480	46,237,580	47,380,680
Current portion of long-term borrowings in Korean won			13,302,894	13,062,676	11,934,444
Current portion of debentures			40,000,000	-	30,000,000
Total			511,911,594	540,280,198	347,059,533

(2) Details of Korean currency denominated long-term borrowings at the end of current and prior periods are as follows:

(unit: thousand won)

Account	Lender	Interest rate (%)	Current period	Prior period	Transition date
Industry Facility loan	KDB	4.50 ~ 5.87	310,732,040	313,917,720	330,175,000
Energy saving	Hana bank	2.25	4,365,050	4,555,950	5,679,350
Sub-Total			315,097,090	318,473,670	335,854,350
Deduction: Transfer to current			(74,453,480)	(46,237,580)	(47,380,680)
Total			240,643,610	272,236,090	288,473,670

(3) Details of Foreign currency denominated long-term borrowings at the end of current and prior periods are as follows:

(KRW unit: 1,000 won, foreign currency unit: 1,000 US\$, 1,000 JPY)

Account	Lender	Interest rate (%)	Current period		Prior period		Prior period	
			FCY	KRW	FCY	KRW	FCY	KRW
Foreign facility loans	KDB	2.40 ~ 3.00	JPY 2,580,000	38,317,128	JPY 3,440,000	48,059,552	JPY 4,300,000	54,301,260
		1.78 ~ 1.88	US\$460	530,518	US\$1,380	1,571,682	US\$2,300	2,685,480
	KEB	2.05	US\$20,000	23,066,000	-	-	-	-
Sub-Total				61,913,646		49,631,234		56,986,740
Deduction: Transfer to current				(13,302,894)		(13,062,676)		(11,934,444)
Total				48,610,752		36,568,558		45,052,296

(4) Details of bonds at the end of current and prior periods are as follows:

(unit: thousand won)

Type	Underwriter	Issue date	Maturity	Interest rate (%)	Current period	Prior period	Transition date
1- 3 Debentures	Nong-hyup	2005.8.8	2010.8.8	-	-	-	30,000,000
2- 1 Debentures		2006.1.24	2010.2.12	-	-	-	50,000,000
3- 1 Debentures	Hana bank	2009.1.7	2010.10.29	-	-	-	40,000,000
35 Debentures	KB Investment	2009.5.8	2012.5.8	7.4	40,000,000	40,000,000	40,000,000
36 Debentures		2011.1.24	2014.1.24	4.9	120,000,000	-	-
37 Debentures	SCFB	2011.4.12	2014.4.12	3.9	34,599,000	-	-
Sub-Total					194,599,000	40,000,000	160,000,000
Deduction: Transfer to current					(40,000,000)	-	(30,000,000)
Total					154,599,000	40,000,000	130,000,000

(5) Redemption schedule of long term borrowings and bonds including current portion of long term liabilities at the end of current period is as follows.

(KRW unit: 1,000 won, foreign currency unit: 1,000 US\$, 1,000 JPY)

Account	KRW	FCY Long-term borrowings			Bond	Total
	Long-term borrowings	FCY		KRW		
2012.01 ~ 2012.12	74,453,480	US\$460	JPY 860,000	13,302,894	40,000,000	127,756,374
2013.01 ~ 2013.12	72,651,330	US\$20,000	JPY 860,000	35,838,376	-	108,489,706
2014.01 ~ 2014.12	70,719,980	-	JPY 860,000	12,772,376	154,599,000	238,091,356
2015.01 ~ 2015.12	38,962,400	-	-	-	-	38,962,400
2016.01 and after	58,309,900	-	-	-	-	58,309,900
Total	315,097,090	US\$20,460	JPY 2,580,000	61,913,646	194,599,000	571,609,736

(6) In regard to the above borrowings, Korean development bank etc. established pledges on land and machinery of the company as collateral (refer to note 36).

22. Other financial liabilities

Details of other financial liabilities at the end of current and prior periods are as follows:

(unit: thousand won)

	Current period		Prior period		Transition date	
	Current	Non-current	Current	Non-current	Current	Non-current
Accounts payables	27,383,368	-	24,879,427	-	32,368,593	-
Accrued expenses	5,708,355	-	5,745,968	-	6,959,124	-
Deposit received on sale	-	114,500	-	110,000	-	107,000
Rent deposit	-	11,707,411	-	9,759,947	-	10,018,576
Financial guarantee liability	2,333,867	-	1,779,567	-	398,811	-
Total	35,425,590	11,821,911	32,404,962	9,869,947	39,726,528	10,125,576

23. DERIVATIVE INSTRUMENTS

(1) Hedge

The Company entered into interest rate swaps contracts to manage exposures to change interest rate of borrowings.

(KRW unit: 1,000 won, foreign currency unit: 1,000 US\$, 1,000EUR)

Account	contract date	maturity	Amount subject to interest	contract amount		fair market value
				buying	selling	
SCFB	2011.3.24	2014.4.14	30,000	4	3M Libor + 1.50	(1,479,199)

As of June 30, 2010 1,479,199 ('000₩) incurred regarding above the FMV evaluation of the interest rate swap is accounted for loss on valuation of derivative in the accumulated other comprehensive income (before income tax)

(2) Trading purposes

The Company enters into foreign currency forward contracts and Interest rate swaps to manage the exposure to changes in currency exchange rates and interest rates in accordance with its risk management policy.

1) Currency forward

<Transition date>

(KRW unit: 1,000 won, foreign currency unit: 1,000 US\$)

Account	Position	Contract date	Maturity	contract amount	contract rate	fair market value
KEB	Selling	2009.10.28	2010.6.30	US\$3,000	1,195.2	59,394
	Selling	2009.10.28	2010.6.30	US\$2,000	1,195.3	39,794
	Selling	2009.10.29	2010.6.30	US\$3,000	1,204.3	86,474
	Selling	2009.10.29	2010.6.1	US\$3,000	1,204.1	90,557
	Selling	2009.12.17	2010.6.1	US\$2,000	1,185.4	23,212
	Selling	2009.12.18	2010.6.1	US\$2,000	1,188.7	29,670
	Selling	2009.12.21	2010.6.16	US\$3,000	1,187.0	37,162
	Selling	2009.12.22	2010.6.16	US\$2,000	1,190.5	31,783
	Selling	2009.12.23	2010.5.3	US\$1,000	1,188.7	16,308
Total				US\$21,000		414,354

2) Interest rate swaps

<Transition date>

(KRW unit: 1,000 won, foreign currency unit: 1,000 US\$)

Account	contract date	maturity	Amount subject to interest	contract amount		fair market value
				buying	selling	
Hana bank	2009.1.7	2011.1.7	40,000,000	7	3M CD + 4.10	93,398
SCFB	2009.3.31	2010.3.31	10,000,000	7	3M CD + 1.30	(59,755)
Shinhan bank	2009.5.4	2010.4.29	10,000	9	3M Libor + 7.24	(72,913)
Total						(39,270)

24. Other current liabilities

Details of other current liabilities at the end of current and prior periods are as follows:

(unit: thousand won)

	Current period	Prior period	Transition date
Advances from customers	2,026,970	1,880,139	4,241,707
Deposit received	831,061	1,449,023	343,606
Total	2,858,031	3,329,162	4,585,313

25. Retirement and severance Benefits

(1) The company operates the defined benefit plans for employees. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method at the end of each reporting period.

(2) Details of the amounts recognized in the statement of financial position at the end of current and prior periods are as follows:

(unit: thousand won)

	Current period	Prior period	Transition date
present value of defined benefit obligations	55,346,255	53,945,507	43,832,015
fair value of plan assets	(35,090,163)	(25,233,112)	(26,681,240)
Defined benefit obligations	20,256,092	28,712,395	17,150,775

(3) Details of changes in defined benefit obligations at the end of current and prior periods are as follows:

(unit: thousand won)

	Current period	Prior period
Beginning	53,945,507	43,832,015
Current service costs	4,483,226	3,683,095
Interest costs	2,705,389	2,569,820
Actuarial losses (gains)	(1,453,554)	8,409,280
Benefits paid by the plan	(4,549,794)	(4,548,703)
Transferred from the related company	215,481	-
Ending	55,346,255	53,945,507

(3) Changes in the plan assets at the end of current and prior periods are as follows:

(4)

(unit: thousand won)

	Current period	Prior period
Beginning	25,233,112	26,681,240
Expected return on plan assets	1,153,120	1,168,642
Actuarial gains and losses	(101,692)	(85,846)
Benefits paid	(2,194,377)	(2,530,924)
Additional costs	11,000,000	-
Ending	35,090,163	25,233,112

(5) Expenses for employee benefits at the end of current and prior periods are as follows:

(unit: thousand won)

	Current period	Prior period
Current service costs	4,483,226	3,683,095
interest cost	2,705,389	2,569,820
Expected return on plan assets	(1,153,120)	(1,168,642)
Total	6,035,495	5,084,273

(6) Major actuarial assumptions at the end of current and prior periods are as follows:

	Current period	Prior period	Transition date
Discount rate	4.60%	4.95%	5.77%
Expected return on plan assets	4.00%	4.69%	4.50%
Future salary increases (Including inflation)	5.00%	6.07%	6.00%

26. Provisions

(1) Provisions are recognized when the company accrues warranty reserves for estimated costs of future service, repairs and recalls, based on historical experience and terms of warranty programs.

(2) Details of changes in provisions at the end of current and prior periods are as follows:

(unit: thousand won)

	Current period	Prior period
Beginning	2,457,724	2,259,073
allowances	92,806	1,063,085
Written off	(900,134)	(864,434)
Ending	1,650,396	2,457,724

27. Capital stock

(1) Details of Capital stock at the end of current and prior periods are as follows.

	Current period	Prior period	Transition date
Total number of stocks to be	40,000,000	40,000,000	40,000,000

issued (Unit: stock)			
Face value per share (Unit: won)	5,000	5,000	5,000
Number of issued stock (Unit: stock)	10,260,000	10,260,000	10,260,000
Common Stock (unit: thousand won)	51,300,000	51,300,000	51,300,000

(2) Details of other capital surplus at the end of current and prior periods are as follows.

(unit: thousand won)

Account	Current period	Prior period	Transition date
Revaluation surplus reserve	29,889,067	29,889,067	29,889,067
Others	21,760,762	21,760,762	21,760,762
Treasury stock (note1)	(9,126)	(9,126)	(9,126)
Total	51,640,703	51,640,703	51,640,703

(Note1) 322 of the treasury stocks held by the company at the end of current and prior periods have restricted voting rights and are accounted for capital adjustment at the acquisition price.

(3) Details of legal reserve and voluntary reserve at the end of current and prior periods are as follows.

(unit: thousand won)

Account	Current period	Prior period	Transition date
Legal reserve			
Profit reserves (note 1)	6,360,468	5,847,468	5,847,468
Voluntary reserves			
Capital structure rebuilding reserve	820,000	820,000	820,000
Reserve for business rationalization	46,910,000	41,910,000	41,910,000
Reserve for business expansion	170,800,000	163,800,000	215,000,000
Reserve for R &D	-	-	666,667
Voluntary reserves	12,700,000	-	24,800,000
Unappropriated Retained Earnings (note 2)	390,480,166	409,284,472	285,137,073
Total	628,070,634	621,661,940	574,181,208

(note 1) According to the regulations of commercial law, the Company reserves more than 10% of dividends as profit reserve until they reach up to 50% of capital. This profit reserve cannot be used as dividend and can be used only for capital transfer-in and deficit covering.

(note 2) The company revaluated assets according to revaluation of assets law and

incurred excess of 264,628,972 ('000 ₩). This is accounted for as reserve for revaluation. This profit reserve cannot be used as dividend and can be used only for capital transfer-in and deficit covering.

(4) Retained earnings at the end of current and prior periods are as follows.

The 50 th :	From Jan 1, 2011 To Dec 31, 2011	The 49 th :	From Jan 1, 2010 To Dec 31, 2010
Appropriation Date:	March 16, 2012	Appropriation Date:	March 11, 2011

Union Steel Co., Ltd

(Unit: KRW)

Description	2011		2010	
I. Unappropriated Retained Earnings		390,480,166		409,284,472
1. Unappropriated retained earnings carried over from prior year	378,941,633		361,803,739	
2. Net Income(loss)	10,484,080		54,106,931	
Actuarial gains and losses	1,054,453		(6,626,198)	
III. Appropriations of retained earnings		390,157,136		30,342,839
1. Legal reserves	205,200		513,000	
2. Reserve for business rationalization	-		5,000,000	
3. Reserve for business expansion	-		7,000,000	
4. Voluntary reserves	387,900,000		12,700,000	
5. Dividends(cash dividend) (note 16)	2,051,936		5,129,839	
IV. Unappropriated retained earnings to be carried forward to subsequent year		323,030		378,941,633

Comparative statement of retained earnings is reconciled in accordance with K-IFRS, it is different from the statement of retained earnings presented on Mar, 11, 2011.

(5) Assessment details of dividends in current and prior periods are as follows.

Account	Common stock	
	Current period	Prior period
Dividend per share (unit: won)	200	500
Number of outstanding stock (Note) (Unit: stock)	10,259,678	10,259,678
Total dividend (Unit: '000 ₩)	2,051,936	5,129,839

(note 1) 322 of the treasury stock held by the company at the end of current period is excluded in the assessment of the dividend.

(6) The components of other capital at the end of current and prior periods are as follows.

(unit: thousand won)

	Current period	Prior period	Transition date
Income or loss on valuation of available-for-sale securities	327,872	21,633,301	27,819,927
Income or loss on valuation of interest rate swaps	(1,153,775)	-	-
Total	(825,903)	21,633,301	27,819,927

28. Expenses by Nature

Details of expenses by nature in current and prior periods are as follows:

(unit: thousand won)

	Current period	Prior period
Merchandise, Finished goods,	5,093,246	(47,006,744)
Raw material and supplies	1,541,754,894	1,561,289,331
employee benefits (wages and pension expenses)	58,478,068	59,215,652
Rent expenses	3,815,270	3,990,607
Depreciation expenses	34,438,570	36,420,029
Amortization expenses	328,740	328,741
Transportation expenses	17,915,256	20,470,917
Advertising expenses	803,385	640,904
Sundry commission paid	32,228,534	28,866,831
Expense from export	26,388,656	31,548,668
fuel and power expenses	78,540,897	78,123,960
repairs expenses	27,037,255	25,470,341
others	84,709,833	36,751,704
Total	1,911,532,604	1,836,110,941

29. Selling, General and Administrative Expenses

Selling, general and administrative expenses in current and prior periods are as following:

(unit: thousand won)

	Current period	Prior period
Selling expense:		
Expense from export	6,034,593	6,780,623
Export ocean freight	20,354,062	24,768,045
Transportation expenses	17,553,453	20,084,642
Entertainment	523,118	490,024
warranty expense	92,806	1,063,085
Sub-total	44,558,032	53,186,419

	Current period	Prior period
G&A expenses		
Salaries	10,858,563	11,187,580
pension expenses	1,197,852	1,024,155
employee benefits	1,742,276	1,205,581
Travel	803,627	615,926
Communications	335,105	315,731
Utilities	50,264	102,276
Taxes and dues	1,230,707	1,560,275
Rent expenses	1,738,770	654,607
Depreciation expenses	429,502	382,076
repairs expenses	2,171	20,866
Insurance	213,601	170,021
Advertising expenses	686,326	496,620
Sundry commission paid	4,060,095	3,698,439
supplies	31,926	21,823
Vehicle maintenance	302,998	300,537
Publication	100,138	42,158
Conference	118,923	95,909
Cost of electronic calculation	2,614,172	2,361,084
Training	496,924	355,237
overseas branch expenses	463,613	253,658
Miscellaneous	12,477	15,034
Sub-total	27,490,030	24,879,593
Total	72,048,062	78,066,012

30. Other operating revenues and other operating expenses

(1) Other operating revenues in current and prior periods are as follows:

	Current period	Prior period
		(unit: thousand won)
Reversal of allowance for doubtful accounts	479,158	228,002
Foreign currency transaction gain	4,787,499	5,061,419
Foreign currency translation gain	131,729	867,683
Gain on sale of available for sale	20,359,613	-
Gain on disposition of property, plant and equipment	223,300	130,144
Gain on derivatives	-	3,555,793
Gain on financial guarantees	1,542,255	1,202,273
Interest revenue	89,427	-
Miscellaneous gains	5,127,515	3,036,539
Total	32,740,496	14,081,851

(2) Other operating expenses in current and prior periods are as following.

(unit: thousand won)

	Current period	Prior period
loss on foreign currency transaction gain	5,329,848	7,869,008
Loss on foreign currency translation gain	233,428	463,877
Donations	152,921	11,424,250
Loss on disposition of inventories	17,575	-
depreciation	311,003	1,418,234
Loss on disposition of Tangible assets	59,014	545,512
Loss on retirement of Tangible assets	756,325	-
Loss on impairment of Tangible assets	-	2,730,258
Loss on impairment of intangible assets	594,452	-
Loss on impairment of held-for-sale	6,554,371	2,986,740
Loss on Derivatives	346,562	2,344,155
Interest expense	74,817	894,281
Miscellaneous loss	709,258	125,069
Total	15,139,574	30,801,384

Items above were classified as non-operating revenue (expense) under K-GAAP, and are reclassified as other revenue (expense) under K-IFRS. Accordingly, there is difference in the operating revenue (expense).

31. Finance income and finance costs

(1) Net financial income in current and prior periods are as follows:

(unit: thousand won)

	Current period	Prior period
financial income	23,992,023	22,139,355
financial expense	59,614,026	47,179,713
Net financial income (expense)	(35,622,003)	(25,040,358)

(2) Interest revenues included in finance income in current and prior periods are as follows:

(unit: thousand won)

	Current period	Prior period
Bank deposits	3,362,058	3,428,638
Available-for-sale financial assets	2,677,997	2,727,655
Held-to-maturity investment	123,550	234,052
Total	6,163,605	6,390,345

Interest expenses included in finance cost in current and prior periods are as follows:

(3)

(Unit : thousand won)

	Current period	Prior period
Interests on bank overdraft and borrowings	25,329,523	28,038,779
Interests on debentures	8,825,387	6,606,395
Total	34,154,910	34,645,174

(4) Categories of financial instruments in current and prior periods are as follows:

(Unit : thousand won)

	Current period			Prior period		
	Financial revenue	Financial expense	Net financial amount	Financial revenue	Financial expense	Net financial amount
financial asset:						
Available-for-sale	3,441,177	-	3,441,177	3,393,980	-	3,393,980
Held- to-maturity	123,550	-	123,550	234,052	-	234,052
Loans and receivables	3,362,058	(473,011)	2,889,047	3,428,638	(150,692)	3,277,946
financial liability:						
Borrowings and debentures	17,065,238	(59,141,015)	(42,075,777)	15,082,685	(47,029,021)	(31,946,336)
Total	23,992,023	(59,614,026)	(35,622,003)	22,139,355	(47,179,713)	(25,040,358)

32. Income tax expense (benefits) and deferred income taxes

(1) The composition of income tax expense (benefits) in current and prior periods are as follows.

(Unit : thousand won)

account	Current period	Prior period
Income tax (additional payment in income tax included)	1,676,266	(639,896)
± Changes in deferred tax due to temporary difference (note1)	(1,717,939)	(7,493,092)
± Deferred tax directly reflected to capital	6,037,237	3,613,873
Income tax expense (benefit)	5,995,564	(4,519,115)
(note1) Net deferred tax assets (liabilities) in the end of the year due to temporary differences	(18,652,300)	(20,370,239)
Net deferred tax liabilities (assets) in the beginning of the year due to temporary differences	(20,370,239)	(27,863,331)
Changes in deferred income tax due to temporary differences	1,717,939	7,493,092

(2) The relationship with income tax expenses (benefits)) and net income (loss) before income tax in current and prior periods is as follows.

(Unit : thousand won)

account	Current period	Prior period
Net income (loss) before income tax	16,479,644	49,587,816
Tax amount according to applied tax rate (current 24.2%)	3,988,074	12,000,251
Adjustments:		
Non taxable income	(91,285)	(30,859)
Non taxable expense	404,629	386,883
Temporary differences of not reflecting deferred tax	179,737	25,305
Deficit Carried Forward not reflecting deferred income tax, Deduction of unused tax credit	-	(17,272,376)
Additional payment in income tax included	1,676,266	-
The effect of different Income tax rate	(161,857)	371,681
Income Tax expense (loss)	5,995,564	(4,519,115)
Income tax expense (benefits)	39.7%	(주1)

(Note1) Due to loss before income tax, we did not calculate the effective tax rate.

(3) Increase and decrease of temporary differences in the current year and details of deferred income tax assets (liabilities) are as follows.

<Current period>

(Unit : thousand won)

account	Beginning	Increase / Decrease		Ending
		Current period	Equity	
Allowance for bad debt	2,865,575	(479,158)	-	2,386,417
Accrued income	(1,655,614)	205,913	-	(1,449,701)
Loss on valuation of Inventories	5,475,404	4,017,480	-	9,492,884
Labor cost of Chinese subsidiary	728,751	-	-	728,751
Impairment loss on available-for-sale securities	35,937	-	-	35,937
Equity method investment	57,311,339	-	-	57,311,339
Land(Advanced depreciation provision)	(28,642,890)	-	-	(28,642,890)
Impairment loss on tangible assets	1,242,404	(241,172)	-	1,001,232
Depreciation	(27,449,171)	468,302	-	(26,980,869)
Interest related to loan for construction and others	8,749,086	(863,517)	-	7,885,569
Provision for severance pay	7,190,667	(7,600,647)	-	(409,980)

Interest expense	1,558,061	56,148	-	1,614,209
Impairment loss on investment assets	2,997,920	1,140,977	-	4,138,897
foreign currency gains	(5,982,386)	5,982,386	-	-
foreign currency losses	20,048,085	(5,388,972)	-	14,659,113
Gain on valuation of available-for-sale	(27,735,003)	-	27,314,655	(420,348)
Loss on valuation of interest rate swap	-	-	1,479,199	1,479,199
Actuarial gain or loss	8,495,126	-	(1,351,863)	7,143,263
(Negative)Capital variation of equity method	(21,259,502)	-	-	(21,259,502)
Equity method retained earnings(Capital) and others	3,721,990	686,565	-	4,408,555
Gain on revaluation of Land	(94,985,568)	-	-	(94,985,568)
Impairment loss of Tangible Assets	2,012,329	(2,012,329)	-	-
Donation of Land	11,388,714	-	-	11,388,714
Warranty provision	2,457,724	(807,328)	-	1,650,396
Others	2,363,322	4,504,778	-	6,868,100
Deficit Carried Forward	19,791,357	(17,582,516)	-	2,208,841
subtotals	(49,276,343)	(17,913,090)	27,441,991	(39,747,442)
Not recognized amount	42,060,639	742,713	-	42,803,352
Recognized amount	(91,336,982)	(18,655,803)	27,441,991	(82,550,794)
Income tax rate (note1)	24.2%/22.0%			0
Deferred income tax asset due to temporary difference (liability)	(20,370,239)	(4,319,298)	6,037,237	(18,652,300)

<Prior period>

(Unit : thousand won)

account	Beginning	Increase / Decrease		Ending
		Current period	Equity	
Allowance for bad debt	3,744,459	(878,884)	-	2,865,575
Accrued income	(1,216,042)	(439,572)	-	(1,655,614)
Loss on valuation of Inventories	2,562,248	2,913,156	-	5,475,404
Labor cost of Chinese subsidiary	728,751	-	-	728,751
Impairment loss on available-for-sale securities	39,979	(4,042)	-	35,937

Equity method investment	57,311,339	-	-	57,311,339
Land(Advanced depreciation provision)	(28,642,890)	-	-	(28,642,890)
Impairment loss on tangible assets	1,483,577	(241,173)	-	1,242,404
Depreciation	(15,070,165)	(12,379,006)	-	(27,449,171)
Interest related to loan for construction and others	8,543,632	205,454	-	8,749,086
Provision for severance pay	4,680,681	2,509,986	-	7,190,667
Interest expense	1,453,493	104,568	-	1,558,061
Impairment loss on investment assets	-	2,997,920	-	2,997,920
foreign currency gains	(18,671,431)	12,689,045	-	(5,982,386)
foreign currency losses	26,274,394	(6,226,309)	-	20,048,085
Gain on valuation of available-for-sale	(35,666,573)	-	7,931,570	(27,735,003)
Actuarial gain or loss	-	-	8,495,126	8,495,126
(Negative)Capital variation of equity method	(21,259,502)	-	-	(21,259,502)
Equity method retained earnings(Capital) and others	3,721,990	-	-	3,721,990
Gain on revaluation of Land	(97,729,404)	2,743,836	-	(94,985,568)
Impairment loss of Tangible Assets	-	2,012,329	-	2,012,329
Donation of Land	-	11,388,714	-	11,388,714
Warranty provision	2,259,073	198,651	-	2,457,724
Others	(937,850)	3,301,172	-	2,363,322
Deficit Carried Forward	87,643,413	(67,852,056)	-	19,791,357
subtotals	(18,746,828)	(46,956,211)	16,426,696	(49,276,343)
Not recognized amount	113,191,477	(71,130,838)	-	42,060,639

Recognized amount	(131,938,305)	24,174,627	16,426,696	(91,336,982)
Income tax rate (note1)	24.2%/22.0%			24.2%/22.0%
Deferred income tax asset due to temporary difference (liability)	(27,863,331)	3,879,220	3,613,873	(20,370,239)

(note1) Income tax rate is not recognized for the reason that related temporary differences will be resolved.

(3) Details of deferred income tax directly reflected on capital of at the end of current and prior periods are as follows

(Unit : thousand won)

Account	Current period			Prior period			Transition date		
	Before tax	tax effects	After tax	Before tax	tax effects	After tax	Before tax	tax effects	After tax
Gain on valuation of available-for-sale	420,349	(92,477)	327,872	27,735,001	(6,101,700)	21,633,301	35,666,574	(7,846,646)	27,819,928
Loss on valuation of interest rate swap	(1,479,199)	325,424	(1,153,775)	-	-	-	-	-	-
Actuarial gain or loss	(7,143,263)	1,571,518	(5,571,745)	(8,495,126)	1,868,928	(6,626,198)	-	-	-
Total	(8,202,113)	1,804,465	(6,397,648)	19,239,875	(4,232,772)	15,007,103	35,666,574	(7,846,646)	27,819,928

(4)) Details of temporary differences of deficit carried forward and deduction of unused tax credit not recognized as deferred income tax assets at the end of current and prior periods and to be deducted are as follows.

(Unit : thousand won)

	Current period	Prior period	Transition date	Reason for exclusion
Temporary differences to be deducted :				
Labor cost of Chinese subsidiary	728,751	728,751	728,751	Low possibility of debt collection from Chinese subsidiary
Deemed interest for suspense payment	1,614,209	1,558,061	1,453,493	
Equity method investment	40,460,392	39,773,827	39,773,827	Low possibility of realization due to dividend and disposition

subtotals	42,803,352	42,060,639	41,956,071	
Deficit Carried Forward	-	-	71,235,406	High Uncertainty for future taxable income

33. Earnings per share

Earnings (loss) per share are what calculate income or loss per one common stock and the details are as follows.

(Unit : thousand won)

account	Current period	Prior period
Net income (loss)	10,484,080	54,106,931
(-)Dividend for preferred stock	-	-
Net income(loss) for common stock	10,484,080	54,106,931
Number of average weighed outstanding common stock	10,259,678	10,259,678
Basic earnings (loss) per share	1,022	5,274

Calculation details of number of issued common stocks in current and prior periods weighted averaged by outstanding period are as follows.

<Current period>

(unit: share)				
Account	Date	Number of stocks	Weighted	Number of outstanding common stock
Beginning	2011.1.1	10,260,000	365/365	10,260,000
Treasury Stock	2011.1.1	(322)	365/365	(322)
Total		10,259,678		10,259,678

<Prior period>

(unit: share)				
Account	Date	Number of stocks	Weighted	Number of outstanding common stock
Beginning	2010.1.1	10,260,000	365/365	10,260,000
Treasury Stock	2010.1.1	(322)	365/365	(322)
Total		10,259,678		10,259,678

The company doesn't calculated diluted earnings (loss) per share because it has no dilutive potential common stocks.

34. Cash flow statement

(1) Reconciliation of cash flow statement at the end of current and prior periods is as follows

(Unit : thousand won)

account	Current period	Prior period
Loss on evaluation of Inventories	4,671,286	2,913,156
Warranty expense	92,806	1,063,085
Pension expense	6,035,495	5,084,273
Depreciation	34,438,570	36,420,029
Amortization	328,740	328,741
Loss on transaction in foreign exchange (other expense)	233,428	463,877
Other depreciation	311,003	1,418,234
Loss on disposition of Tangible Assets	59,014	545,512
Loss on retirement of Tangible Assets	756,325	-
Loss on impairment of Tangible Assets	-	2,730,258
Loss on impairment of intangible Assets	594,452	-
Loss on impairment of held-for-sale	6,554,371	2,986,740
Interest expense	74,817	894,281
Loss on translation in foreign exchange (financial expense)	23,618,002	7,411,064
Donation	-	11,388,713
Interest expense(financial expense)	34,154,910	34,645,174
Tax expense (tax income)	5,995,564	(4,519,115)
Recovery of impairment loss	(479,158)	(228,002)
Gain on transaction in foreign exchange (other revenue)	(131,729)	(867,683)
Gain on available-for-sale	(20,359,613)	-
Gain on tangible assets	(223,300)	(130,144)
Revenue on financial guarantee	(1,542,255)	(1,202,273)
Interest revenues	(89,427)	-
Gain on foreign currency translation (금융수익)	(483,211)	(7,556,087)
Interest revenues (finance income)	(6,163,605)	(6,390,345)
Dividends income (financial income)	(763,180)	(666,325)
Total	87,683,305	86,733,163

(2) Details of changes in working capital at the end of current and prior periods are as follows

(Unit : thousand won)

	Current period	Prior period
Increase of accounts receivable	(51,743,022)	(90,212,577)
Decrease (Increase) of loans and receivables	(2,425,025)	8,248,961
Decrease (Increase) of inventory	41,298,212	(79,999,864)
Decrease (Increase) of other current assets	88,209	(5,196,202)
Decrease of long-term borrowings and receivables	3,623,980	2,723,573
Decrease (Increase) of derivatives	-	375,084
Decrease of payables	(3,503,017)	(34,271,160)
Increase (Decrease) of other financial liability	5,091,436	(7,699,147)
Decrease of other current liabilities	(617,962)	(1,256,151)
Payment of pension obligations	(13,139,936)	(3,100,573)
Decrease of provision	(900,133)	(864,434)
Total	(22,227,258)	(211,252,490)

(3) Significant transactions not affecting inflow and outflow of the cash are as follows.

(Unit : thousand won)

Account	Current period	Prior period
Transfer to current portion of available-for-sale securities	4,000,000	-
Transfer from construction in progress to building	2,720,279	3,958,953
Transfer from construction in progress to structures	348,709	-
Transfer from construction in progress to machinery	4,728,765	1,877,711
Transfer from construction in progress to other tangible assets	53,998	445,000
Transfer from land to construction in progress	102,371	76,762
Transfer from machinery to held-for-sale asset	3,569,682	13,065,530
Transfer from tangible assets to other investment property	4,559,428	43,436,206
Transfer to current portion of long-term borrowings and Debentures	127,756,374	98,172,024

Cash in cash flow statement is cash and cash equivalent on balance sheet.

35. Disclosure of related parties

(1) Details of parent and subsidiary relationships and other special relationships are as follows:

Class	Name of parent and subsidiary companies
Controlling company	Dongkuk Steel Mills
Subsidiary	Wuxi-Changjiang Metal, Union steel china, Union Coating, Kukje machinery, Branson Mchinery, LLC., Union Steel Mexico, S.A. De C.V. Anhui machinery, USI Service center Private Ltd. Union Steel Processing Center (Thailand), Ltd
Investee under equity method	Dongkuk International Inc., Dongkuk, Intergis, DK UNC, Union Logistic Co., Ltd
Other affiliates	DKS& and, Ferrum infra Ltd.

(2) Significant transactions which occurred in the normal course of business with related companies are summarized as follows.

(Unit : thousand won)

Affiliates	Current period		Prior period	
	receivables	payables	receivables	payables
Dongkuk Steel Mills	-	3,247,404	2,086,934	859,280
Wuxi-Changjiang Metal	434,354	22,297,929	500,965	7,815,179
Union steel china	1,590,696	114,765,768	4,626,074	60,166,130
Union Coating	-	8,059,530	830	8,051,280
Dongkuk International Inc.	127,330,146	7,606	121,353,203	-
Union steel Mexico	50,438	-	-	-
Dongkuk	24,475,636	47,280,828	16,549,431	77,688,853
Intergis	54,622	30,294,542	848,103	31,834,168
DK UNC	-	17,137,857	-	5,353,464
DKS&	-	4,640,618	-	8,984,942
Ferrum infra Ltd.	-	1,198,403	-	-
DK UIL	-	4,000		

(3) Account balances with related companies as of current and prior period are as follows

(unit : thousand won)

Related party	Current period		Prior period		Transition date	
	receivables	Payables	receivables	Payables	receivables	payables
Dongkuk Steel Mills	1,457,200	139,554	1,063,000	73,135	412	1,858,283
Wuxi-Changjiang Metal	-	-	1,276,240	-	2,886,201	-
Union steel china	-	3,371,867	3,151,639	-	4,568,660	-
Union Coating	491,000	40,909	834,000	37,059	834,000	38,225
Kukje machinery	12,000,000	-	-	-	-	-
Dongkuk International Inc.	6,796,038	-	4,630,275	-	7,180,472	-

Dongkuk	-	-	1,274,615	-	1,353,839	-
Intergis	-	8,709,106	-	10,387,195	244	2,061,633
DK UNC	-	4,483,659	-	669,115	144,937	520,729
DKS&	-	142,551	-	2,579,552	-	3,257,799
Ferrum infra Ltd.	-	79,486	-	-	-	-

(4) Details of payment guarantee and collateral provided to affiliates are as follows

(KRW unit : thousand won, foreign currency unit : thousand US\$, thousand RMB)

classification	Detail	Beneficiary	Current period	Prior period	Transition date
Providing collaterals	Short-term financial instrument	Wuxi-Changjiang Metal	7,000,000	7,000,000	12,500,000
	Current held-to-maturity securities		-	5,500,000	-
	Short-term financial instrument	Union steel china	-	1,700,000	1,700,000
	Current held-to-maturity securities		-	1,000,000	-
	Held-to-maturity securities		-	900,000	2,000,000
	Total		7,000,000	16,100,000	16,200,000
Guarantee	LC Guarantee	Wuxi-Changjiang Metal	-	US\$ 6,600	US\$ 6,600
	Local financing	Wuxi-Changjiang Metal	US\$ 9,800	-	-
			RMB 285,500	RMB 303,900	RMB 382,800
		Union steel china	RMB 119,000	RMB 121,000	RMB 88,000
			US\$ 61,200	US\$ 25,000	US\$ 32,500
			68,900,000	68,900,000	-
	Total		US\$ 71,000	US\$ 31,600	US\$ 39,100
			RMB 404,500	RMB 424,900	RMB 470,800
		68,900,000	68,900,000		

(5) The company determines directors with significant right and responsibilities as a key management and the compensation for the key management in current and prior periods is as follows.

(Unit : thousand won)

	Current period	Prior period
short-term employee benefits	3,718,174	3,697,308
Benefits after retirement	918,325	630,065
Total	4,636,499	4,327,373

36. Assets as collateral

Details of assets that the company provided as collaterals at the end of the current period are as follows.

(KRW unit : thousand won, foreign currency unit : thousand US\$, thousand JPY, thousand RMB)

Classification	Collaterals	BV	Collateralized amount	Amount of borrowings or guarantee	Holder
Collaterals for borrowings	Land, Machinery and equipment Investment property	744,150,187	478,530,000	310,732,040	KDB and others
			JPY 11,100,000	JPY 2,580,000	
			US\$64,981	US\$460	
Subsidiary Collaterals for borrowings	Short-term financial instrument	10,000,000	10,000,000	-	Korea Exim Bank
		7,000,000	7,000,000	RMB 93,000	KDB
Total			495,530,000	310,732,040	
			JPY 11,100,000	JPY 2,580,000	
			US\$64,981	US\$460	
				RMB 93,000	

37. Contingent liability and commitments

(1) Details of commitments as of current period are as follows.

(KRW unit : thousand won, foreign currency unit : thousand US\$)

	Institution	Amount
Bank overdraft limit	KEB and others	4,000,000
Note discount limit	Kumho bank	20,000,000
Foreign currency loan limit	KDB	US\$133,684
L/C transaction limit	Shinhan bank and others	US\$663,200
D/A, D/P discount limit	KEB	US\$50,000
Trade finance	Hana bank and others	9,000,000
Comprehensive credit limit	KEB	95,000,000
Corporate card limit	KEB and others	1,334,000
General revolving loan fund	Hana bank	30,000,000

(2) The lender sets leasehold rights and mortgage for the amount of 10,852,934('000) KRW in order to secure guarantee deposit receivable for the company headquarter's building and land.

(3) HP Korea bought 6,197 new shares of DK U&C at 962 million won through allotment to the third party and can exercise put option (principal of investment and interest of

government bond with 3 year maturity + 1% additional interest rate) to the company and other related parties from April 1, in 2014 to June 30, 2014. Also, the company and the related parties can exercise call option in the same period.

38. Risk management

(1) Capital risk management

The object of capital management is to maintain sound capital structure as going concern (i.e. continuing to provide profits to shareholders). If necessary, the company has the accounting policy for the sound capital such as adjusting the dividend, returning of capital to shareholders, or issuing new stocks etc.

The capital structure of the company comprises net liability after deducting cash and cash equivalents from borrowings (including bonds) and equity. Capital risk management is the same as the prior period.

Capital on the basis of the debt to equity ratio at the end of current and prior period is as follow

(Unit : thousand won)

account	Current period	Prior period	Transition date
Total borrowings	955,764,956	889,084,846	810,585,499
less: cash & cash equivalents	(42,736,562)	(66,451,435)	(95,462,349)
Net borrowings	913,028,394	822,633,411	715,123,150
Total equity	730,185,434	746,235,945	704,941,838
debt to equity ratio	125.0%	110.2%	101.4%

(2) Financial risk management

The company has exposure to market risk (foreign exchange risk, interest rate risk, price risk), credit risk, and liquidity risk from its use of financial instruments:

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 uses the derivatives for hedges. The risk management policy is the same as the prior period.

1) Foreign exchange risk

The company has exposure to currency risk on the transactions in the course of business that are denominated in a currency other than the functional currency.

Book values of monetary assets and liabilities denominated in a currency other than the functional currency at the end of current and prior periods are as follows.

(Unit : thousand US\$, thousand EUR, thousand JPY)

classification	Current period			Prior period			Transition date		
	US\$	EUR	JPY	US\$	EUR	JPY	US\$	EUR	JPY
Foreign currency assets	73,930	1,675	143,153	72,925	1,208	151,928	53,879	829	60,694
Foreign currency liability	385,129	156	2,589,915	402,027	558	3,533,514	824,669	2	3,452,195

The company internally reviews the adequacy of the risk management framework in relation to the foreign currency risks on a regular basis.

Foreign currency exposure to financial assets and liabilities of a 10% currency rate change against the KRW are presented below.

(Unit : thousand won)

account	Current period			Prior period			Transition date		
	US\$	EUR	JPY	US\$	EUR	JPY	US\$	EUR	JPY
Increase	(35,890,611)	227,005	(3,633,833)	(37,481,427)	98,384	(4,724,346)	(89,997,440)	138,463	(4,282,855)
Decrease	35,890,611	(227,005)	3,633,833	37,481,427	(98,384)	4,724,346	89,997,440	(138,463)	4,282,855

The sensitivity risk of the Company is determined based on the monetary assets and liabilities denominated in a currency other than the functional currency at the end of current and prior period

2) Interest rate risk

The company has exposure to interest rate risk as it possesses financial assets and liabilities bearing interest.

Effects on income (expense) from the reporting date as a result of change in interest rate are as follows.

(Unit : thousand won)

	Current period	Prior period	Transition date
borrowings	412,332,837	410,044,420	462,311,826

The company internally reviews the adequacy of the risk management framework in relation to the interest rate risks on a regular basis.

Based on the above assumption, changes to profit or loss and net asset as a result of 1% increases in interest rate on borrowings are presented below.

(Unit : thousand won)

	If increase by 1%		If decreased by 1%	
	Gain or loss	Net asset	Gain or loss	Net asset
Current period	(412,333)	(412,333)	412,333	412,333
Prior period	(410,044)	(410,044)	410,044	410,044
Transition date	(462,312)	(462,312)	462,312	462,312

The company enters into interest rate swap contracts to hedge the risk of interest fluctuations.

Details of valuation on interest rate swap contracts are presented below.

(Unit : thousand won)

	Contractual amount	valuation		valuation	Fair value	
		gain	loss	Other comprehensive income	asset	liability
Interest rate swap	US\$ 30,000	-	1,479,199	1,153,775	-	1,479,199

3) Price risk

Price risk arises from the available-for-sale financial assets that the company possesses. The market values for the company's equity investments (Available-for-sale instruments at fair value) at the end of reporting period are ₩85,650('000 ₩). If there is change in price of equity investment by 10%, the amount of equity changes is ₩8,565('000 ₩) (before income tax effect).

4) 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. Credit risk arises from cash and cash equivalents, savings and derivative instruments transactions with financial institutions. To minimize such risk, the Company transacts only with banks which have strong international credit rating. The company's exposure to credit risk is influenced

mainly by the individual characteristics of each customer. The company regularly performs credit assessment of customers and counterparties considering their financial position and historical data in order to manage the credit risk. The company does not have an individual risk management policy for counterparty.

No exceeded credit limits exists in the current period, the company has evaluated there is no indication of default by any of its counterparties.

Maximum amounts of possible financial loss to the company due to credit risk at the reporting period are as follows: However, the effect of obtained collateral value is not considered.

(Unit : thousand won)

	Book value	Maximum amounts of possible financial loss
Cash & cash equivalents	42,736,562	42,736,562
Long-term and short-term financial assets	19,057,400	19,057,400
Trade and other receivables	414,056,738	414,056,738
Available for sale financial asset	23,202,181	23,202,181
Held to maturity financial asset	1,444,835	1,444,835
Total	500,497,716	500,497,716

5) Liquidity risk

The company monitors its cash flow through long-term and short-term management strategies and manages its liquidity risk to maintain adequate net working capital by constantly managing projected cash flows. 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

Book values of Non-derivative financial liabilities based on the remaining maturities as of December 31, 2011 and December 31, 2010 are as follows:

(Unit : thousand won)

	Less than one year	One to two year	Two to five year	More than five year
borrowings	471,911,594	108,489,706	161,298,656	19,466,000
debentures	40,000,000	-	154,599,000	-
Trade and other payables	157,734,285	-	-	-
Other financial liability	35,425,590	11,821,911	-	-
Total	705,071,469	120,311,617	315,897,656	19,466,000

The following table below is an undiscounted cash flow analysis for financial liabilities that are presented on the balance sheet according to their remaining contractual maturity.

Book values of Derivative financial liabilities based on the remaining maturities as of December 31, 2011 and December 31, 2010 are as follows:

(Unit : thousand won)

	Less than one year	One to two year	Two to five year	More than five year
Derivative liability				
Interest rate swap	-	-	1,479,199	-

(3) Measurement of fair value

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The book value of financial assets is the market value at the end of reporting date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available, and the assumption is based on the market situation at the end of reporting period. Financial liability is measured in market price or a bid price, and discounted cash flow analysis is also used to determine fair value for the remaining financial instruments. As for trade and other receivables, the book value approximates a reasonable estimate of fair value.

The levels of the fair value hierarchy and its application to financial assets and liabilities are described below

	Hierarchy
level 1	The levels of the fair value hierarchy and its application to financial assets and liabilities are described below
level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair values of financial instruments based on the fair value hierarchy as of December 31, 2011, 2010 and January 1, 2010 are as follows:

<Current period>

(Unit : thousand won)

category	Book value	Fair value			
		level1	level2	level3	subtotals
financial asset					

Listed equity securities	11,393,274	11,393,274	-	-	11,393,274
Non-listed equity securities	1,328,872	-	-	1,328,872	1,328,872
Debt securities	10,480,035	10,480,035	-	-	10,480,035
financial asset Total	23,202,181	21,873,309	-	1,328,872	23,202,181
financial liability					
Derivative liability	1,479,199	-	1,479,199	-	1,479,199
financial liability Total	1,479,199	-	1,479,199	-	1,479,199

<Prior period>

(Unit : thousand won)

category	Book value	Fair value			
		level1	level2	level3	subtotals
financial asset					
Listed equity securities	58,056,607	58,056,607	-	-	58,056,607
Non-listed equity securities	1,328,872	-	-	1,328,872	1,328,872
Debt securities	6,671,579	6,671,579	-	-	6,671,579
financial asset Total	66,057,058	64,728,186	-	1,328,872	66,057,058

<Transition date>

(Unit : thousand won)

category	Book value	Fair value			
		level1	level2	level3	subtotals
financial asset					
Listed equity securities	40,439,757	40,439,757	-	-	40,439,757
Non-listed equity securities	9,892,685	-	-	9,892,685	9,892,685
Current derivatives	-	-	414,354	-	-
Non-current derivatives	-	-	93,398	-	-
financial asset Total	52,826,277	42,933,592	507,752	9,892,685	52,826,277
financial liability					
Derivative liability	132,668	-	132,668	-	132,668
financial liability Total	132,668	-	132,668	-	132,668

39. Issuance of the financial statements

The financial statements approved by the Board of director at the date of Feb, 17, 2012.

Opinions on the operation of internal accounting control system

The attached "Independent Accountants' Review Report on Internal Accounting Control System" is provided in accordance with clause 2-3 of act on external audit of stock companies after conducting external audit of financial statements of Union Steel as of Dec. 31 of 2011 and reviewing internal accounting control system of the company.

Attachments:

1. Independent Accountants' Review Report on Internal Accounting Control System
2. Assessment review of internal accounting managers' operation

Independent Accountants' Review Report on Internal Accounting Control System

To the President of Union Steel:

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ("IACS") of Union Steel (the "Company") as of December 31, 2010. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of IACS, the Company's management stated: "Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2010, in all material respects, in accordance with the IACS Framework (name of other standard, if used) issued by the Internal Accounting Control System Operation Committee".

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances.

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in Korea. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that Report on the Operations of Internal Accounting Control System as of December 31, 2010 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2010. We did not review the Company's IACS subsequent to December 31, 2010. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

Anjin Deloitte LLC.
23-5 Yoio-dong,
Youngdeungpo-gu, Seoul
CEO Jae sul Lee
Mar 7. 2012

Union Steel Co., Ltd

Independent Auditor's Review Report

Separate Interim Financial Statements

(Unaudited)

June 30, 2011 and 2012, and December 31, 2011

Anjin Accounting Corp

See accompanying notes to separate interim financial statements.

Contents

Independent Auditors' Review report

Separate Interim Financial Statements

- Separate Statements of Financial Position
- Separate Statements of Comprehensive Income
- Separate Statements of Changes in Equity
- Separate Statements of Cash Flows
- Notes to Separate Interim Financial Statements

See accompanying notes to separate interim financial statements.

Independent Auditor's Report

Union Steel Co., Ltd.

To Shareholders & The Board of Directors

Reviewed financial statements

We have reviewed the accompanying separate statement of financial position of Union Steel Co., Ltd ("the Company") as of June 30, 2012, and separate statements of comprehensive income for the three-month and six month periods ended June 30, 2012 and 2011 changes in equity and cash flows for the six-month periods ended June 30, 2012 and 2011 and notes, comprising a summary of significant accounting policies and other explanatory information ("the separate interim financial information").

Management's responsibility

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

Auditor's review responsibility

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

We conducted our reviews in accordance with the Review Standards for Quarterly/Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in

See accompanying notes to separate interim financial statements.

scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other considerations

As discussed in note 2, the Company can elect to prepare the Quarterly/Semiannual separate financial information in accordance with accounting policies which management adopted for its first annual financial statements in accordance with K-IFRS instead of preparing Quarterly/Semiannual consolidated financial statements. Accordingly, these interim financial statements are separate interim financial statements in accordance with K-IFRS 1027 "Consolidated and Separate Financial Statements". The standards only apply to Quarterly/Semiannual financial statements and require the controlled entity to prepare both consolidated and separate financial statements for annual reports.

We have audited the financial position of the Company as of December 31, 2011, and comprehensive income, changes in equity and cash flows (not attached in this review report) for the year ended December 31, 2011 in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our report dated March 08, 2012. The accompanying financial statements as of December 31, 2011, presented herein for comparative purposes, are consistent, in all material respects, with the above audited statements.

23-5, Yeoido-Dong,
Yeongdeungpo-Gu, Seoul
Anjin Accounting Corp.
CEO, Jae Sul Lee

See accompanying notes to separate interim financial statements.

Aug 14, 2012

This report is effective as of August 14, 2012, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying separate interim financial information. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

See accompanying notes to separate interim financial statements.

Statement of Financial Position

Current period: as of June 30, 2012

Prior period: as of Dec 31, 2011

Union Steel Co., Ltd

(unit: KRW)

Description	2012		2011	
Assets				
I. Current Assets		892,939,344,837		695,188,582,171
1. Cash and cash equivalent (note 5,7,33)	142,442,387,590		42,736,561,818	
2. Short-term financial instrument (note 6,7,34,35)	31,237,001,000		17,000,000,000	
3. Trade receivables (note 7,8)	386,752,706,977		371,315,699,319	
4. Loans and receivables (note 7,9)	2,126,991,958		26,663,579,818	
5. Current held-to-maturity securities (note 7,10,34,35)	1,027,115,000		20,135,000	
6. Current available-for-sale securities (note 7,11)	60,795,813,753		16,656,161,941	
7. Inventories (note 13)	252,756,649,181		211,934,365,286	
8. Current assets held for sale (note 14)	1,734,680,000		1,737,289,742	
9. Income tax refund receivable	-		469,606,639	
10. Other Current Assets (note15)	14,065,999,378		6,655,182,608	
II. Non-current Assets		1,227,340,047,049		1,240,639,611,145
1. Long term financial	2,069,400,000		2,057,400,000	

See accompanying notes to separate interim financial statements.

Description	2012		2011	
instruments (note 6,7)				
2. Long-term loans and receivables (note 7,9)	15,441,746,178		16,077,458,707	
3. Held-to-maturity securities (note 7,10)	410,195,000		1,424,700,000	
4. Available-for-sale securities (note 7,11)	11,415,186,466		6,546,018,595	
5. Investment in Subsidiaries and Associates (note 12)	151,266,652,646		170,388,017,852	
6. Tangible Assets (note 16,20,35)	930,760,267,175		927,139,334,739	
7. Investment Property (note 17)	109,522,252,017		110,279,963,333	
8. Intangible Assets (note 18)	6,454,347,567		6,726,717,919	
Total Assets		2,120,279,391,886		1,935,828,193,316
Liabilities				
I. Current Liabilities		799,190,447,773		707,929,498,979
1. Trade payables (note 19)	225,448,720,642		157,734,284,502	
2. Short-term borrowings and debentures (note 8,19,20)	539,433,377,607		511,911,593,833	
3. Other financial liability (note 19,21)	31,529,319,480		35,425,589,887	
4. Income tax payables	1,168,130,658		-	
5. Other current liability (note 23)	1,610,899,386		2,858,030,757	
II. Non-Current Liabilities		607,607,021,822		497,713,260,451
1. Long-term borrowings and Debentures (note 19, 20)	555,105,800,815		443,853,362,000	
2. Pension liability	20,835,366,889		20,256,092,277	

See accompanying notes to separate interim financial statements.

Description	2012		2011	
(note 24)				
3. Other long-term financial liability (note 19, 21)	11,830,305,220		11,821,910,500	
4. Non-current deferred income tax liabilities (note 31)	17,644,711,701		18,652,300,450	
5. Provision (note 25)	885,355,564		1,650,396,239	
6. Non-current derivatives liabilities(note 19, 22)	1,305,481,633		1,479,198,985	
Total Liabilities		1,406,797,469,595		1,205,642,759,430
Stockholder's Equity				
1. Capital Stock (note 26)		51,300,000,000		51,300,000,000
2. Capital Surplus (note 26)		51,640,703,538		51,640,703,538
3. Retained Earnings (note 26)		610,824,601,039		628,070,633,791
4. Other capital (note 26)		(283,382,286)		(825,903,443)
Total Stockholder's Equity		713,481,922,291		730,185,433,886
Total Liabilities and Stockholder's Equity		2,120,279,391,886		1,935,828,193,316

See accompanying notes to separate interim financial statements.

Statements of comprehensive Income

For the three-month and six-month periods ended June 30, 2012 and 2011

Union Steel Co., Ltd

(Unit: KRW)

Description	2012		2011	
	three months (4.1-6.30)	six months (1.1- 6.30)	three months (4.1-6.30)	six months (1.1- 6.30)
I. Sales (note 4)	498,954,736,662	937,235,486,839	554,882,063,889	1,045,892,708,581
II. Cost of sales (note27)	460,078,236,492	874,062,606,054	513,207,574,592	961,984,548,292
III. Gross profit(loss)	38,876,500,170	63,172,880,785	41,674,489,297	83,908,160,289
IV. Selling expenses (note 27,28)	12,881,107,381	23,409,247,808	13,034,239,444	24,596,196,379
V. SG&A (note 27,28)	5,618,074,452	11,399,385,085	7,379,008,855	14,513,369,314
VI. Other operating revenues (note 30)	4,107,966,654	5,769,403,852	1,727,741,580	5,174,835,250
VII. Other operating expense (note 29)	2,522,647,665	4,185,264,420	4,691,089,861	6,299,049,197
VIII. Operating income(Loss)	21,962,637,326	29,948,387,324	18,297,892,717	43,674,380,649
IX. Impaired loss on investment in subsidiary (note12)	-	(27,299,955,206)	-	-
X.. Financial income (note30)	3,822,236,034	8,467,231,306	13,548,947,085	29,267,517,267
XI. Financial cost (note 30)	19,260,488,168	23,969,132,717	8,483,323,623	16,341,210,243
XII. Net Profit(loss) before income tax	6,524,385,192	(12,853,469,293)	23,363,516,179	56,600,687,673
XIII. Income tax expense(note 31)	1,441,225,252	2,340,627,859	4,548,398,409	12,835,902,709
XIV. Net profit(loss)	5,083,159,940	(15,194,097,152)	18,815,117,770	43,764,784,964
XV. Other comprehensive income	236,355,091	542,521,157	(2,489,469,082)	(2,193,016,413)
1. Net changes in fair value of available-for-sale investments (note11)	157,303,357	407,021,623	(2,100,542,251)	(1,123,652,599)
2. Net changes in valuation of Interest swap (note 22)	79,051,734	135,499,534	(388,926,831)	(1,069,363,814)
XVI. Total other comprehensive income	5,319,515,031	(14,651,575,995)	16,325,648,688	41,571,768,551
XVII. Earnings per share				
1. Basic EPS (note 32)	495	(1,481)	1,834	4,266

See accompanying notes to separate interim financial statements.

Statement of Changes in Equity

Current period: For the year ended June 30, 2012

Prior period: For the year ended June 30, 2011

Union Steel Co., Ltd

(Unit: KRW)

Description	Common stock	Capital Surplus	retained earnings	Other capital	Total
2011.1.1 [beginning balance]	51,300,000,000	51,640,703,538	621,661,940,482	21,633,301,464	746,235,945,484
1. Annual Dividends	-	-	(5,129,839,000)	-	(5,129,839,000)
2..Total comprehensive income					
1) Net Income	-	-	43,764,784,964	-	43,764,784,964
2) Other comprehensive income and loss	-	-	-	(2,193,016,413)	(2,193,016,413)
2011.6.30 [Ending balance]	51,300,000,000	51,640,703,538	660,296,886,446	19,440,285,051	782,677,875,035
2012.1.1 [beginning balance]	51,300,000,000	51,640,703,538	628,070,633,791	(825,903,443)	730,185,433,886
1. Annual Dividends	-	-	(2,051,935,600)	-	(2,051,935,600)
2. Total comprehensive income					
1) Net Income	-	-	(15,194,097,152)	-	(15,194,097,152)
2)Other comprehensive income	-	-	-	542,521,157	542,521,157
2012.06.30 [Ending balance]	51,300,000,000	51,640,703,538	610,824,601,039	(283,382,286)	713,481,922,291

See accompanying notes to separate interim financial statements.

Statements of Cashflows

Current period: For the year ended June 30, 2012

Prior period: For the year ended June 30, 2011

Union Steel Co., Ltd

(Unit: KRW)

Description	2012		2011	
I. Cash Flow from Operating Activities		56,970,993,851		(33,232,854,873)
1. Cash generated from operations	74,464,796,604		(16,315,743,440)	
A. Net Income(Loss)	(15,194,097,152)		43,764,784,964	
B. Adjustments (note 33)	68,526,863,317		30,589,484,382	
C. Changes in working capital (note 33)	21,132,030,439		(90,670,012,786)	
2. Dividends received	686,329,050		600,280,400	
3. Dividends paid	(2,051,935,600)		(5,129,839,000)	
4. Interest earned	2,908,408,268		3,030,245,323	
5. Interest paid			(15,417,798,156)	
6. Income tax paid	(1,863,498,100)		-	
II. Cash flows from investing activities		(93,124,381,676)		(64,000,502,052)
1. Decrease in Short-term financial instruments	(14,237,001,000)		4,280,761,527	
2. Increase in Long term financial instruments	(12,000,000)		(9,500,000)	
3. Disposition of Held-to-maturity securities	17,930,000		5,732,915,000	
4. Acquisition of Held-to-maturity securities	(10,405,000)		(314,450,000)	
5. Disposition of Available-for-sale securities	24,273,563,232		18,220,000,000	
6. Acquisition of Available-for-sale securities	(72,825,000,000)		(51,100,000,000)	
7. Acquisition of investment in subsidiary	(8,178,590,000)		(13,268,790,000)	
8. Disposition of Tangible assets	20,599,818		14,854,546	
9. Acquisition of Tangible assets	(22,173,478,726)		(27,968,012,635)	
10. Acquisition of Intangible assets	-		(75,803,500)	
11. Cash flow from Other Investment	-		487,523,010	
III. Cash flows from financing activities		136,006,477,463		151,421,150,340

See accompanying notes to separate interim financial statements.

Description	2012		2011	
A. Increase(Decrease) in Short-term borrowings	66,546,533,648		4,764,028,340	
B. Increase in borrowings and Debentures	154,484,039,815		181,721,758,000	
C. Redemption of borrowings and Financial debentures	(85,024,096,000)		(35,064,636,000)	
IV. Increase(Decrease) in Cash (I + II + III)		99,853,089,638		54,187,793,415
V. Beginning Cash (note 34)		42,736,561,818		66,451,435,348
VI. Effect of exchange rate fluctuations on cash and cash equivalent		(147,263,866)		165,790,898
VIII. Ending Cash (note 34)		142,442,387,590		120,805,019,661

Notes to the Financial Statements

June 30, 2012 and 2011, and December 31, 2011

Union Steel Co., Ltd

1. Summary of the company

Union Steel Co., Ltd ("the Company") is established in 1962, and listed on Korea Stock Exchange in 1973 and engaging in manufacturing and selling of cold rolled corrosion resistant flat products. As of the balance sheet date, the Company's headquarters are located in Suha-dong, Jung-gu and factory is located in Gamman-Dong, Busan and Hwasung-si, Dongtan-myun and annual capacity is 2,000,000 ton.

The company has increased its capital by several free issue of new shares and issue of new shares to be purchased and the current capital comprises of common stocks. (51,300,000)(000 KRW) The list of major shareholders is as follows:

Name	# of shares	Ratio (%)
Dongkuk Steel Mill	6,680,297	65.11
POSCO	1,005,000	9.80
Others	2,574,703	25.09
Total	10,260,000	100.00

See accompanying notes to separate interim financial statements.

2. Summary of significant accounting policies

(1) Basis of Presentation

These separate interim financial statements have been prepared in accordance with K-IFRS 1034 "Interim Financial Reporting" as part of the period covered by its first IFRS financial statements. These financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with K-IFRSs.

The Company can elect to prepare the Quarterly/Semiannual separate financial information in accordance with accounting policies which management adopted for its first annual financial statements in accordance with K-IFRS instead of preparing Quarterly/Semiannual consolidated financial statements. Accordingly, these interim financial statements are separate interim financial statements in accordance with K-IFRS 1027 "Consolidated and Separate Financial Statements".

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the statement of financial position as of December 31, 2011 except for the effects of the following new standards, interpretations and amendments.

1) New standards, amendments and interpretations issued and effective for the financial year beginning January 1, 2012

(i) Amendments to K-IFRS No. 1107 Financial Instruments: Disclosures

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. It is not expected to have any impact on these interim financial statements.

(ii) Amendments to K-IFRS No. 1012 'Deferred Tax: Recovery of Underlying Assets'

The amendment addresses the measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the company expects to recover or settle the carrying amount of investment properties

See accompanying notes to separate interim financial statements.

measured in accordance with K-IFRS 1040 "Investment properties", unless any contrary evidence exists. In addition, regardless of the carrying amount of non-depreciable tangible assets measured using revaluation model in accordance with K-IFRS 1016, the measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from selling price. It is not expected to have any impact on these interim financial statements.

(iii) Amendments to K-IFRIC 2114 'Prepayments of a minimum funding requirement'.

Without the amendments, the company was not permitted to recognize as an asset on some voluntary prepayments for minimum funding contributions. After the amendments are effective, the company recognizes them as assets. It is not expected to have any impact on these interim financial statements.

2) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

(i) Amendments to K-IFRS No. 1019 Employee Benefits

The standard requires that the corridor approach will no longer be applied and instead all actuarial gains and losses will be recognized in other comprehensive income as they occur. The standard will be applied for the company's annual periods beginning on or after January 1, 2013.

(ii) Amendments to 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 expects the amendments described above to not have a material impact on these interim financial statements.

3. Significant estimates and judgments

See accompanying notes to separate interim financial statements.

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

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the statement of financial position as of December 31, 2011.

4. Operating segments

(1) The company identifies the single reportable segment as a company. Accordingly, note to the reportable segment for operating incomes, income (loss) before income tax expenses, total Liabilities and Stockholder's Equity is not provided.

(2) Details of operating incomes for goods and services at the ends of current and prior accounting periods are as follows.

(unit: thousand won)

Reporting segment	Primary goods and services	Current period		Prior period	
		three months (4.1-6-30)	six months (1.1-6.30)	three months (4.1-6-30)	six months (1.1-6.30)
Union steel	Sales in Finished goods	475,805,928	898,407,523	521,975,879	996,116,144
	Sales in merchandise	20,962,862	34,461,600	30,768,556	46,155,631
	Rental sales	2,185,947	4,366,364	2,137,629	3,620,934
Total		498,954,737	937,235,487	554,882,064	1,045,892,709

(3) Details of sales by regions are as follows.

(unit: thousand won)

Period		Domestic	Asia	America	Oceania	East Asia	Africa	Total
Current period	three months (4.1-6-30)	273,088,475	54,884,238	114,976,907	7,257,244	11,366,096	37,381,777	498,954,737
	six months (1.1-6.30)	505,452,716	112,396,171	225,811,162	11,155,831	17,042,090	65,377,517	937,235,487
Prior period	three months	334,375,764	67,727,407	101,211,354	5,835,378	15,234,045	30,498,116	554,882,064

See accompanying notes to separate interim financial statements.

(4.1-6-30)								
six months (1.1-6.30)	630,411,596	129,237,048	180,419,681	10,507,631	25,814,104	69,502,649	1,045,892,709	

Sales by regions above are inclusive all in domestic.

Meanwhile, no customer that solely owns more than 10% of profit of the company exists.

5. Cash and Cash equivalent

Cash and cash equivalents in the statement of financial position are treated the same amount in the cash flow statement.

Details of cash and cash equivalents at the ends of current and prior accounting periods are as follows;

(unit: thousand won)

	Current period	Prior period
Deposits and Savings	112,430,521	42,725,576
Cash equivalent	30,011,867	10,986
Total	142,442,388	42,736,562

6. Restricted Bank Deposits

Details of bank deposit at the ends of current and prior accounting periods are as follows;

(unit: thousand won)

Account	Bank	Current period	Prior period	Restriction
Short-term financial instrument	KDB	-	7,000,000	Collaterals for subsidiary company's borrowings (note 34-4)
		-	10,000,000	Collaterals for borrowings
Long term financial instruments	Shinhan Bank and others	17,400	17,400	Deposits for account opening
Total		17,400	17,017,400	

7. Financial instruments by category

Details of financial instruments by category at the ends of current and prior accounting periods are as follows;

<Current>

(unit: thousand won)

See accompanying notes to separate interim financial statements.

	Financial assets at fair value through profit or loss	Held-to-maturity securities	Available-for-sale securities	Loans and Receivables	Total
Cash and Cash equivalent	-	-	-	142,442,388	142,442,388
Short-term financial instruments	-	-	-	31,237,001	31,237,001
Trade and other receivables	-	-	-	386,752,707	386,752,707
Loans and Receivables	-	-	-	2,126,992	2,126,992
Current held-to-maturity securities	-	1,027,115	-	-	1,027,115
Current available-for-sale securities	-	-	60,795,814	-	60,795,814
Long-term financial instruments	-	-	-	2,069,400	2,069,400
Long-term loans and receivables	-	-	-	15,441,746	15,441,746
Held-to-maturity securities	-	410,195	-	-	410,195
Available-for-sale securities	-	-	11,415,186	-	11,415,186
Total	-	1,437,310	72,211,000	580,070,234	653,718,544

<Prior>

(unit: thousand won)

	Financial assets at fair value through profit or loss	Held-to-maturity securities	Available-for-sale securities	Loans and Receivables	Total
Cash and Cash equivalent	-	-	-	42,736,562	42,736,562
Short-term financial instruments	-	-	-	17,000,000	17,000,000
Trade and other receivables	-	-	-	371,315,699	371,315,699
Loans and Receivables	-	-	-	26,663,580	26,663,580
Current held-to-maturity securities	-	20,135	-	-	20,135
Current available-for-sale securities	-	-	16,656,162	-	16,656,162
Long-term financial instruments	-	-	-	2,057,400	2,057,400
Long-term loans and receivables	-	-	-	16,077,459	16,077,459
Held-to-maturity securities	-	1,424,700	-	-	1,424,700
Available-for-sale securities	-	-	6,546,019	-	6,546,019
Total	-	1,444,835	23,202,181	475,850,700	500,497,716

See accompanying notes to separate interim financial statements.

The company determines that BV of financial assets (loans and receivables) measured at amortized cost approximates a reasonable estimate of fair value for the financial liabilities.

8. Trade receivables

(1) Details of receivables are as follows;

(unit: thousand won)

	Current period	Prior period
Accounts receivable	387,684,596	372,914,676
less: allowance	(931,889)	(1,598,977)
Accounts receivable(net amount)	386,752,707	371,315,699

(2) Details of aging analysis for receivables are as follows;

(Unit : thousand won)

	Current period	Prior period
Less than 3 months	-	-
3-6 months	-	-
6 ~ 12 months	-	-
More than 1 year	1,146,862	1,243,288
Total	1,146,862	1,243,288

Allowances for bad debt expenses regarding above receivables are established excluding recoverable amounts due to collateral and pledges.

(3) Details of analysis on possibility of collection for overdue but not impaired receivables are as follows;

(Unit : thousand won)

	Current period	Prior period
Less than 3 months	112,433,373	120,340,347
3-6 months	2,933,502	12,106,268
6 ~ 12 months	83,710	977,997
More than 1 year	812	1,828
Total	115,451,397	133,426,440

(4) Details of changes in allowances at the ends of current and prior accounting periods are as follows;

See accompanying notes to separate interim financial statements.

(Unit : thousand won)

	Current period	Prior period
Beginning	1,598,977	2,080,211
Unused amounts reversed	(667,088)	(479,158)
Receivables written off during the year as uncollectible	-	(2,076)
ending	931,889	1,598,977

(5) The Company transferred receivables balance amount of 40,767,466,000 KRW to financial institutions (KEB, etc) and provided credit guarantee for expected losses of relevant receivables as of a reporting date. The company recognized relevant transactions as borrowings with collaterals. Accordingly, received cash by transferring receivables is recognized as borrowings (note 20). Transferee has the right to sell or deposit for other borrowings regarding transferred assets

9. Loans and receivables

(1) Details of Loans and receivables at the ends of current and prior periods are as follows;

(Unit : thousand won)

	Current period		Prior period	
	Current	Non-current	Current	Non-current
Account receivable	154,295	43,467	25,213,879	-
Accrued revenue	1,971,278	-	1,449,701	-
Loans	1,419	12,000,000	-	12,000,000
Deposit	-	3,398,279	-	4,077,459
Total	2,126,992	15,441,746	26,663,580	16,077,459

(2) Details of ages of loans and receivables at the ends of current and prior accounting periods are as follows;

(Unit : thousand won)

	Current period	Prior period
Less than 3 months	2,126,992	26,663,580
3 ~ 6 months	-	-
6 ~ 12 months	-	-
More than 1 year	15,441,746	16,077,459
Total	17,568,738	42,741,039

See accompanying notes to separate interim financial statements.

10. Held to maturities securities

(1) Details of Held-to-maturity securities are as follows.

(unit: thousand won)

Account	Current period		Prior period	
	Acquisition cost	Book Value	Acquisition cost	Book Value
Current held-to-maturity securities:				
Housing Bond	1,023,640	1,023,640	14,320	14,320
Train Bond	340	340	3,010	3,010
Region Development Bond	3,135	3,135	2,805	2,805
Sub-Total	1,027,115	1,027,115	20,135	20,135
Held-to-maturity securities:				
Housing Bond	385,430	385,430	1,398,860	1,398,860
Train Bond	15,915	15,915	16,110	16,110
Region Development Bond	8,850	8,850	9,730	9,730
Sub-Total	410,195	410,195	1,424,700	1,424,700
Total	1,437,310	1,437,310	1,444,835	1,444,835

(2) Classification details of HTM are as follows.

(unit: thousand won)

Account	Within 1yr	1yr ~ 5yr	Total
Housing Bond	1,023,640	385,430	1,409,070
Train Bond	340	15,915	16,255
Region Development Bond	3,135	8,850	11,985
Total	1,027,115	410,195	1,437,310

Interest income recognized regarding the above HTM in current and prior periods are each 23,254 ('000 KRW) and 97,337 ('000 KRW).

11. Available-for-sale securities

(1) Details of Available-for-sale securities are as follows

(unit: thousand won)

Account	Current period	Prior period
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See accompanying notes to separate interim financial statements.

	Acquisition cost	Book Value	Acquisition cost	Book Value
Current available-for-sale securities:				
Funds:				
Restricted Trust	52,000,000	52,673,906	6,000,000	6,176,127
Sub-Total	52,000,000	52,673,906	6,000,000	6,176,127
Investment Bonds				
Bond	7,958,000	8,121,908	10,242,000	10,480,035
Sub-Total	7,958,000	8,121,908	10,242,000	10,480,035
Total	59,958,000	60,795,814	16,242,000	16,656,162
Available-for-sale securities:				
Funds:				
Mutual Fund	10,000,000	10,226,714	5,000,000	5,131,497
Sub-Total	10,000,000	10,226,714	5,000,000	5,131,497
Listed Stock:				
KTB Network	210,960	88,603	210,960	85,650
Sub-Total	210,960	88,603	210,960	85,650
Non-Listed Stock:				
The Korea economic daily	8,632	8,632	8,632	8,632
Daehan steel Co., Ltd	246,000	246,000	246,000	246,000
Sinsung control	345,230	345,230	574,233	574,233
Ace industry	500,007	500,007	500,007	500,007
Sub-Total	1,099,869	1,099,869	1,328,872	1,328,872
Total	11,310,829	11,415,186	6,539,832	6,546,019

(2) Details of Funds among Available-for-sale at the end of current and prior periods are as follows

<Current>

(unit: thousand won)

Account	Acquisition cost	Unrealized holding income or loss			BV
		Before tax	Income tax effects	After tax	
Trust	52,000,000	673,906	(148,259)	525,647	52,673,906
Mutual Fund	10,000,000	226,714	(49,878)	176,836	10,226,714
Bond	7,958,000	163,908	(36,060)	127,848	8,121,908
Total	69,958,000	1,064,528	(234,197)	830,331	71,022,528

<Prior>

(unit: thousand won)

See accompanying notes to separate interim financial statements.

Account	Acquisition cost	Unrealized holding income or loss			BV
		Before tax	Income tax effects	After tax	
Trust	6,000,000	176,127	(38,748)	137,379	6,176,127
Mutual Fund	5,000,000	131,497	(28,929)	102,568	5,131,497
Bond	10,242,000	238,035	(52,368)	185,667	10,480,035
Total	21,242,000	545,659	(120,045)	425,614	21,787,659

(3) Details of listed stocks among Available-for-sale at the end of current and prior periods are as follows.

<Current>

(unit: thousand won)

Account	Acquisition cost	Unrealized holding income or loss			BV (note 1)
		Before tax	Income tax effects	After tax	
KTB Network	210,960	(122,357)	26,919	(95,438)	88,603

<Prior>

(unit: thousand won)

Account	Acquisition cost	Unrealized holding income or loss			BV (note 1)
		Before tax	Income tax effects	After tax	
KTB Network	210,960	(125,310)	27,568	(97,742)	85,650

(Note 1) BV of listed stocks is a FMV and assessed as closing price on the BS date (in the absence of closing price on the BS date, closing price on the closest trading date before the BS date).

(4) Changes in unrealized holding income or loss of listed stocks, funds, bonds for the current period is as follows

<Current>

(unit: thousand won)

Account	Beginning balance	Increase and decrease by valuation	Realization by sales	Ending balance
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See accompanying notes to separate interim financial statements.

Trust	176,127	497,779	-	673,906
Mutual Fund	131,497	95,217	-	226,714
Bond	238,035	(74,127)	-	163,908
KTB Network	(125,310)	2,953	-	(122,357)
Sub-Total	420,349	521,822	-	942,171
Income tax effect	(92,477)	(114,801)	-	(207,278)
Amounts after reflecting income tax effect	327,872	407,021	-	734,893

<Prior>

(unit: thousand won)

Account	Beginning balance	Increase and decrease by valuation	Realization by sales	Ending balance
Trust	282,823	(106,696)	-	176,127
Mutual Fund	125,137	6,360	-	131,497
Bond	141,579	96,456	-	238,035
POSCO	27,170,696	-	(27,170,696)	-
KTB Network	14,767	(140,077)	-	(125,310)
Sub-Total	27,735,002	(143,957)	(27,170,696)	420,349
Income tax effect	(6,101,701)	31,671	5,977,553	(92,477)
Amounts after reflecting income tax effect	21,633,301	(112,286)	(21,193,143)	327,872

(5) Details of non-listed stocks among Available-for-sale securities at the ends of current and prior periods are as follows

<Current>

(unit: thousand won)

Account	Ratio(%)	acquisition cost	Net Asset Value	BV (note 1)
The Korea economic daily	0.01	8,632	13,134	8,632
Daehan steel Co., Ltd.	4.59	246,000	67,192	246,000
Sinsung control	3.17	345,230	488,395	345,230
Ace industry	7.53	500,007	439,498	500,007
Total		1,099,869	1,058,323	1,099,869

See accompanying notes to separate interim financial statements.

<Prior>

(unit: thousand won)

Account	Ratio(%)	acquisition cost	Net Asset Value	BV (note 1)
The Korea economic daily	0.01	8,632	12,610	8,632
Daehan steel Co., Ltd.	4.59	246,000	22,327	246,000
Sinsung control	4.83	574,233	797,597	574,233
Ace industry	7.53	500,007	393,406	500,007
Total		1,328,872	1,225,940	1,328,872

(Note 1) As it was impossible to assess fair market value with reliable assessment models due to insufficient information for estimating fair market value, the company used acquisition cost for alteration.

12. Investment in Subsidiaries and Associates

(1) Details of investment in subsidiaries and associates are as follows.

<Current>

(Unit : thousand won)

Company	Location	Ratio (%)	Acquisition cost	Book Value (Deemed cost)	Book value at equity method
Investments in subsidiaries					
Wuxi-Changjiang Metal	China	100	40,400,898	39,362,014	33,678,570
Union steel china	China	87.6	76,623,951	32,939,049	35,039,606
Union Coating	Korea	70.9	51,080,000	-	-
Union Steel Mexico, S.A. De C.V.	Mexico	55.6	4,618,775	4,728,582	4,478,120
USI Service Center Private Ltd.	India	75	15,192,240	15,192,240	12,970,110
USP Center (Thailand), Ltd.	Thailand	100	10,301,480	10,301,480	10,049,555
sub-total			198,217,344	102,523,365	96,215,961
Investments in associates					
Dongkuk International Inc.	U.S.A	35.4	143,800	11,152,810	8,986,140
Dongkuk	Japan	44.8	2,172,588	14,289,725	19,570,996
Intergis	Korea	10.2	8,291,375	15,540,459	19,034,443
Union Logistic Co., Ltd	China	40	5,660,516	5,660,516	5,657,006
DK UNC	Korea	14.6	133,000	2,099,777	2,689,850
sub-total			16,401,279	48,743,287	55,938,435
Total			214,618,623	151,266,652	152,154,396

See accompanying notes to separate interim financial statements.

<Prior>

(Unit : thousand won)

Company	Location	Ratio (%)	Acquisition cost	Book Value (Deemed cost)	Book value at equity method
Investments in subsidiaries					
Wuxi-Changjiang Metal	China	100	40,400,898	39,362,014	37,090,086
Union steel china	China	92.5	76,623,951	32,939,049	44,161,954
Union Coating	Korea	70.9	51,080,000	27,299,955	-
Union Steel Mexico, S.A. De C.V.	Mexico	55.6	4,618,775	4,728,582	5,578,493
USI Service Center Private Ltd.	India	75	12,626,790	12,626,790	11,535,621
USP Center (Thailand), Ltd.	Thailand	100	4,688,340	4,688,340	4,620,714
sub-total			190,038,754	121,644,730	102,986,868
Investments in associates					
Dongkuk International Inc.	U.S.A	35.4	143,800	11,152,810	8,972,890
Dongkuk	Japan	44.8	2,172,588	14,289,725	18,215,423
Intergis	Korea	10.2	8,291,375	15,540,459	19,784,063
Union Logistic Co., Ltd	China	40	5,660,516	5,660,516	5,791,903
DK UNC	Korea	14.6	133,000	2,099,777	2,471,969
sub-total			16,401,279	48,743,287	55,236,248
Total			206,440,033	170,388,017	158,223,116

The company elects to measure the investment in subsidiaries and associates on the transition to Korean IFRS using the carrying value in accordance with K-GAAP as its deemed cost and evaluates using a cost method.

The impairment loss of 27,299,955('000 KRW) were recorded on investments in instances where the recoverable amount of the investment has declined significantly below the BV due to Giheung factory shutdown in Union coating.

(2) Changes of investment in subsidiaries and associates under the equity method are as follows.

<Current>

(unit: thousand won)

Account	Beginning balance	Acquisition cost	Equity method gains	Changes under Equity method	Other Inc(Dec)	Ending balance
Wuxi-Changjiang Metal	37,090,086	-	(3,188,821)	(222,695)	-	33,678,570
Union steel china	44,161,954	-	(10,539,624)	1,417,276	-	35,039,606

See accompanying notes to separate interim financial statements.

Union Coating	-	-	-	-	-	-
Union Steel Mexico, S.A. De C.V.	5,578,493	-	(1,255,563)	155,190	-	4,478,120
USI Service Center Private Ltd.	11,535,621	2,565,450	(252,937)	(878,024)	-	12,970,110
USP Center (Thailand), Ltd.	4,620,714	5,613,140	(70,684)	(113,615)	-	10,049,555
Dongkuk International Inc.	8,972,890	-	(37,724)	50,974	-	8,986,140
Dongkuk	18,215,423	-	1,714,609	(359,036)	-	19,570,996
Intergis	19,784,063	-	742,058	(1,357,294)	(134,384)	19,034,443
Union Logistic Co., Ltd	5,791,903	-	(102,053)	(32,844)	-	5,657,006
DK UNC	2,471,969	-	268,940	-	(51,059)	2,689,850
Total	158,223,116	8,178,590	(12,721,799)	(1,340,068)	(185,443)	152,154,396

<Prior>

(unit: thousand won)

Account	Beginning balance	Acquisition cost	Equity method gains	Changes under Equity method	Dividend received	Ending balance
Wuxi-Changjiang Metal	41,931,822	-	(6,836,349)	1,994,613	-	37,090,086
Union steel china	28,016,083	12,315,240	(804,469)	4,635,100	-	44,161,954
Union Coating	-	-	-	-	-	-
Union Steel Mexico, S.A. De C.V.	6,024,603	-	189,642	(635,752)	-	5,578,493
USI Service Center Private Ltd.	-	12,626,790	(225,705)	(865,464)	-	11,535,621
USP Center (Thailand), Ltd.	-	4,688,340	(26,873)	(40,753)	-	4,620,714
Dongkuk International Inc.	12,157,810	-	(3,037,114)	(147,806)	-	8,972,890
Dongkuk	16,298,127	-	833,707	1,083,589	-	18,215,423
Intergis	20,700,953	-	(1,632,562)	796,302	(80,630)	19,784,063
Union Logistic Co., Ltd	5,599,880	-	(124,748)	316,771	-	5,791,903
DK UNC	2,227,957	-	268,285	(4,323)	(19,950)	2,471,969
Total	132,957,235	29,630,370	(11,396,186)	7,132,277	(100,580)	158,223,116

(Note1) Union coating was to stop applying equity methods due to "0" balance in investment under equity methods. Accordingly, cumulative losses on equity methods investment not recognized for the current and prior periods are each 18,212,428 ('000

See accompanying notes to separate interim financial statements.

KRW) and 17,473,405 ('000 KRW)

(3) Details of changes in unrealized gain or loss on intercompany transactions are as follows.

<Current>

(Unit : thousand won)

Account	Transaction	Beginning balance	Increase	Decrease	Ending balance
Wuxi-Changjiang Metal	Inventories	4,652	-	(4,652)	-
Union steel china	Inventories	90,970	39,413	(90,970)	39,413
Union Coating	Tangible assets, Investment	-	36,041	-	36,041
Union Steel Mexico, S.A. De C.V.	Inventories	-	1,210,999	-	1,210,999
Dongkuk International Inc.	Inventories	813,527	1,164,642	(813,527)	1,164,642
Dongkuk	Inventories	-	165	-	165
Intergis	Tangible assets	4,687	2,856	(4,687)	2,856
Total		913,836	2,454,116	(913,836)	2,454,116

<Prior>

(Unit : thousand won)

Account	Transaction	Beginning balance	Increase	Decrease	Ending balance
Wuxi-Changjiang Metal	Inventories	10,478	4,652	(10,478)	4,652
Union steel china	Inventories	99,945	90,970	(99,945)	90,970
Union Coating	Tangible assets	-	-	-	-
Dongkuk International Inc.	Inventories	404,471	813,527	(404,471)	813,527
Dongkuk	Inventories	39,946	-	(39,946)	-
Intergis	Tangible assets	5,458	4,687	(5,458)	4,687
Total		560,298	913,836	(560,298)	913,836

(4) Details of major financial status and management performance in investment in subsidiaries and associates are as follows.

<Current>

(Unit : thousand won)

Account	Total assets	Total liabilities	Net assets	Sales	net income
Wuxi-Changjiang Metal	179,449,224	145,770,653	33,678,571	210,000,776	(3,193,473)

See accompanying notes to separate interim financial statements.

Union steel china	278,073,291	237,995,838	40,077,453	198,690,491	(11,768,490)
Union Coating	49,154,986	8,217,961	40,937,025	961,380	(366,696)
Union Steel Mexico, S.A. De C.V.	35,645,266	25,404,853	10,240,413	40,479,455	(80,216)
USI Service Center Private Ltd.	20,485,648	3,192,168	17,293,480	1,846,026	(337,249)
USP Center (Thailand), Ltd.	10,064,380	14,824	10,049,556	-	(70,684)
Dongkuk International Inc.	168,129,214	139,498,250	28,630,963	155,461,790	898,770
Dongkuk	149,521,857	103,936,555	45,585,303	51,132,743	1,993,360
Intergis	320,730,593	133,430,104	187,300,490	207,741,811	8,283,997
Union Logistic Co., Ltd	14,213,765	78,825	14,134,940	346,538	(255,133)
DK UNC	98,043,649	79,625,329	18,418,319	109,417,860	1,823,935

<Prior>

(Unit : thousand won)

Account	Total assets	Total liabilities	Net assets	Sales	net income
Wuxi-Changjiang Metal	195,467,655	158,372,916	37,094,739	471,352,768	(6,842,175)
Union steel china	265,668,485	217,837,827	47,830,658	477,355,646	(813,444)
Union Coating	50,843,082	9,521,004	41,322,077	8,068,530	442,355
Union Steel Mexico, S.A. De C.V.	24,948,770	14,907,483	10,041,287	77,229,088	341,355
USI Service Center Private Ltd.	17,944,032	2,563,204	15,380,828	21,264	(300,940)
USP Center (Thailand), Ltd.	4,621,732	1,017	4,620,715	-	(26,873)
Dongkuk International Inc.	154,508,917	126,796,742	27,712,175	269,841,491	(7,501,623)
Dongkuk	120,150,686	75,648,676	44,502,010	111,735,056	3,736,408
Intergis	312,355,926	117,882,369	194,473,557	383,904,913	13,471,329
Union Logistic Co., Ltd	14,499,499	27,316	14,472,183	131,547	(311,869)
DK UNC	84,826,122	67,884,025	16,942,097	200,854,309	2,139,877

(5) The company uses the equity method by adjusting separate financial statements of subsidiaries and associates. Details of adjustments are as follows.

<Current>

(unit: thousand won)

Account	Net assets before adjustment	Adjustments	Net assets after adjustment	Description
Union Coating	40,937,025	(66,557,618)	(25,620,593)	Application equity method to investee
Dongkuk International Inc.	28,630,963	84,122	28,715,085	Application equity method to investee
Dongkuk	45,585,303	(1,899,676)	43,685,627	Application equity method to investee
Intergis	187,300,490	(1,207,634)	186,092,856	Application equity method to investee

See accompanying notes to separate interim financial statements.

<Prior>

(unit: thousand won)

Account	Net assets before adjustment	Adjustments	Net assets after adjustment	Description
Union Coating	41,322,077	(65,951,779)	(24,629,702)	Application equity method to investee
Dongkuk International Inc.	27,712,175	(27,827)	27,684,348	Application equity method to investee
Dongkuk	44,502,010	(3,842,583)	40,659,427	Application equity method to investee
Intergis	194,473,557	(1,035,142)	193,438,415	Application equity method to investee

(6) Changes in separate financial statements under the equity method for investment in subsidiaries and associates are as follows..

<Current>

(Unit : thousand won)

Account	Assets	Liability	Equity	net income	Total comprehensive income
separate financial statements	2,120,279,392	1,406,797,470	713,481,922	(15,194,097)	(14,651,576)
Equity method	887,744	-	887,744	(12,721,799)	(14,061,867)
Reversal of impairment losses	-	-	-	27,299,955	27,299,955
Total	2,121,167,136	1,406,797,470	714,369,666	(615,941)	(1,413,488)

<Prior>

(Unit : thousand won)

Account	Assets	Liability	Equity	net income	Total comprehensive income
separate financial statements	1,935,828,193	1,205,642,759	730,185,434	10,484,080	(10,920,673)
Equity method	(12,164,901)	-	(12,164,901)	(11,396,186)	(4,263,909)
Reversal of impairment losses	1,923,663,292	1,205,642,759	718,020,533	(912,106)	(15,184,582)

See accompanying notes to separate interim financial statements.

13. Inventory

Details of valuation of inventory at the end of current and prior periods are as follows.

(unit: thousand won)

	Current period			Prior period		
	Acquisition cost	Loss from valuation	Book Value	Acquisition cost	Loss from valuation	Book Value
Merchandise	5,168,426	-	5,168,426	2,475,548	-	2,475,548
Finished goods	75,451,788	(1,013,487)	74,438,301	82,349,200	(5,679,967)	76,669,233
Work in process	36,125,065	(184,925)	35,940,140	44,284,399	(747,085)	43,537,314
Raw materials	94,582,412	(348,537)	94,233,875	68,522,939	(3,705,335)	64,817,604
Storage	16,307,666	-	16,307,666	18,183,705	-	18,183,705
Goods in transit	26,330,888	-	26,330,888	5,902,078	-	5,902,078
Other Inventories	337,353	-	337,353	348,883	-	348,883
Total	254,303,598	(1,546,949)	252,756,649	222,066,752	(10,132,387)	211,934,365

Reversal of loss on inventory valuation of 8,585,438 ('000 KRW) and 1,722,037 ('000 KRW) due to increase of net realizable value are deducted from the cost of inventories recognized as an expense in the current and prior period.

14. Held-for-sale assets

Details of held-for-sale assets are as follows.

(Unit : thousand won)

	Current period	Prior period
Machinery and equipment	6,147,771	6,298,737
Accumulated impairment loss	(4,413,091)	(4,561,447)
BV	1,734,680	1,737,290

15. Other current assets

Details of other current assets are as follows.

(unit: thousand won)

See accompanying notes to separate interim financial statements.

	Current period	Prior period
Prepayment	17,626	3,238,715
Prepaid expenses	97,486	187,800
Income tax refunds	13,950,887	3,228,668
Total	14,065,999	6,655,183

16. Tangible Assets

(1) Tangible assets at the end of reporting period are as follows

<Current>

(unit: thousand won)

	Land	Building	Structures	Machinery and equipment	Other Tangible Assets	Construction in progress	Total
Acquisition	254,049,506	160,056,134	35,459,831	852,851,091	14,326,145	23,482,585	1,340,225,292
Accumulated depreciation (Including impairment loss)	-	(42,452,866)	(9,791,375)	(344,920,203)	(12,300,581)	-	(409,465,025)
Ending	254,049,506	117,603,268	25,668,456	507,930,888	2,025,564	23,482,585	930,760,267

<Prior>

(unit: thousand won)

	Land	Building	Structures	Machinery and equipment	Other Tangible Assets	Construction in progress	Total
Acquisition	254,020,062	141,348,118	31,943,404	796,340,830	20,957,446	83,407,524	1,328,017,384
Accumulated depreciation (Including impairment loss)	-	(40,303,811)	(9,156,264)	(332,717,222)	(18,700,752)	-	(400,878,049)
Ending	254,020,062	101,044,307	22,787,140	463,623,608	2,256,694	83,407,524	927,139,335

(2) Details of increase and decrease of tangible assets for current and prior periods are as follows.

<Current>

See accompanying notes to separate interim financial statements.

(unit: thousand won)

classification	Land	Building	Structures	Machinery and equipment	Other Tangible Assets	Construction in progress	Total
Beginning balance	254,020,062	101,044,307	22,787,140	463,623,608	2,256,694	83,407,524	927,139,335
Acquisition	1,715	116,030	360,000	2,301,767	257,531	19,136,436	22,173,479
Other increases and decreases	27,729	18,597,966	3,156,427	56,971,649	28,680	(79,061,375)	(278,924)
Disposal and abandonment	-	(2,397)	-	(165,026)	(10,385)	-	(177,808)
Depreciation	-	(2,152,638)	(635,111)	(14,801,110)	(506,956)	-	(18,095,815)
Ending balance	254,049,506	117,603,268	25,668,456	507,930,888	2,025,564	23,482,585	930,760,267

<Prior>

(unit: thousand won)

classification	Land	Building	Structures	Machinery and equipment	Other Tangible Assets	Construction in progress	Total
Beginning balance	256,214,768	103,028,863	23,570,378	484,127,785	1,931,162	7,560,423	876,433,379
Acquisition	1,392,454	87,000	-	5,272,986	1,160,769	84,759,786	92,672,995
Other increases and decreases	(3,587,160)	1,850,482	348,709	1,584,083	53,999	(8,912,685)	(8,662,572)
Disposal and abandonment	-	(22,947)	-	(45,599)	(82)	-	(68,628)
Depreciation	-	(3,899,091)	(1,131,947)	(27,315,647)	(889,154)	-	(33,235,839)
Ending balance	254,020,062	101,044,307	22,787,140	463,623,608	2,256,694	83,407,524	927,139,335

17. Investment property

(1) Details of investment property at the end of current and prior period are as follows.

<Current >

(unit: thousand won)

	Land	Building	Total
Acquisition	79,282,011	50,205,281	129,487,292

See accompanying notes to separate interim financial statements.

Accumulated depreciation	-	(19,965,040)	(19,965,040)
Book Value	79,282,011	30,240,241	109,522,252

<Prior>

(unit: thousand won)

	Land	Building	Total
Acquisition	79,282,011	50,205,281	129,487,292
Accumulated depreciation	-	(19,207,329)	(19,207,329)
Book Value	79,282,011	30,997,952	110,279,963

(2) Details of increase and decrease in investment property in current and prior periods are as follows.

<Current>

(unit: thousand won)

	Land	Building	Total
Beginning balance	79,282,011	30,997,952	110,279,963
Depreciation	-	(757,711)	(757,711)
Ending balance	79,282,011	30,240,241	109,522,252

<Prior>

(unit: thousand won)

	Land	Building	Total
Beginning balance	75,592,480	31,641,789	107,234,269
Transfer	-	(1,513,734)	(1,513,734)
Depreciation	3,689,531	869,897	4,559,428
Ending balance	79,282,011	30,997,952	110,279,963

3) Details of revenue and expense regarding investment property for current and prior periods are as follows.

(unit: thousand won)

	Current period		Prior period	
	three months (4.1-6.30)	six months (1.1-6.30)	three months (4.1-6.30)	six months (1.1-6.30)
Rental income	2,185,947	4,366,364	2,137,629	3,620,934

See accompanying notes to separate interim financial statements.

Operating expenses (regarding to investment property)	898,488	1,697,555	773,414	1,538,211
Total	1,287,459	2,668,809	1,364,215	2,082,723

18. Intangible Assets

(1) Details of intangible assets at the end of current and prior periods are as follows.

<Current period>

(unit: thousand won)

	club membership	other intangible assets	Total
Acquisition	3,896,788	4,918,306	8,815,094
Accumulated depreciation	-	(1,658,294)	(1,658,294)
Accumulated impairment losses	(702,452)	-	(702,452)
Book value	3,194,336	3,260,012	6,454,348

<Prior>

(unit: thousand won)

	club membership	other intangible assets	Total
Acquisition	3,896,788	4,918,306	8,815,094
Accumulated depreciation	-	(1,493,923)	(1,493,923)
Accumulated impairment losses	(594,452)	-	(594,452)
Book value	3,302,336	3,424,383	6,726,719

(2) Changes in intangible assets in current period are as follows.

<Current period>

(unit: thousand won)

	club membership	other intangible assets	Total
Beginning balance	3,302,336	3,424,383	6,726,719
Depreciation	-	(164,371)	(164,371)
Accumulated impairment losses	(108,000)	-	(108,000)
Ending	3,194,336	3,260,012	6,454,348

See accompanying notes to separate interim financial statements.

<Prior>

(unit: thousand won)

	club membership	other intangible assets	Total
Beginning balance	3,822,484	3,753,123	7,575,607
Capital expenditure	74,304	-	74,304
Depreciation	-	(328,740)	(328,740)
Accumulated impairment losses	(594,452)	-	(594,452)
Ending	3,302,336	3,424,383	6,726,719

Club membership classified as intangible assets is regarded as having an indefinite useful life and not amortized

19. Financial liabilities by categories

Details of financial liabilities by category are as follows;

<Current>

(unit: thousand won)

	Liabilities at fair value through the profit and loss	Other financial liabilities	Derivatives	Total
Trade and other payables	-	225,448,721	-	225,448,721
Borrowings and Debentures	-	539,433,378	-	539,433,378
Other financial liabilities	-	31,529,319	-	31,529,319
Long-term borrowings and Debentures	-	555,105,801	-	555,105,801
Long-term other financial liabilities	-	11,830,305	-	11,830,305
Derivatives liabilities	-	-	1,305,482	1,305,482
Total	-	1,363,347,524	1,305,482	1,364,653,006

<Prior>

(unit: thousand won)

	Liabilities at fair value through the	Other financial liabilities	Derivatives	Total
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See accompanying notes to separate interim financial statements.

	profit and loss			
Trade and other payables	-	157,734,285	-	157,734,285
Borrowings and Debentures	-	511,911,594	-	511,911,594
Other financial liabilities	-	35,425,590	-	35,425,590
Long-term borrowings and Debentures	-	443,853,362	-	443,853,362
Long-term other financial liabilities	-	11,821,911	-	11,821,911
Derivatives liabilities	-	-	1,479,199	1,479,199
Total	-	1,160,746,742	1,479,199	1,162,225,941

The company determines that the book value approximates a reasonable estimate of fair value for the financial liabilities.

20. Borrowings and Debentures

(1) Details of borrowings and debentures accounted for current liabilities as of reporting period are as follows.

(unit: thousand won)

Account	Lender	Interest rate (%)	Current period	Prior period
Bank overdraft	Hana bank	6.7	2,543,858	723,101
	Sub-Total		2,543,858	723,101
Collateral borrowings	Shinhan bank	1.67 ~ 3.81	2,800,357	9,730,143
	KEB	1.59 ~ 4.74	37,967,109	9,097,293
	Hana bank	1.64	-	1,373,502
	Sub-Total		40,767,466	20,200,938
Trade financing	Shinhan bank	1.88 ~ 2.78	12,920,632	6,711,522
	KEB	1.54 ~ 2.57	81,013,232	68,128,834
	Hana bank	1.68 ~ 2.61	47,777,289	27,618,265
	Kookmin bank	1.48 ~ 2.69	40,480,088	49,410,282
	Nong-hyup	1.68 ~ 2.63	39,587,374	32,285,599
	Woori bank	1.63 ~ 2.79	39,639,240	21,229,754
	KDB	1.59 ~ 2.67	100,504,835	117,215,305
	SCFB	1.83 ~ 1.84	8,706,564	-
	Busan bank	1.53 ~ 1.89	28,786,453	36,316,360
	Kyongnam bank	1.50 ~ 2.35	11,493,923	4,315,260
Sub-Total		410,909,630	363,231,181	
Total			454,220,954	384,155,220
Current portion of long-term borrowings in foreign currency			72,709,830	74,453,480

See accompanying notes to separate interim financial statements.

Current portion of long-term borrowings in Korean won	12,502,594	13,302,894
Current portion of debentures	-	40,000,000
Total	539,433,378	511,911,594

(2) Details of long-term borrowings denominated Korean currency as of reporting period are as follows.

(unit: thousand won)

Account	Lender	Interest rate (%)	Current period	Prior period
Industry Facility fund	KDB	4.50 ~ 5.87	273,139,200	310,732,040
Energy saving	Hana bank	2.25	4,092,500	4,365,050
Sub-Total			277,231,700	315,097,090
Deduction: Transfer to current			(72,709,830)	(74,453,480)
Total			204,521,870	240,643,610

(3) Details of long-term borrowings denominated foreign currency as of reporting period are as follows.

(KRW unit: 1,000 won, foreign currency unit: 1,000 US\$, 1,000 JPY)

Account	Lender	Interest rate (%)	Current period		Prior period	
			FCY	KRW	FCY	KRW
Borrowings for foreign facility	KDB	2.40 ~ 3.00	JPY 2,150,000	31,256,485	JPY 2,580,000	38,317,128
		1.78 ~ 1.88	-	-	US\$460	530,518
Operating funds	KEB	2.05	US\$20,000	23,076,000	US\$20,000	23,066,000
	KDB	4.06	US\$30,000	34,614,000		
Sub-Total				88,946,485		61,913,646
Deduction: Transfer to current				(12,502,594)		(13,302,894)
Total				76,443,891		48,610,752

(4) Details of bonds are as follows:

(unit: thousand won)

Type	Underwriter	Issue date	Maturity	Interest rate (%)	Current period	Prior period
35 Debentures	KB Investment	2009.5.8	2012.5.8	7.4	-	40,000,000
36 Debentures	KB Investment	2011.1.24	2014.1.24	4.9	120,000,000	120,000,000
37 Debentures	SCFB	2011.4.12	2014.4.12	3.9	34,614,000	34,599,000
38 Debentures	KB Investment	2012.1.5	2015.1.5	4.65	119,526,040	-
Sub-Total					274,140,040	194,599,000
Deduction:					-	(40,000,000)

See accompanying notes to separate interim financial statements.

Transfer to current liabilities						
Total					274,140,040	154,599,000

(5) Redemption schedules of long term borrowings and bonds including current portion of long term liabilities is as follows.

(KRW unit: 1,000 won, foreign currency unit: 1,000 US\$, 1,000 JPY)

Account	KRW	FCY Long-term borrowings		Bond	Total	
	Long-term borrowings	FCY				
		JPY	US\$	KRW		
2012.7 ~ 2013.6	72,709,830	860,000	-	12,502,594	-	85,212,424
2013.7 ~ 2014.6	74,552,030	860,000	20,000	35,578,594	15,461,400	264,744,624
2014.7 ~ 2015.6	51,959,788	430,000	30,000	40,865,297	119,526,040	212,351,125
2015.7 ~ 2016.6	39,008,495	-	-	-	-	39,008,495
2016.07 and after	39,001,557	-	-	-	-	39,001,557
Total	277,231,700	2,150,000	50,000	88,946,485	274,140,040	640,318,225

(6) In regard to the above borrowings, Korean development bank etc. established pledges on land and machinery of the company as collateral (refer to note 35).

21. Other financial liabilities

Details of other financial liabilities are as follows:

(unit: thousand won)

	Current period		Prior period	
	Current	Non-current	Current	Non-current
Accounts payables	22,289,388	-	27,383,368	-
Accrued expenses	7,453,361	-	5,708,355	-
Deposit payables	-	76,000	-	114,500
Rent deposit payables	-	11,754,305	-	11,707,411
Financial guarantee liability	1,786,570	-	2,333,867	-
Total	31,529,319	11,830,305	35,425,590	11,821,911

See accompanying notes to separate interim financial statements.

22. DERIVATIVE INSTRUMENTS

The Company entered into interest rate swaps contracts to manage exposures to change interest rate of borrowings.

Details of interest rate swaps contracts are as follows.

(KRW unit: 1,000 won, foreign currency unit: 1,000 US\$, 1,000EUR)

Account	contract date	maturity	Amount subject to interest	Contractual rate (%)		fair market value	
				buying	selling	Current	Prior
SCFB	2011.3.24	2014.4.14	US\$30,000	3.9	3M Libor + 1.50	(1,305,482)	(1,479,199)

As of June 30, 2012, 173,717 ('000₩) incurred regarding above the FMV evaluation of the interest rate swap is accounted for gains on valuation of derivative in the accumulated other comprehensive income (before income tax)

23. Other current liabilities

Details of other current liabilities are as follows:

(unit: thousand won)

	Current period	Prior period
Advances from customers	1,065,675	2,026,970
Deposit payables	545,224	831,061
Total	1,610,899	2,858,031

24. Severance benefits

(1) The company operates the defined benefit plans for employees. According to this plans, the payment is calculated by adding or subtracting to the average salary of final three months for each service year before retirement. The defined benefit obligation and plan assets are calculated annually by independent actuaries using the projected unit credit method.

(2) Details of the amounts recognized in the statement of financial position at the end of current and prior periods are as follows:

See accompanying notes to separate interim financial statements.

(unit: thousand won)

	Current period	Prior period
present value of defined benefit obligations	53,358,689	55,346,255
fair value of plan assets	(32,523,322)	(35,090,163)
Defined benefit obligations	20,835,367	20,256,092

(3) Details of changes in defined benefit obligations at the end of current and prior periods are as follows:

(unit: thousand won)

	Current period	Prior period
Beginning	55,346,255	53,945,507
Current service costs	3,105,137	4,483,226
Interest costs	1,237,218	2,705,389
Actuarial losses (gains)	-	(1,453,554)
Benefits paid by the plan	(6,329,921)	(4,549,794)
Transferred from the related company	-	215,481
Ending	53,358,689	55,346,255

(4) Changes in the plan assets at the end of current and prior periods are as follows:

(unit: thousand won)

	Current period	Prior period
Beginning	35,090,163	25,233,112
Expected return on plan assets	690,321	1,153,120
Actuarial gains and losses	-	(101,692)
Benefits paid	(3,257,162)	(2,194,377)
Additional costs	-	11,000,000
Ending	32,523,322	35,090,163

See accompanying notes to separate interim financial statements.

(5) Expenses for employee benefits at the end of current and prior periods are as follows:

(unit: thousand won)

	Current period	Prior period
Current service costs	3,105,137	4,483,226
interest cost	1,237,218	2,705,389
Expected return on plan assets	(690,321)	(1,153,120)
Total	3,652,034	6,035,495

(6) Major actuarial assumptions at the end of current and prior periods are as follows:

	Current period	Prior period
Discount rate	4.60%	4.60%
Expected return on plan assets	4.00%	4.00%
Future salary increases (Including inflation)	5.00%	5.00%

25. Provisions

(1) Provisions are recognized when the company accrues warranty reserves for estimated costs of future service, repairs and recalls, based on historical experience and terms of warranty programs.

(2) Details of changes in provisions at the end of current and prior periods are as follows:

(unit: thousand won)

	Current period	Prior period
Beginning	1,650,396	2,457,724
Reversal of allowances	81,543	92,806
Written off	(846,583)	(900,134)
Ending	885,356	1,650,396

See accompanying notes to separate interim financial statements.

26. Capital stock

(1) Details of Capital stock at the end of current and prior periods are as follows.

	Current period	Prior period
Total number of stocks to be issued (Unit: stock)	40,000,000	40,000,000
Face value per share (Unit: won)	5,000	5,000
Number of issued stock (Unit: stock)	10,260,000	10,260,000
Common Stock (unit: thousand won)	51,300,000	51,300,000

(2) Details of other capital surplus at the end of current and prior periods are as follows.

(unit: thousand won)

Account	Current period	Prior period
Revaluation surplus reserve	29,889,067	29,889,067
Others	21,760,762	21,760,762
Treasury stock (note1)	(9,126)	(9,126)
Total	51,640,703	51,640,703

(Note1) 322 of the treasury stocks held by the company at the end of current and prior periods have restricted voting rights and are accounted for capital adjustment at the acquisition price.

(3) Details of legal reserve and voluntary reserve at the end of current and prior periods are as follows.

(unit: thousand won)

Account	Current period	Prior period
Legal reserve		
Profit reserves (note 1)	6,565,668	6,360,468
Voluntary reserves		
Capital structure rebuilding reserve	820,000	820,000
Reserve for business rationalization	46,910,000	41,910,000
Reserve for business expansion	170,800,000	163,800,000
Voluntary reserves (note2)	400,600,000	12,700,000
Unappropriated earned surplus	(14,871,067)	390,480,166
Total	610,824,601	628,070,634

(note 1) According to the regulations of commercial law, the Company reserves more

See accompanying notes to separate interim financial statements.

than 10% of dividends as profit reserve until reaching up to 50% of capital. This profit reserve cannot be used as dividend and can be used only for capital transfer-in and deficit covering.

(note 2) The company revaluated assets according to revaluation of assets law and incurred excess of 264,628,972 ('000 ₩). This is accounted for as reserve for revaluation. This profit reserve cannot be used as dividend and can be used only for capital transfer-in and deficit covering.

(4) The components of other capital at the end of current and prior periods are as follows.

(unit: thousand won)

	Current period	Prior period
Profit or loss on valuation of available-for-sale securities	734,893	327,872
Profit or loss on valuation of interest rate swaps	(1,018,275)	(1,153,775)
Total	(283,382)	(825,903)

27. Expenses by Nature

Details of expenses by nature in current and prior periods are as follows:

(unit: thousand won)

	Current period		Prior period	
	three months	six months	three months	six months
	(4.1-6.30)	(1.1-6.30)	(4.1-6.30)	(1.1-6.30)
Merchandise, Finished goods,	2,419,447	9,828,106	(22,838,596)	(22,131,991)
Raw material and supplies	361,476,926	701,893,144	451,479,420	843,323,616

See accompanying notes to separate interim financial statements.

employee benefits (wages and pension expenses)	13,271,601	26,540,738	17,422,231	29,638,172
Rent expenses	472,587	1,292,607	710,553	1,996,717
Depreciation expenses	9,573,721	18,844,221	8,633,049	17,095,637
Amortization expenses	82,185	164,370	82,185	164,370
Transportation expenses	4,223,813	8,119,630	5,164,340	10,135,363
Advertising expenses	310,993	542,058	119,892	183,261
Sundry commission paid	6,092,637	12,992,152	8,755,058	16,355,724
Expense from export	7,944,485	15,115,728	7,526,899	14,439,305
fuel and power expenses	20,416,594	42,355,469	20,085,095	40,418,520
repairs expenses	7,891,039	14,851,997	7,213,310	13,219,731
Others	44,401,390	56,331,019	29,267,387	36,255,689
Total	478,577,418	908,871,239	533,620,823	1,001,094,114

28. Selling, General and Administrative Expenses

Selling, general and administrative expenses in current and prior periods are as following:

(unit: thousand won)

	Current period		Prior period	
	three months (4.1-6.30)	six months (1.1-6.30)	three months (4.1-6.30)	six months (1.1-6.30)
Selling expense:				
Expense from export	1,597,501	3,374,431	1,697,435	3,141,491
Export ocean freight	6,346,985	11,741,298	5,829,465	11,297,814
Transportation expenses	4,131,366	7,939,076	5,060,971	9,936,238
Entertainment	155,560	272,900	116,387	220,654
warranty expense	649,696	81,543	329,982	-
Sub-total	12,881,108	23,409,248	13,034,240	24,596,197

See accompanying notes to separate interim financial statements.

G&A expenses				
Bad debt expense	-	-	283,983	837,495
Salaries	2,092,866	4,351,116	3,182,266	5,492,131
pension expenses	316,716	660,852	278,163	602,737
employee benefits	482,990	880,928	309,653	736,278
Travel	297,231	478,882	260,411	432,117
Communications	75,225	152,382	81,655	158,812
Utilities	301	301	7,417	17,025
Taxes and dues	134,383	328,393	298,542	434,198
Rent expenses	472,587	965,607	449,053	901,217
Depreciation expenses	112,185	224,075	-	176,027
repairs expenses	626	2,201	308	578
Insurance	20	20	13	1,032
Advertising expenses	227,864	389,901	99,796	137,672
Sundry commission paid	451,152	963,509	1,074,813	2,489,948
supplies	5,620	15,534	6,266	15,269
Vehicle maintenance	98,325	179,328	58,980	143,674
Publication	10,770	30,001	18,761	36,800
Conference	27,665	62,013	22,460	60,672
Cost of electronic calculation	658,415	1,373,867	736,348	1,408,201
Training	57,399	153,533	81,715	172,594
overseas branch expenses	92,313	180,414	125,274	252,890
Miscellaneous	3,421	6,528	3,130	6,002
Sub-total	5,618,074	11,399,385	7,379,007	14,513,369
Total	18,499,182	34,808,633	20,413,247	39,109,566

29. Other operating revenues and other operating expenses

(1) Other operating revenues in current and prior periods are as follows:

(unit: thousand won)

	Current period		Prior period	
	three months (4.1-6.30)	six months (1.1-6.30)	three months (4.1-6.30)	six months (1.1-6.30)
Reversal of allowance for doubtful accounts	697,511	667,088	-	-
Reversal of warranty expense	-	-	-	271,817
Foreign currency transaction gain	1,037,580	1,275,948	727,377	1,399,514
Foreign currency translation gain	526,678	741,719	224,244	97,922
Gain on sale of available for sale	-	12,479	5,399	12,853

See accompanying notes to separate interim financial statements.

Gain on disposition of property, plant and equipment	2,496	2,496	-	-
Gain on settlement of derivatives	215,800	332,900	-	-
Gain on valuation of derivatives	25,290	-	-	-
Gain on financial guarantees	453,589	899,291	350,754	686,856
Interest income	180,694	369,236	-	-
Miscellaneous gains	968,329	1,468,247	419,968	2,705,873
Total	4,107,967	5,769,404	1,727,742	5,174,835

(2) Other operating expenses in current and prior periods are as following.

(unit: thousand won)

	Current period		Prior period	
	three months (4.1-6.30)	six months (1.1-6.30)	three months (4.1-6.30)	six months (1.1-6.30)
loss on foreign currency transaction gain	1,135,823	1,997,613	1,538,992	2,742,568
Loss on foreign currency translation gain	29,460	114,916	110,769	379,808
Donations	29,239	47,025	107,227	124,777
Loss on disposition of inventories	-	490,093	17,575	17,575
depreciation	4,373	8,745	78,421	157,737
Loss on disposition of Available-for-sale securities	64,440	64,440	-	-
Loss on disposition of Tangible assets	-	-	43,599	43,599
Loss on impairment of Tangible assets	177,802	177,802	733,377	733,377
Loss on impairment of intangible assets	21,000	108,000	-	-
Loss on settlement of derivatives	638,292	822,485	-	-
Loss on valuation of derivatives	126,300	-	-	-
Loss on impairment of held-for-sale assets	274,194	275,912	1,992,924	1,992,924
Interest expense(Shipper's usance)	9,369	9,369	13,657	38,506
Miscellaneous loss	12,356	68,864	54,549	68,178
Total	2,522,648	4,185,264	4,691,090	6,299,049

See accompanying notes to separate interim financial statements.

30. Finance income and finance costs

(1) Net financial expense for current and prior periods is as follows:

(unit: thousand won)

	Current period		Prior period	
	three months (4.1-6.30)	six months (1.1-6.30)	three months (4.1-6.30)	six months (1.1-6.30)
Finance income				
Gain on foreign transaction	2,186,657	2,964,606	6,608,039	8,293,792
Gain on foreign translation	-	1,755,547	5,020,016	17,205,672
Interest income	1,489,009	3,060,749	1,829,262	3,167,773
Dividend income	146,570	686,329	91,630	600,280
Sub- total	3,822,236	8,467,231	13,548,947	29,267,517
Finance cost				
Loss on foreign transaction	360,274	389,833	18,185	30,861
Loss on foreign translation	9,466,674	4,670,556	1,434	154,360
Interest expense	9,433,540	18,908,744	8,463,705	16,155,989
Sub- total	19,260,488	23,969,133	8,483,324	16,341,210
Net finance income (cost)	(15,438,252)	(15,501,902)	5,065,623	12,926,307

(2) Interest income included in finance income for current and prior periods are as follows:

(unit: thousand won)

	Current period		Prior period	
	three months (4.1-6.30)	six months (1.1-6.30)	three months (4.1-6.30)	six months (1.1-6.30)
Bank deposits	497,243	1,177,027	782,499	1,547,063
Available-for-sale financial assets	980,096	1,860,468	1,010,015	1,523,373
Held-to-maturity investment	11,669	23,254	36,749	97,337
Total	1,489,008	3,060,749	1,829,263	3,167,773

(3) Interest expenses included in finance costs in current and prior periods are as follows:

See accompanying notes to separate interim financial statements.

(unit: thousand won)

	Current period		Prior period	
	three months (4.1-6.30)	six months (1.1-6.30)	three months (4.1-6.30)	six months (1.1-6.30)
Interests on bank overdraft and borrowings	6,250,950	12,160,064	5,900,741	11,798,012
Interests on debentures	3,182,590	6,748,680	2,562,963	4,357,977
Total	9,433,540	18,908,744	8,463,705	16,155,989

(4) Categories of financial instruments in current and prior periods are as follows:

(Unit : thousand won)

	Current period			Prior period		
	Finance income	Finance cost	Net finance amount	Finance income	Finance cost	Net finance amount
financial asset:						
Available-for-sale	2,546,797	-	2,546,797	2,123,653	-	2,123,653
Held-to-maturity	23,254	-	23,254	97,337	-	97,337
Loans and receivables	1,872,247	208,863	1,663,384	9,860,717	98,198	9,762,519
financial liability:						-
Borrowings and debentures	4,024,933	23,760,270	(19,735,337)	17,185,810	16,243,012	942,798
Total	8,467,231	23,969,133	(15,501,902)	29,267,517	16,341,210	12,926,307

Gain or loss on financial assets regarding to assets or liabilities at fair value through the profit and loss gain or loss on foreign currency transaction regarding to receivables and payables are included in other operating incomes and expenses described as Note 29.

31. Income tax expense (benefits) and deferred income taxes

(1) The composition of income tax expense (benefits) in current and prior periods are as follows.

See accompanying notes to separate interim financial statements.

(unit: thousand won)

	Current period		Prior period	
	three months (4.1-6.30)	six months (1.1-6.30)	three months (4.1-6.30)	six months (1.1-6.30)
Income tax (additional payment in income tax included)	1,249,858	3,501,235	3,102,584	3,102,585
± Changes in deferred tax due to temporary difference (note1)	258,031	(1,007,588)	743,656	9,114,775
± Deferred tax directly reflected to capital	(66,664)	(153,019)	702,158	618,543
Income tax expense (benefit)	1,441,225	2,340,628	4,548,398	12,835,903
(note1) Net deferred tax assets (liabilities) in the end of the year due to temporary differences	(17,644,712)	(17,644,712)	(29,485,014)	(29,485,014)
Net deferred tax liabilities (assets) in the beginning of the year due to temporary differences	(17,386,681)	(18,652,300)	(28,741,358)	(20,370,239)
Changes in deferred income tax due to temporary differences	(258,031)	1,007,588	(743,656)	(9,114,775)

(2) The relationship with income tax expenses (benefits) and net income

See accompanying notes to separate interim financial statements.

(loss) before income tax in current and prior periods is as follows.

(unit: thousand won)

	Current period		Prior period	
	three months (4.1-6.30)	six months (1.1-6.30)	three months (4.1-6.30)	six months (1.1-6.30)
Net income (loss) before income tax	6,524,385	(12,853,469)	23,363,516	56,600,688
Tax amount according to applied tax rate	1,435,364	(2,827,764)	5,653,970	13,697,366
Adjustments:		-		
Non taxable income	-	-	(3,113)	(35,482)
Non taxable expense	80,165	171,182	56,549	112,626
Temporary differences of not reflecting deferred tax	83,700	5,222,508	-	-
The effect of different Income tax rate	(158,004)	(225,298)	(1,159,007)	(938,607)
Income Tax expense (loss)	1,441,225	2,340,628	4,548,398	12,835,903
Effective tax rate	22.09%	(Note 1)	19.47%	22.68%

(Note1) Due to loss before income tax, we did not calculate the effective tax rate.

32. Earnings per share

Earnings (loss) per share are what calculate income or loss per one common stock and the details are as follows.

(unit: thousand won)

	Current period		Prior period	
	three months (4.1- 6.30)	six months (1.1-6.30)	three months (4.1- 6.30)	six months (1.1-6.30)
Net income (loss)	5,083,160	(15,194,097)	18,815,118	43,764,785
(-)Dividend for preferred stock	-	-	-	-
Net income(loss) for common stock	5,083,160	(15,194,097)	18,815,118	43,764,785
Number of average weighed outstanding common stock	10,259,678	10,259,678	10,259,678	10,259,678
Basic earnings (loss) per share	495	(1,481)	1,834	4,266

Calculation details of number of issued common stocks in current and prior periods weighted averaged by outstanding period are as follows.

See accompanying notes to separate interim financial statements.

<Current period>

(unit: share)				
Account	Date	Number of stocks	Weighted	Number of outstanding common stock
Beginning	2012.1.1	10,260,000	181	10,260,000
Treasury Stock	2012.1.1	(322)	181	(322)
Total		10,259,678		10,259,678

<Prior>

(unit: share)				
Account	Date	Number of stocks	Weighted	Number of outstanding common stock
Beginning	2011.1.1	10,260,000	181	10,260,000
Treasury Stock	2011.1.1	(322)	181	(322)
Total		10,259,678		10,259,678

The company doesn't calculated diluted earnings (loss) per share because it has no dilutive potential common stocks. Annual basic earnings per share for prior period were 1,022 KRW.

33. Cash Flows

(1) Reconciliation for operating cash flows for the six-month periods ended June 30, 2012 and 2011 are as follows:

(Unit : thousand won)		
account	Current period	Prior period
severance benefits	3,652,034	3,762,463
Depreciation	18,844,783	17,098,163
Amortization	164,370	164,370
Bad debt expense	-	837,495
Warranty expense	81,543	-
Loss on transaction in foreign exchange (other expense)	114,916	379,808
Other depreciation	8,745	157,737
Loss on disposition of Available-for-sale securities	64,440	-
Loss on disposition of Tangible Assets	-	43,599
Loss on retirement of Tangible Assets	177,802	733,377
Loss on impairment of intangible Assets	108,000	-
Loss on impairment of held-for-sale	275,912	1,992,924

See accompanying notes to separate interim financial statements.

Interest expense (shipper's usance)	9,369	38,506
Impaired loss on investment in subsidiary	27,299,955	-
Loss on translation in foreign exchange (financial expense)	4,670,556	154,360
Interest expense(financial expense)	18,908,744	16,155,989
Tax expense (tax income)	2,340,628	12,835,903
Recovery on impairment loss of inventory valuation	-	(1,722,037)
Reversal of allowance for bad debt expense	(667,088)	-
Reversal of warranty provisions	-	(271,817)
Gain on translation in foreign exchange (other operating income)	(741,719)	(97,922)
Gain on disposition of tangible assets	(12,479)	(12,853)
Gain on disposition of held-for-sale assets	(2,496)	-
Gain on financial guarantee	(899,291)	(686,856)
Interest income (other operating income)	(369,236)	-
Gain on translation in foreign exchange (finance income)	(1,755,547)	(17,205,672)
Interest income(finance income)	(3,060,749)	(3,167,773)
Dividends income (financial income)	(686,329)	(600,280)
Total	68,526,863	30,589,484

(2) Details of changes in working capital for operating cash flows for the six-month periods ended June 30, 2012 and 2011 are as follows:

(Unit : thousand won)

	Current period	Prior period
Increase of accounts receivable	(14,485,003)	(33,485,978)
Decrease (Increase) of loans and receivables	25,406,375	(5,519,320)
Decrease (Increase) of inventory	(40,822,284)	(53,627,611)
Decrease (Increase) of other current assets	(7,410,817)	(5,756,131)
Decrease (Increase) of long-term loans and receivables	635,223	(1,161,735)
Increase (Decrease) of trade payables	68,046,712	(332,736)
Increase (Decrease) of income tax payables	-	404,593
Increase (Decrease) of other financial liability	(6,032,997)	14,353,242
Increase (Decrease) of other current liabilities	(285,836)	136,616
Payment of pension obligations	(3,072,760)	(5,317,657)
Decrease of allowance	(846,583)	(363,296)
Total	21,132,030	(90,670,013)

(3) Details of significant transactions not affecting inflow and outflow of the cash are as follows.

(Unit : thousand won)

Account	Current period	Prior period
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See accompanying notes to separate interim financial statements.

Transfer to current portion of held to maturity securities	1,024,910	-
Transfer to current portion of available-for-sale securities	-	4,000,000
Transfer from construction in progress to land	27,729	-
Transfer from construction in progress to building	18,597,966	810,770
Transfer from construction in progress to structures	3,156,427	-
Transfer from construction in progress to machinery	57,250,573	2,396,890
Transfer from construction in progress to other tangible assets	28,680	54,000
Transfer from building to held-for-sale asset	-	65,902
Transfer from structure to held-for-sale asset	-	13,406
Transfer from machinery to held-for-sale asset	278,924	1,941,405
Transfer from tangible assets to other investment property	-	4,559,428
Transfer to current portion of long-term borrowings and Debentures	42,615,037	90,017,486

Meanwhile, cash in cash flow statement is cash and cash equivalent on balance sheet.

34. Disclosure of related parties

(1) Details of parent, subsidiary, affiliates and other special related parties are as follows:

Class	Name of parent and subsidiary companies
Controlling company	Dongkuk Steel Mills
Subsidiary	Wuxi-Changjiang Metal, Union steel china, Union Coating, Kukje machinery, Branson Mchinery, LLC., Union Steel Mexico, S.A. De C.V. Anhui machinery, USI Service Center Private Ltd. USP Center (Thailand), Ltd.
Investee under equity method	Dongkuk International Inc., Dongkuk, Intergis, DK UNC, Union Logistic Co., Ltd
Other affiliates	DKS& and, Ferrum infra Ltd.

(2) Significant transactions which occurred in the normal course of business with related companies are summarized as follows.

(Unit : thousand won)

Affiliates	Current period		Prior period	
	receivables	payables	receivables	payables
Dongkuk Steel Mills	-	1,334,303	-	1,938,097
Wuxi-Changjiang Metal	239,802	421,834	205,305	17,871,735
Union steel china	2,867,243	29,280,751	481,551	116,170,283
Union Coating	1,326	959,380	-	4,029,390
Kukje machinery	359,014	-	-	-

See accompanying notes to separate interim financial statements.

USI Service Center Private Ltd.	-	2,565,450	-	12,626,790
USP Center (Thailand), Ltd.	-	5,613,140	-	4,688,340
Dongkuk International Inc.	80,404,439	-	68,340,528	7,606
Union steel Mexico	3,842,502	-	-	-
Dongkuk	11,606,179	36,391,870	15,706,755	34,974,148
Intergis (note1)	12,387	14,606,427	19,224	17,519,001
DK UNC	-	7,445,265	-	3,015,222
DKS& (note1)	-	2,757,336	-	3,477,637
Ferrum infra Ltd.	-	1,108,616	-	531,475

(Note 1) Intergis and DKS&K were merged on the date of 1st of July, 2012.

(3) Account balances with related companies as of current and prior period are as follows

(Unit : thousand won)

Affiliates	Current period		Prior period	
	receivables	payables	receivables	payables
Dongkuk Steel Mills	1,366,700	28,755	1,457,200	139,554
Wuxi-Changjiang Metal	43,467	-	-	-
Union steel china	-	-	-	3,371,867
Union steel Mexico	787,050	-	-	-
Union Coating	176	160	491,000	40,909
Kukje machinery	12,049,315	-	12,000,000	-
Dongkuk International Inc.	4,867,530	-	6,796,038	-
Dongkuk	1,574,702	7,455,883	-	-
Intergis	-	10,783,816	-	8,709,106
DK UNC	-	1,558,541	-	4,483,659
DKS&	-	1,276,368	-	142,551
Ferrum infra Ltd.	-	357,291	-	79,486

(4) Details of payment guarantee and collateral provided to related parties are as follows

(Unit of KRW: in thousand won, unit of foreign currency: in thousand US\$, in thousand RMB)

classification	Detail	Beneficiary	2012	2011
Providing collaterals	Short-term financial instrument	Wuxi-Changjiang Metal	-	7,000,000
	Total		-	7,000,000
Guarantee	Local financing	Wuxi-Changjiang Metal	US\$9,800	US\$9,800
			RMB 247,400	RMB 285,500
		Union steel china	RMB 87,000	RMB 119,000
			US\$75,200	US\$61,200
	Total		68,900,000	68,900,000
			US\$85,000	US\$71,000

See accompanying notes to separate interim financial statements.

		RMB 334,400	RMB 404,500
		68,900,000	68,900,000

(5) The company determines directors with significant right and responsibilities as a key management and the compensation for the key management in current and prior periods is as follows.

(Unit : thousand won)

	Current period	Prior period
Short-term employee benefits	1,381,840	1,507,885
Benefits after retirement	284,919	596,625
Total	1,666,759	2,104,510

35. Assets as collateral

Details of assets that the company provided as collaterals are as follows.

(KRW unit : thousand won, foreign currency unit : thousand US\$, thousand JPY, thousand RMB)

Classification	Collaterals	BV	Collateralized amount	Amount of borrowings or guarantee	Holder
Collaterals for borrowings	Land, Machinery and equipment Investment property	748,148,837	478,530,000	273,139,200	KDB and others
			JPY 11,100,000	JPY 2,150,000	
			US\$64,981	-	
Total			478,530,000	273,139,200	
			JPY 11,100,000	JPY 2,150,000	
			US\$64,981	-	

36. Contingent liability and commitments

(1) Details of commitments as of current period are as follows.

(KRW unit : thousand won, foreign currency unit : thousand US\$)

	Institution	Amount
Bank overdraft limit	KEB and others	4,000,000
Note discount limit	Kumho bank	40,000,000
Foreign currency loan limit	KDB	US\$107,090

See accompanying notes to separate interim financial statements.

L/C transaction limit	Shinhan bank and others	US\$626,672
D/A, D/P discount limit	KEB	US\$50,000
Trade finance	Hana bank and others	9,000,000
Comprehensive credit limit	KEB	95,000,000
Corporate card limit	KEB and others	1,334,000
General revolving loan fund	Hana bank	30,000,000

(2) The lender sets leasehold rights and mortgage for the amount of 12,262,984 ('000) KRW in order to secure guarantee deposit receivable for the company headquarter's building and land.

(3)) HP Korea bought 6,197 new shares of DK U&C at 962 million won through allotment to the third party and can exercise put option (principal of investment and interest of government bond with 3 year maturity + 1% additional interest rate) to the company and other related parties from April 1, in 2014 to June 30, 2014. Also, the company and the related parties can exercise call option in the same period.

38. Risk management

(1) Capital risk management

The purpose of capital management is to maintain sound capital structure as going concern (i.e. continuing to provide profits to shareholders). If necessary, the company has the accounting policy for the sound capital such as adjusting the dividend, returning of capital to shareholders, or issuing new stocks etc.

The capital structure of the company comprises equity and net liability after deducting cash and cash equivalents from borrowings (including bonds). Capital risk management is the same as the prior period.

Capital on the basis of the debt to equity ratio at the end of current and prior period is as follow

(Unit : thousand won)

Classification	Current period	Prior period
Total borrowings	1,094,539,178	955,764,956
less: cash & cash equivalents	(142,442,388)	(42,736,562)
Net borrowings	952,096,790	913,028,394
Total equity	713,481,922	730,185,434
debt to equity ratio	133.40%	125.00%

See accompanying notes to separate interim financial statements.

(2) Financial risk management

The company has exposure to market risk (foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk from its use of financial instruments: 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. The company uses the derivatives for hedges. The risk management policy is the same as the prior period.

1) Foreign exchange risk

The company has exposure to currency risk on the transactions in the course of business that are denominated in a currency other than the functional currency.

Book values of monetary assets and liabilities denominated in a currency other than the functional currency at the end of current and prior periods are as follows.

(Unit : thousand US\$, thousand EUR, thousand JPY)

classification	Current period			Prior period		
	US\$	EUR	JPY	US\$	EUR	JPY
Foreign currency assets	132,333	245	515,150	73,930	1,675	143,153
Foreign currency liability	496,964	-	2,377,267	385,129	156	2,589,915

The company internally reviews the adequacy of the risk management framework in relation to the foreign currency risks on a regular basis.

Foreign currency exposure to financial assets and liabilities of a 10% currency rate change against the KRW are presented below.

(Unit : thousand US\$, thousand EUR, thousand JPY)

classification	Current period			Prior period		
	US\$	EUR	JPY	US\$	EUR	JPY
Increase by 10%	(42,071,125)	35,158	(2,707,127)	(35,890,611)	227,005	(3,633,833)
Decrease by 10%	42,071,125	(35,158)	2,707,127	35,890,611	(227,005)	3,633,833

The sensitivity risk of the Company is determined based on the monetary assets and liabilities denominated in a currency other than the functional currency at the end of current and prior reporting period.

2) Interest rate risk

See accompanying notes to separate interim financial statements.

The company has exposure to interest rate risk as it possesses financial assets and liabilities bearing interest.

The book value of interest-bearing financial liabilities at the end of reporting period is as follows.

(Unit : thousand won)

Classification	Current period	Prior period
borrowings	400,792,185	412,332,837

The company internally reviews the adequacy of the risk management framework in relation to the variable interest rate risks on a regular basis.

Based on the above assumption, changes to profit or loss and net asset as a result of 1% increases or decreases in interest rate on borrowings are presented below.

(Unit : thousand won)

	If increase by 1%		If decreased by 1%	
	Profit or loss	Net asset	Profit or loss	Net asset
Current period	(4,007,922)	(4,007,922)	4,007,922	4,007,922
Prior period	(4,123,328)	(4,123,328)	4,123,328	4,123,328

The company enters into interest rate swap contracts to hedge the risk of interest fluctuations. Cash flows hedge accounting is applied to this contract for the purpose of financial reporting.

Details of valuation on interest rate swap contracts are presented below.

(Unit : thousand won)

	Commitment amount	valuation		valuation	Fair value	
		profit	loss	Accumulated other comprehensive income	asset	liability
Interest rate swap	US\$ 30,000	-	-	(1,018,276)	-	1,305,482

3) Price risk

Price risk arises from the available-for-sale financial assets that the company possesses. The market values for the company's equity investments (Available-for-sale instruments at fair value) at the end of reporting period are ₩10,315,317('000 ₩). If there is change in price of equity investment by 10%, the amount of equity changes is ₩1,031,532('000 ₩) (before income tax effect).

See accompanying notes to separate interim financial statements.

4) 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. Credit risk arises from cash and cash equivalents, savings and derivative instruments transactions with financial institutions. To minimize such risk, the Company transacts only with banks which have strong international credit rating. The Company has transacted only with customers with a strong credit rating and established a credit policy and process for creditworthiness.

The carrying amount of financial assets is maximum exposure to credit risk except for the table below.

(Unit : thousand won)

Classification	Book value	Maximum amounts of credit risk exposure
Guarantee (note1)	1,786,570	227,663,256

(Note1) The company provided the maximum limit of guarantee to the financial institution regarding borrowings of subsidiaries.

5) Liquidity risk

The company monitors its cash flow through long-term and short-term management strategies and manages its liquidity risk to maintain adequate net working capital by constantly managing projected cash flows. 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

The maturity analysis of non-derivative financial liabilities is as follows.

(Unit : thousand won)

	Less than one year	One to two year	Two to five year	More than five year
borrowings	539,433,378	110,130,624	155,580,725	15,254,412
debentures	-	154,614,000	119,526,040	-
Trade and other payables	225,448,721	-	-	-
Other financial liability	29,742,749	10,593,666	1,236,640	-
Guarantee	156,457,216	59,898,800	11,307,240	-
Total	951,082,064	335,237,090	287,650,645	15,254,412

See accompanying notes to separate interim financial statements.

The above table is established based on the BV of obligations with the closest maturity date.

The maturity analysis of derivative financial liabilities is as follows.

(Unit : thousand won)

	Less than one year	One to two year	Two to five year	More than five year
Interest rate swap	-	1,305,482	-	-

(3) Measurement of fair value

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The book value of financial assets is the market value at the end of reporting date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available, and the assumption is based on the market situation at the end of reporting period. Financial liability is measured in market price or a bid price, and discounted cash flow analysis is also used to determine fair value for the remaining financial instruments. As for trade and other receivables, the book value approximates a reasonable estimate of fair value.

The levels of the fair value hierarchy and its application to financial assets and liabilities are described below

	Hierarchy
level 1	The levels of the fair value hierarchy and its application to financial assets and liabilities are described below
level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair values of financial instruments based on the fair value hierarchy as of reporting date are as follows.

<Current>

(Unit : thousand won)

category	Book value	Fair value			
		level1	level2	level3	subtotals
financial asset					

See accompanying notes to separate interim financial statements.

Listed equity securities	10,315,317	10,315,317	-	-	10,315,317
Debt securities	60,795,814	60,795,814	-	-	60,795,814
financial asset Total	71,111,131	71,111,131	-	-	71,111,131
financial liability					
Derivative liability	1,305,482	-	1,305,482	-	1,305,482
financial liability Total	1,305,482	-	1,305,482	-	1,305,482

<Prior>

(Unit : thousand won)

category	Book value	Fair value			
		level1	level2	level3	subtotals
financial asset					
Listed equity securities	5,217,147	5,217,147	-	-	5,217,147
Debt securities	16,656,162	16,656,162	-	-	16,656,162
financial asset Total	21,873,309	21,873,309	-	-	21,873,309
financial liability					
Derivative liability	1,479,199	-	1,479,199	-	1,479,199
financial liability Total	1,479,199	-	1,479,199	-	1,479,199

See accompanying notes to separate interim financial statements.