

Appendix A-7

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

POSCO
and Subsidiaries
Consolidated Financial Statements
December 31, 2012

(With Independent Auditors' Report Thereon)

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Changes in Equity	6
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	10

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
POSCO:

We have audited the accompanying consolidated statements of financial position of POSCO and subsidiaries (the "Company") as of December 31, 2012 and 2011 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended, in conformity with Korean International Financial Reporting Standards.

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

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

Seoul, Korea
February xx, 2013

This report is effective as of February xx, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

POSCO and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2012 and 2011

(in millions of Won)

	<u>Notes</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Assets			
Cash and cash equivalents	5,20 W	4,680,526	4,598,682
Trade accounts and notes receivable, net	6,15,20,24,25,34	11,037,973	11,450,515
Other receivables	7,20,34	1,591,439	1,433,508
Other short-term financial assets	7,20,34	2,254,994	2,222,762
Inventories	8	10,584,646	12,283,644
Current income tax assets	32	17,168	18,621
Assets held for sale	9	1,190	329,037
Other current assets	14	1,398,180	1,220,142
Total current assets		<u>31,566,116</u>	<u>33,556,911</u>
Long-term trade accounts and notes receivable, net	6,20	142,204	183,061
Other receivables	7,20	699,024	347,401
Other long-term financial assets	7,20	3,970,845	4,778,271
Investments in associates	10	3,039,261	3,831,659
Investment property, net	11	521,191	527,533
Property, plant and equipment, net	12	32,276,379	28,453,184
Intangible assets, net	13	5,662,361	5,244,928
Deferred tax assets	32	994,684	855,603
Other long-term assets	14	393,786	630,287
Total non-current assets		<u>47,699,735</u>	<u>44,851,927</u>
Total assets		<u>W 79,265,851</u>	<u>78,408,838</u>

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2012 and 2011

<i>(in millions of Won)</i>	<u>Notes</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Liabilities			
Trade accounts and notes payable	20,34	₩ 4,389,195	4,397,279
Short-term borrowings and current installments of long-term borrowings	15,20	10,509,348	10,791,510
Other payables	16,20,34	1,605,817	1,505,966
Other short-term financial liabilities	16,20,34	321,828	305,224
Current income tax liabilities	32	559,328	509,709
Liabilities related to assets held for sale	9	-	226,607
Provisions	17	77,831	69,432
Other current liabilities	19,25	2,311,654	1,799,631
Total current liabilities		<u>19,775,001</u>	<u>19,605,358</u>
Long-term trade accounts and notes payable	20,34	2,593	383
Long-term borrowings, excluding current installments	15,20	14,412,085	16,020,207
Other payables	16,20	142,412	169,375
Other long-term financial liabilities	16,20	219,223	181,185
Defined benefits liabilities	18	345,688	340,467
Deferred tax liabilities	32	1,461,519	1,168,097
Long-term provisions	17	100,098	109,343
Other long-term liabilities	19	377,814	84,503
Total non-current liabilities		<u>17,061,432</u>	<u>18,073,560</u>
Total liabilities		<u>36,836,433</u>	<u>37,678,918</u>
Equity			
Share capital	21	482,403	482,403
Capital surplus	21	1,104,814	1,150,452
Reserves	22	(88,150)	405,426
Treasury shares	23	(2,391,406)	(2,391,406)
Retained earnings		40,346,481	38,709,475
Equity attributable to owners of the controlling company		<u>39,454,142</u>	<u>38,356,350</u>
Non-controlling interests		<u>2,975,276</u>	<u>2,373,570</u>
Total equity		<u>42,429,418</u>	<u>40,729,920</u>
Total liabilities and equity		<u>₩ 79,265,851</u>	<u>78,408,838</u>

POSCO and Subsidiaries

Consolidated Statements of Financial Position, Continued

As of December 31, 2012 and 2011

See accompanying notes to the consolidated financial statements.

<i>(in millions of Won, except per share information)</i>	<u>Notes</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Revenue	24,25,34	₩ 63,604,151	68,938,725
Cost of sales	25,27,31,34	(56,142,892)	(59,823,850)
Gross profit		7,461,259	9,114,875
Selling and administrative expenses			
Administrative expenses	26,27,31	(2,129,463)	(2,035,053)
Selling expenses	26,31	(1,678,688)	(1,612,128)
Operating profit	28	3,653,108	5,467,694
Share of profit (loss) of equity-accounted investees	10	(22,702)	50,569
Finance income and costs			
Finance income	20,29	2,897,063	3,190,419
Finance costs	20,29	(2,797,638)	(3,866,695)
Other non-operating income and expenses			
Other non-operating income	30	448,120	306,941
Other non-operating expenses	30,31	(809,465)	(366,533)
Profit before income tax		3,368,486	4,782,395
Income tax expense	32	(982,879)	(1,068,109)
Profit for the period		2,385,607	3,714,286
Other comprehensive income (loss)			
Capital adjustment arising from investments in equity-method investees		(130,836)	(11,240)
Net changes in the unrealized fair value of available-for-sale investments	20	(81,471)	(1,231,758)
Foreign currency translation differences		(363,088)	1,666
Defined benefit plan actuarial losses		(62,527)	(30,577)
Other comprehensive loss, net of tax		(637,922)	(1,271,909)
Total comprehensive income for the period		₩ 1,747,685	2,442,377
Profit (loss) attributable to:			
Owners of the controlling company		₩ 2,462,081	3,648,136
Non-controlling interests		(76,474)	66,150
Profit for the period		₩ 2,385,607	3,714,286
Total comprehensive income (loss) attributable to:			
Owners of the controlling company		₩ 1,911,506	2,530,437
Non-controlling interests		(163,821)	(88,060)
Total comprehensive income for the period		₩ 1,747,685	2,442,377
Basic and diluted earnings per share	33	₩ 31,874	47,224

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2012 and 2011

(in millions of Won)

Balance as of January 1, 2011

Comprehensive income:

Profit for the period

Net changes in accumulated comprehensive income

of investments in associates, net of tax

Net changes in the unrealized fair value of

available-for-sale investments, net of tax

Foreign currency translation differences, net of tax

Defined benefit plan actuarial losses, net of tax

Total comprehensive income

Transactions with owners of the controlling company,
recognized directly in equity:

Year-end dividends

Interim dividends

Acquisition of subsidiaries

Changes in ownership interests in subsidiaries

Acquisition of treasury shares

Disposal of treasury shares

Others

Total transactions with owners of the controlling company

Balance as of December 31, 2011

	Share capital	Attributable to owners of the controlling company					Non- controlling interests	Total
		Capital surplus	Reserves	Treasury shares	Retained earnings	Sub total		
₩	482,403	1,101,561	1,507,288	(2,403,263)	35,887,697	36,575,686	1,961,481	38,537,167
	-	-	-	-	3,648,136	3,648,136	66,150	3,714,286
	-	-	(12,276)	-	-	(12,276)	1,036	(11,240)
	-	-	(1,227,050)	-	-	(1,227,050)	(4,708)	(1,231,758)
	-	-	146,622	-	-	146,622	(144,956)	1,666
	-	-	-	-	(24,995)	(24,995)	(5,582)	(30,577)
	-	-	(1,092,704)	-	3,623,141	2,530,437	(88,060)	2,442,377
	-	-	-	-	(577,747)	(577,747)	(16,831)	(594,578)
	-	-	-	-	(193,111)	(193,111)	-	(193,111)
	-	-	-	-	-	-	247,483	247,483
	-	(20,694)	-	-	-	(20,694)	266,642	245,948
	-	-	-	(61,296)	-	(61,296)	-	(61,296)
	-	69,153	-	73,153	-	142,306	-	142,306
	-	432	(9,158)	-	(30,505)	(39,231)	2,854	(36,377)
	-	48,891	(9,158)	11,857	(801,363)	(749,773)	500,149	(249,624)
₩	482,403	1,150,452	405,426	(2,391,406)	38,709,475	38,356,350	2,373,570	40,729,920

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries **Consolidated Statements of Changes in Equity, Continued** **For the years ended December 31, 2012 and 2011**

(in millions of Won)

Balance as of January 1, 2012

Comprehensive income :

Profit for the period
 Net changes in accumulated comprehensive income
 of investments in associates, net of tax
 Net changes in the unrealized fair value of
 available-for-sale investments, net of tax
 Foreign currency translation differences, net of tax
 Defined benefit plan actuarial losses, net of tax

Total comprehensive income

Transactions with owners of the controlling company,
 recognized directly in equity:

Year-end dividends
 Interim dividends
 Acquisition of subsidiaries
 Changes in ownership interests in subsidiaries
 Others

Total transactions with owners of the controlling company

Balance as of December 31, 2012

	Share capital	Capital surplus	Reserves	Treasury shares	Retained earnings	Sub total	Non- controlling interests	Total
W	482,403	1,150,452	405,426	(2,391,406)	38,709,475	38,356,350	2,373,570	40,729,920
Profit for the period	-	-	-	-	2,462,081	2,462,081	(76,474)	2,385,607
Net changes in accumulated comprehensive income of investments in associates, net of tax	-	-	(112,974)	-	-	(112,974)	(17,862)	(130,836)
Net changes in the unrealized fair value of available-for-sale investments, net of tax	-	-	(86,661)	-	-	(86,661)	5,190	(81,471)
Foreign currency translation differences, net of tax	-	-	(292,015)	-	-	(292,015)	(71,073)	(363,088)
Defined benefit plan actuarial losses, net of tax	-	-	-	-	(58,925)	(58,925)	(3,602)	(62,527)
Total comprehensive income	-	-	(491,650)	-	2,403,156	1,911,506	(163,821)	1,747,685
Transactions with owners of the controlling company, recognized directly in equity:	-	-	-	-	(579,333)	(579,333)	(19,751)	(599,084)
Year-end dividends	-	-	-	-	(154,489)	(154,489)	-	(154,489)
Interim dividends	-	-	-	-	-	-	35,870	35,870
Acquisition of subsidiaries	-	(41,924)	-	-	-	(41,924)	715,148	673,224
Changes in ownership interests in subsidiaries	-	(3,714)	(1,926)	-	(32,328)	(37,968)	34,260	(3,708)
Others	-	(45,638)	(1,926)	-	(766,150)	(813,714)	765,527	(48,187)
Total transactions with owners of the controlling company	-	(45,638)	(1,926)	-	(766,150)	(813,714)	765,527	(48,187)
Balance as of December 31, 2012	W 482,403	1,104,814	(88,150)	(2,391,406)	40,346,481	39,454,142	2,975,276	42,429,418

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2012 and 2011

<i>(in millions of Won)</i>	<u>Note</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Cash flows from operating activities			
Profit for the period	W	2,385,607	3,714,286
Adjustments for:			
Depreciation		2,405,769	2,133,010
Amortization		157,991	133,289
Finance income		(1,553,200)	(1,734,280)
Finance costs		1,605,414	2,245,957
Income tax expense		982,879	1,068,109
Gain on disposal of property, plant, and equipment		(42,290)	(13,812)
Loss on disposal of property, plant, and equipment		65,486	60,550
Share of profit (loss) of equity-accounted investees		22,702	(50,569)
Costs for defined benefit plans		226,132	236,998
Bad debt expenses		123,373	45,477
Impairment loss of assets held for sale		258,451	-
Gain on disposal of assets held for sale		(193,333)	-
Others, net		109,728	139,637
		<u>4,169,102</u>	<u>4,264,366</u>
Changes in operating assets and liabilities	36	1,933,358	(4,850,747)
Interest received		238,231	218,682
Interest paid		(874,711)	(745,111)
Dividends received		178,317	308,692
Income taxes paid		<u>(710,448)</u>	<u>(1,218,602)</u>
Net cash provided by operating activities		<u>7,319,456</u>	<u>1,691,566</u>
Cash flows from investing activities			
Proceeds from disposal of short-term financial instruments		3,847,682	5,794,770
Collection of loans		318,745	896,656
Proceeds from disposal of available-for-sale investments		700,686	411,061
Proceeds from disposal of other investment assets		19,566	-
Proceeds from disposal of property, plant and equipment		272,948	140,221
Proceeds from disposal of intangible assets		10,945	55,899
Proceeds from disposal of investments of equity-accounted investees		18,428	2,404
Proceeds from disposal of assets held for sale		1,268,545	-
Acquisition of short-term financial instruments		(3,616,118)	(4,556,340)
Issuance of loans		(434,156)	(962,099)
Acquisition of available-for-sale investments		(307,712)	(322,046)
Acquisition of other investment assets		(128)	(450)
Acquisition of investments of equity-accounted investees		(492,681)	(740,971)
Acquisition of property, plant and equipment		(7,054,543)	(5,330,968)
Acquisition of intangible assets		(448,214)	(574,753)
Payment for acquisition of business, net of cash acquired		(98,880)	(437,464)
Cash received from disposal of business		13,041	-
Other, net		<u>(187,157)</u>	<u>107,214</u>
Net cash used in investing activities	W	<u>(6,169,003)</u>	<u>(5,516,866)</u>

See accompanying notes to the consolidated financial statements.

POSCO and Subsidiaries
Consolidated Statements of Cash Flows, Continued
For the years ended December 31, 2012 and 2011

<i>(in millions of Won)</i>	<u>Note</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Cash flows from financing activities			
Proceeds from borrowings	₩	3,007,017	7,068,322
Proceeds from disposal of treasury shares		-	164,384
Proceeds from short-term borrowings		(1,412,138)	51,808
Repayment of borrowings		(1,884,140)	(1,746,487)
Acquisition of treasury shares		-	(61,296)
Payment of cash dividends		(751,908)	(770,858)
Other, net		133,542	194,012
		<u>(907,627)</u>	<u>4,899,885</u>
Net cash provided by (used in) financing activities			
		<u>(160,982)</u>	<u>3,052</u>
Effect of exchange rate fluctuation on cash held			
		<u>(160,982)</u>	<u>3,052</u>
Net increase in cash and cash equivalents		81,844	1,077,637
Cash and cash equivalents at beginning of the period		<u>4,598,682</u>	<u>3,521,045</u>
Cash and cash equivalents at end of the period	₩	<u>4,680,526</u>	<u>4,598,682</u>

See accompanying notes to the consolidated financial statements.

1. General Information

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements

As of December 31, 2012

General information about POSCO, its 51 domestic subsidiaries including POSCO Engineering & Construction Co., Ltd., 166 foreign subsidiaries including POSCO America Corporation and its 94 associates (collectively, “the Company”) are as follows:

(a) The controlling company

POSCO, the controlling company, was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea to manufacture and sell steel rolled products and plates in the domestic and foreign markets.

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

As of December 31, 2012, POSCO’s shareholders are as follows:

Shareholder's name	2012		2011	
	Number of shares	Ownership (%)	Number of shares	Ownership (%)
National Pension Service	5,225,654	5.99%	5,937,323	6.81%
Nippon Steel & Sumitomo Metal Corporation (*1)	4,394,712	5.04%	4,394,712	5.04%
SK Telecom Co., Ltd.	-	-	2,481,310	2.85%
KB Financial Group Inc. and subsidiaries	1,919,773	2.20%	-	-
Pohang University of Science and Technology	1,905,000	2.18%	1,905,000	2.18%
Shinhan Financial Group Inc. and subsidiaries	1,845,054	2.12%	1,870,879	2.15%
Others	71,896,642	82.47%	70,597,611	80.97%
	<u>87,186,835</u>	<u>100.00%</u>	<u>87,186,835</u>	<u>100.00%</u>

(*1) Nippon Steel & Sumitomo Metal Corporation owns American Depositary Receipts (ADRs) of the Company, each of which represents 0.25 share of POSCO’s common share which has par value of ₩ 5,000 per share.

As of December 31, 2012, the shares of the Company are listed on the Korea Exchange, while its depository shares are listed on the New York, Tokyo and London Stock Exchanges.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements

As of December 31, 2012

(b) Consolidated subsidiaries

Details of consolidated subsidiaries as of December 31, 2012 and 2011 are as follows:

	Principal operations	Ownership (%)						Region
		2012			2011			
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
[Domestic]								
POSCO E&C Co., Ltd.	Engineering and construction	89.53	-	89.53	89.53	-	89.53	Pohang
POSCO P&S Co., Ltd.	Steel sales and service	95.31	-	95.31	95.31	-	95.31	Seoul
POSCO Coated & Color Steel Co., Ltd.	Coated steel manufacturing	56.87	-	56.87	56.87	-	56.87	Pohang
POSCO Plant Engineering Co., Ltd.	Steel work maintenance and machinery installation	100.00	-	100.00	100.00	-	100.00	Pohang
POSCO ICT Co., Ltd.	Computer hardware and software distribution	72.54	-	72.54	72.54	-	72.54	Seongnam
POSCO Research Institute	Economic research and consulting	100.00	-	100.00	100.00	-	100.00	Seoul
Seoung Gwang Co., Ltd.	Athletic facilities operation	69.38	30.62	100.00	69.38	30.62	100.00	Suncheon
POSCO Architects & Consultants Co., Ltd.	Architecture and consulting	100.00	-	100.00	100.00	-	100.00	Seoul
POSCO Specialty Steel Co., Ltd.	Steel manufacturing and sales	94.74	-	94.74	100.00	-	100.00	Changwon
POSTECH Venture Capital Corp.	Investment in venture companies	95.00	-	95.00	95.00	-	95.00	Pohang
eNtoB Co., Ltd.	Electronic commerce	32.19	30.20	62.39	32.19	30.20	62.39	Seoul
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	Manufacturing and sellings	60.00	-	60.00	60.00	-	60.00	Pohang
POSCO Terminal Co., Ltd.	Transporting and warehousing	51.00	-	51.00	51.00	-	51.00	Gwangyang
POSCO M-TECH Co., Ltd. (*1)	Packing materials manufacturing	48.85	-	48.85	48.85	-	48.85	Pohang
POSCO ENERGY Co., Ltd.	Generation of electricity	89.02	-	89.02	100.00	-	100.00	Seoul
Postech 2006 Energy Fund (*2)	Investment in new technologies	-	22.11	22.11	-	22.11	22.11	Seoul
PHP Co., Ltd.	Rental houses construction and management	-	-	-	-	100.00	100.00	Incheon
POSCO TMC Co., Ltd.	Component manufacturing	34.20	33.56	67.76	34.20	33.56	67.76	Cheonan
PNR Co., Ltd.	Steel manufacturing and sales	70.00	-	70.00	70.00	-	70.00	Pohang
Megaasset Co., Ltd.	Real estate rental and sales	-	100.00	100.00	-	100.00	100.00	Cheonan
POSCO Engineering Company	Construction and engineering service	-	95.56	95.56	-	94.14	94.14	Seongnam
Pohang Fuel Cell Co. Ltd.	Generation of electricity	-	-	-	-	100.00	100.00	Pohang
Pohang SPFC Co., Ltd.	Steel manufacturing	-	90.00	90.00	-	90.00	90.00	Pohang
POSWITH Co., Ltd.	Industrial clean service	100.00	-	100.00	100.00	-	100.00	Pohang
BASYS INDUSTRY Co., Ltd.	Panel board, electric and control panel manufacturing	-	-	-	-	65.00	65.00	Seongnam
POSTECH BD Newundertaking fund	Bio diesel industries	-	-	-	-	100.00	100.00	Pohang
POSBRO Co., Ltd.	Video game manufacturing	-	-	-	-	97.79	97.79	Seongnam
POSCO AST Co., Ltd.	Steel manufacturing and Sales	100.00	-	100.00	100.00	-	100.00	Ansan
DaMyung TMS Co., Ltd.	Cold-rolling of stainless steel and nickel alloy	-	-	-	-	100.00	100.00	Shaheung
POS-HMETAL Co., Ltd.	Steel manufacturing and Sales	65.00	-	65.00	65.00	-	65.00	Gwangyang
POSCO E&E Co., Ltd.	Handling & disposal of waste matter	-	100.00	100.00	-	100.00	100.00	Seoul
POMIC Co., Ltd.	Education services	-	-	-	-	100.00	100.00	Pohang
POSHNE Co., Ltd.	Non metallic minerals manufacturing	69.23	-	69.23	69.23	-	69.23	Gwangyang
POS ECO HOUSING Co., Ltd.	Construction	85.25	-	85.25	85.25	-	85.25	Pohang
Mapo high broad parking Co., Ltd.	Construction	-	71.00	71.00	-	71.00	71.00	Seoul
Dakos Co., Ltd.	Railway equipment manufacturing	-	81.00	81.00	-	81.00	81.00	Seongnam
Kwang Yang SPFC Co., Ltd.	Steel manufacturing	-	65.84	65.84	-	65.84	65.84	Gwangyang
POSCALCIUM Company, Ltd.	Non metallic minerals manufacturing	-	86.87	86.87	-	70.00	70.00	Pohang
Plant Engineering service Technology Co., Ltd.	Engineering service	-	100.00	100.00	-	100.00	100.00	Pohang
9Digit Co., Ltd.	Steel manufacturing	-	86.48	86.48	-	86.49	86.49	Incheon
Postech Early Stage Fund (*2)	Financial investment	-	10.00	10.00	-	10.00	10.00	Pohang
Busan E&E Co., Ltd.	Handling & disposal of waste matter	70.00	-	70.00	70.00	-	70.00	Busan
POSCO Family Strategy Funds	Financial investment	60.79	39.21	100.00	69.93	30.07	100.00	Pohang
POREKA Co., Ltd.	Advertising agency	100.00	-	100.00	100.00	-	100.00	Seoul
Songdo SE Co., Ltd.	Cleaning service	-	-	-	100.00	-	100.00	Incheon
Daewoo International Corporation	Trading, Energy & Resource development	60.31	-	60.31	66.56	-	66.56	Seoul
POSCOLED Co., Ltd.	LED lighting	16.70	63.30	80.00	16.70	63.33	80.03	Seongnam
Gunsan SPFC Co., Ltd.	Steel manufacturing	-	70.09	70.09	-	70.09	70.09	Gunsan
POSCO NST Co., Ltd.	Steel manufacturing	-	-	-	100.00	-	100.00	Busan
Pohang Scrap Recycling Center Co., Ltd.	Steel manufacturing	-	51.00	51.00	-	51.00	51.00	Pohang
PSC energy global Co., Ltd.	Business service	-	100.00	100.00	-	100.00	100.00	Pohang
Suncheon Ecotrans Co., Ltd.	Train manufacturing & management	100.00	-	100.00	100.00	-	100.00	Suncheon
Shinan Energy Co., Ltd.	Manufacturing & management	-	-	-	-	100.00	100.00	Mokpo
Reco Metal Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	88.58	88.58	Hwasung
NewAltec Co., Ltd.	Aluminum products manufacturing and sales	-	60.10	60.10	-	60.10	60.10	Incheon
PONUtech Co. Ltd.	Nuclear power generation design and repair service	-	100.00	100.00	-	100.00	100.00	Ulsan
BLUE O&M Co., Ltd.	Service	-	100.00	100.00	-	100.00	100.00	Ulsan
Tamra Offshore Wind Power Co., Ltd.	Cogeneration plant operation	-	64.00	64.00	-	-	-	Jeju
POS-HIAL	Aluminum products manufacturing and sales	-	65.30	65.30	-	-	-	Youngam
MCM Korea	Iron ore sales & mine development	-	100.00	100.00	-	-	-	Seoul
Tancheon E&E	Sewage heat energy supply	5.00	95.00	100.00	-	-	-	Seoul

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

Principal operations	Ownership (%)						Region
	2012			2011			
	POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
[Foreign]							
POSCO America Corporation	Steel trading	99.45	0.55	100.00	99.45	0.55	USA
POSCO Australia Pty. Ltd.	Iron ore sales & mine development	100.00	-	100.00	100.00	-	Australia
POSCO Canada Ltd.	Coal sales	-	100.00	100.00	-	100.00	Canada
POSCAN Elkview Coal Ltd.	Coal sales	-	100.00	100.00	-	100.00	Canada
POSCO Asia Co., Ltd.	Steel transit trading	100.00	-	100.00	100.00	-	Hong Kong
Dalian POSCO Steel Co., Ltd.	Steel manufacturing	30.00	55.00	85.00	30.00	55.00	China
POSCO-CTPC Co., Ltd.	Steel manufacturing	56.60	43.40	100.00	56.60	43.40	China
POSCO-JKPC Co., Ltd.	Steel manufacturing	-	95.00	95.00	-	95.00	Japan
International Business Center Corporation	Leasing Service	-	60.00	60.00	-	60.00	Vietnam
POSCO E&C Vietnam Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	Vietnam
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	58.60	23.88	82.48	58.60	23.88	China
Guangdong Pohang Coated Steel Co., Ltd.	Plating steel sheet manufacturing	87.04	10.04	97.08	84.52	10.01	China
POSCO (Thailand) Company Ltd.	Steel manufacturing	85.62	14.38	100.00	85.62	14.38	Thailand
Myanmar POSCO Steel Co., Ltd.	Zinc relief manufacturing	70.00	-	70.00	70.00	-	Myanmar
POSCO-JOPC Co., Ltd.	Steel manufacturing	-	56.84	56.84	-	56.84	Japan
POSCO Investment Co., Ltd.	Financial Service	100.00	-	100.00	99.99	-	Hong Kong
POSCO-MKPC SDN BHD.	Steel manufacturing	44.69	25.31	70.00	44.69	25.31	Malaysia
Qingdao Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	70.00	30.00	100.00	70.00	30.00	China
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	China
POSCO BioVentures L.P.	Bio tech industry	-	100.00	100.00	-	100.00	USA
PT. POSNESIA	Steel manufacturing	70.00	-	70.00	70.00	-	Indonesia
POSCO E&C - Hawaii Inc.	Real estate industry	-	100.00	100.00	-	100.00	USA
POS-Qingdao Coil Center Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	China
POS-Ore Pty. Ltd.	Iron ore sales & mine development	-	100.00	100.00	-	100.00	Australia
POSCO-China Holding Corp.	A holding company	100.00	-	100.00	100.00	-	China
POSCO-Japan Co., Ltd.	Steel trading	100.00	-	100.00	100.00	-	Japan
POS-CD Pty. Ltd.	Coal sales	-	100.00	100.00	-	100.00	Australia
POS-GC Pty. Ltd.	Coal sales	-	100.00	100.00	-	100.00	Australia
POSCO-India Private Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	India
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	Steel manufacturing	65.00	-	65.00	65.00	-	India
POSCO-JEPC Co., Ltd. (formerly, POSCO-JNPC Co., Ltd.)	Steel manufacturing	-	88.62	88.62	-	90.60	Japan
POSCO-Foshan Steel Processing Center Co. Ltd.	Steel manufacturing	39.60	60.40	100.00	39.60	60.40	China
POSCO E&C (China) Co., Ltd.	Construction and civil engineering	-	100.00	100.00	-	100.00	China
POSCO MPC S.A. de C.V.	Steel manufacturing	-	95.00	95.00	-	90.00	Mexico
Zhangjiagang Pohang Port Co., Ltd.	Load and unload industry	-	100.00	100.00	-	100.00	China
Qingdao Pujin Steel Material Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	China
POSCO-Vietnam Co., Ltd.	Steel manufacturing	85.00	-	85.00	85.00	-	Vietnam
POSCO-Mexico Co., Ltd.	Mobile steel sheet manufacturing	84.84	15.16	100.00	80.68	19.32	Mexico
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	Steel manufacturing	66.40	10.00	76.40	76.40	-	India
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	Steel manufacturing	60.00	-	60.00	60.00	-	Poland
POS-NP Pty. Ltd.	Coal sales	-	100.00	100.00	-	100.00	Australia
POSCO-Vietnam Processing Center Co., Ltd.	Steel manufacturing	91.63	-	91.63	89.58	-	Vietnam
POSCO (Chongqing) Automotive Processing Center Co. Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	China
Suzhou POS-CORE Technology Co., Ltd.	Component manufacturing	-	100.00	100.00	-	100.00	China
POSCO-JYPC Co., Ltd.	Steel manufacturing	-	-	-	-	82.37	Japan
POSCO-Malaysia SDN. BHD.	Steel manufacturing	80.07	13.34	93.41	80.07	13.34	Malaysia
POS-Minerals Corporation	Mine development & sales	-	100.00	100.00	-	100.00	USA
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	Steel manufacturing	68.57	31.43	100.00	68.57	31.43	China
POSCO E&C India Private Ltd.	Construction and engineering	-	100.00	100.00	-	100.00	India
POSCO E&C SMART	Construction and engineering	-	100.00	100.00	-	100.00	Mexico
POSCO-Philippine Manila Processing Center Inc.	Steel manufacturing	-	100.00	100.00	-	100.00	Philippines
POS-GSFC LLC	Steel manufacturing	-	81.93	81.93	48.98	48.98	AEU
Dalian POSCON Donghang Automatic Co., Ltd.	Electronical control equipment manufacturing	-	100.00	100.00	-	70.00	China
SANPU TRADING CO. LTD.	Transit trade	-	70.00	70.00	-	70.04	China
Zhangjiagang BLZ Pohang International Trading Co., Ltd.	Steel transit trading	-	100.00	100.00	-	100.00	China
POSCO Mexico Human Tech	Service	80.00	20.00	100.00	80.00	20.00	Mexico
POSCO Mexico East Steel Distribution Center Co., Ltd.	Steel product sales	-	56.80	56.80	-	56.81	Mexico

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

	Principal operations	Ownership (%)						Region
		2012			2011			
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
[Foreign]								
POSCO ICT-China	IT service and DVR business	-	100.00	100.00	-	100.00	100.00	China
DWEMEX S.A.DE C.V.	Construction	-	99.00	99.00	-	99.00	99.00	Mexico
POS MPC Servicios de C.V.	Steel manufacturing	-	61.00	61.00	-	61.00	61.00	Mexico
POSCO-URUGUAY S.A.	Lumber manufacturing & sales	98.00	-	98.00	98.00	-	98.00	Uruguay
POSCO South East Asia Pte. Ltd.	Steel transit trading	-	67.54	67.54	-	51.00	51.00	Singapore
Europe Steel Distribution Center	Steel product sales	50.00	20.00	70.00	50.00	20.00	70.00	Slovenia
VECTUS Ltd.	PRT test track construction	-	99.57	99.57	-	99.57	99.57	England
Zeus (Cayman)	Service	100.00	-	100.00	100.00	-	100.00	Cayman Island
POSCO VST Co., Ltd.	Stainless steel manufacturing	95.65	-	95.65	95.65	-	95.65	Vietnam
POSCO Maharashtra Steel Pvt. Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	100.00	India
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	100.00	India
POSCO Turkey Nilufer Processing Center Co., Ltd.	Steel manufacturing	100.00	-	100.00	100.00	-	100.00	Turkey
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	Steel manufacturing	70.00	-	70.00	70.00	-	70.00	Vietnam
POSCO (Liaoning) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China
POSCO-Indonesia Jakarta Processing Center	Steel manufacturing	65.00	20.00	85.00	65.00	20.00	85.00	Indonesia
POSCO E&C Venezuela C.A	Construction and engineering	-	100.00	100.00	-	100.00	100.00	Venezuela
PT. MRI	mine development	65.00	-	65.00	65.00	-	65.00	Indonesia
POSCORE-INDIA	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	India
POSCO America Alabama Processing Center Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	USA
PT DEC Indonesia	Construction	-	95.00	95.00	-	95.00	95.00	Indonesia
POSCO (Yantai) Automotive Processing Center Co.,Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China
POSCO India Steel Distribution Center Private Ltd.	Steel Logistics	-	100.00	100.00	-	100.00	100.00	India
POSCO China Dalian Plate Processing Center Co., Ltd.	Steel manufacturing	80.00	10.00	90.00	80.00	10.00	90.00	China
POSCO-South Asia Co., Ltd.	Steel product sales	100.00	-	100.00	100.00	-	100.00	Thailand
POSCO SS-VINA Co., LTD	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	Vietnam
POSCO-NCR Coal Ltd.	Coal sales	-	100.00	100.00	-	100.00	100.00	Canada
POSCO WA Pty. Ltd.	Iron ore sales & mine development	100.00	-	100.00	100.00	-	100.00	Australia
POSCO E&C - UZ	Construction	-	100.00	100.00	-	100.00	100.00	Uzbekistan
POSCO Australia GP Limited	Resource development	-	100.00	100.00	-	100.00	100.00	Australia
Daewoo International America Corp.	Trading business	-	100.00	100.00	-	100.00	100.00	USA
Daewoo International Deutschland GmbH	Trading business	-	100.00	100.00	-	100.00	100.00	Germany
Daewoo International Japan Corp.	Trading business	-	100.00	100.00	-	100.00	100.00	Japan
Daewoo International Singapore Pte. Ltd.	Trading business	-	100.00	100.00	-	100.00	100.00	Singapore
Daewoo Italia S.r.l.	Trading business	-	100.00	100.00	-	100.00	100.00	Italy
Daewoo Cement (Shandong) Co., Ltd.	Cement manufacturing	-	-	-	-	100.00	100.00	China
Daewoo (China) Co., Ltd.	Trading business	-	100.00	100.00	-	100.00	100.00	China
PT. RISMAR Daewoo Apparel	Clothing business	-	-	-	-	100.00	100.00	Indonesia
Daewoo Textile Fergana LLC	Textile manufacturing	-	100.00	100.00	-	100.00	100.00	Uzbekistan
Daewoo Textile Bukhara LLC	Textile manufacturing	-	100.00	100.00	-	100.00	100.00	Uzbekistan
Daewoo International Australia Holdings Pty. Ltd.	Resource development	-	100.00	100.00	-	100.00	100.00	Australia
Daewoo Paper Manufacturing Co., Ltd.	Paper industry	-	66.70	66.70	-	66.70	66.70	China
Tianjin Daewoo Paper Co., Ltd	Paper industry	-	68.30	68.30	-	68.00	68.00	China
POSCO Mauritius Ltd.	Mine development & sales	-	100.00	100.00	-	100.00	100.00	Mauritius
PT. KRAKATAU POSCO	Steel manufacturing	70.00	-	70.00	70.00	-	70.00	Indonesia
MYANMAR Daewoo LTD.	Trading business	-	100.00	100.00	-	100.00	100.00	Myanmar
Daewoo International MEXICO S.A. de C.V.	Trading business	-	100.00	100.00	-	100.00	100.00	Mexico
Daewoo International Guangzhou Corp.	Trading business	-	100.00	100.00	-	100.00	100.00	China
Daewoo Energy Central Asia	Resource development	-	-	-	-	100.00	100.00	Uzbekistan
Daewoo STC (r& Apparel) Vietnam Ltd.	Textile manufacturing	-	100.00	100.00	-	100.00	100.00	Vietnam
MYANMAR Daewoo International Ltd.	Textile manufacturing	-	-	-	-	55.00	55.00	Myanmar
DAYTEK ELECTRONICS CORP.	Trading business	-	-	-	-	100.00	100.00	Canada
Daewoo (M) SDN. BHD.	Trading business	-	100.00	100.00	-	100.00	100.00	Malaysia
Daewoo CANADA LTD.	Trading business	-	100.00	100.00	-	100.00	100.00	Canada
Daewoo EL SALVADOR S.A. DE C.V.	Trading business	-	88.00	88.00	-	88.00	88.00	El Salvador
GEZIRA TANNERY CO., LTD.	Leather manufacturing	-	60.00	60.00	-	60.00	60.00	Sudan

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

		Ownership (%)						Region
		2012			2011			
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
[Foreign]	Principal operations							
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.	Steel manufacturing	-	100.00	100.00	-	100.00	100.00	China
Daewoo International Corporation (M) SDN BHD	Trading business	-	100.00	100.00	-	100.00	100.00	Malaysia
Daewoo International SHANGHAI CO., LTD.	Trading business	-	100.00	100.00	-	100.00	100.00	China
PGSF, LLC	Bio tech industry	-	100.00	100.00	-	100.00	100.00	USA
Xenesys Inc.	Power generation equipment manufacturing	29.58	21.35	50.93	29.58	21.36	50.94	Japan
Daewoo International INDIA Private Ltd.	Trading business	-	100.00	100.00	-	100.00	100.00	India
TECHREN Solar, LLC	Electrical industry	-	99.92	99.92	-	99.97	99.97	USA
PT. POSCO E&C Indonesia	Construction	-	100.00	100.00	-	100.00	100.00	Indonesia
Hume Coal Pty. Ltd.	Raw material manufacturing	-	70.00	70.00	-	70.00	70.00	Australia
Daewoo HANDELS GmbH	Trading business	-	100.00	100.00	-	100.00	100.00	Germany
POSCO Foundation	Non-profit charitable organization	-	100.00	100.00	-	100.00	100.00	India
EPC EQUITIES LLP	Construction	-	70.00	70.00	-	70.00	70.00	England
SANTOS CMI Construction Trading LLP	Construction	-	99.90	99.90	-	99.90	99.90	England
SANTOS CMI INC. USA	Construction	-	100.00	100.00	-	100.00	100.00	USA
SANTOS CMI ENGENHARIA E CONSTRUÇOES LTDA	Construction	-	99.98	99.98	-	99.98	99.98	Brazil
SANTOS CMI PERU S.A.	Construction	-	99.99	99.99	-	99.99	99.99	Peru
SANTOS CMI COSTA RICA S.A.	Construction	-	100.00	100.00	-	100.00	100.00	Costa Rica
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)	Construction	-	100.00	100.00	-	100.00	100.00	Uruguay
GENTECH International INC.	Construction	-	90.00	90.00	-	90.00	90.00	Panama
EPC INVESTMENTS C.V.	Construction	-	99.99	99.99	-	99.99	99.99	Netherlands
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.	Construction	-	99.90	99.90	-	99.90	99.90	Ecuador
ASESORIA Y SERVICIOS EPC S.A CHILE	Construction	-	99.00	99.00	-	99.00	99.00	Chile
SANTOS CMI S.A.	Construction	-	70.00	70.00	-	70.00	70.00	Ecuador
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	Construction	-	99.00	99.00	-	99.00	99.00	Chile
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)	Construction	-	99.00	99.00	-	99.00	99.00	Mexico
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.	Construction	-	90.00	90.00	-	90.00	90.00	Ecuador
VAUTIDAMERICAS S.A.	Construction	-	51.00	51.00	-	51.00	51.00	Ecuador
SANTOS CMI Construccions Argentina S.A.	Construction	-	95.00	95.00	-	95.00	95.00	Argentina
POSCO E&C Brazil Ltd	Construction	-	100.00	100.00	-	100.00	100.00	Brazil
POSCO Electrical Steel India Private Limited	Electrical steel manufacturing	100.00	-	100.00	100.00	-	100.00	India
Daewoo International Cameroon PLC	Resource development	-	100.00	100.00	-	100.00	100.00	Cameroon
POSCO ASSAN TST STEEL Industry	Resource development	60.00	10.00	70.00	60.00	10.00	70.00	Turkey
HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	Investment	-	100.00	100.00	-	100.00	100.00	Hong Kong
POSCO Klappen Coal Ltd.	Coal sales	-	100.00	100.00	-	100.00	100.00	Canada
DAESAN (Cambodia) Co., Ltd.	Investment	-	100.00	100.00	-	100.00	100.00	Cambodia
Brazil Sao Paulo Steel Processing Center Co., Ltd	Steel manufacturing	-	76.00	76.00	-	76.00	76.00	Brazil
POSCO(Dalian) IT Center Development Co., Ltd.	Investment	-	100.00	100.00	-	100.00	100.00	China
PT.POSCO Resources Indonesia	Mine development	100.00	-	100.00	100.00	-	100.00	Indonesia
PT. POSCO ICT Indonesia	IT service and electric control engineering	-	66.99	66.99	-	100.00	100.00	Indonesia
PT. POSCO M-Tech Indonesia	Steel manufacturing	-	60.00	60.00	-	100.00	100.00	Indonesia
PT. KRAKATAU POSCOPOWER	Manufacturing & management	-	90.00	90.00	-	70.00	70.00	Indonesia
POSCO RUS LLC.	Trading business	90.00	10.00	100.00	90.00	10.00	100.00	Russia
POSCO-Thainox Public Company Limited	Steel manufacturing	84.93	-	84.93	94.93	-	94.93	Thailand
Daewoo International Shanghai Waigaoqiao Co., Ltd.	Merchandising trade	-	100.00	100.00	-	100.00	100.00	China
PT. Bio Inti Agrindo	Forest resources development	-	85.00	85.00	-	85.00	85.00	Indonesia
POSCO E&C Australia Pty Ltd.	Iron ore sales	-	100.00	100.00	-	100.00	100.00	Australia
POSCO-TISCO (Jilin) Processing Center Co., Ltd.	Steel manufacturing	50.00	10.00	60.00	73.53	14.71	88.24	China
Hunchun POSCO Logistics Co., Ltd.	Logistics	-	78.15	78.15	-	80.00	80.00	China
USA SRDC Corporation	Scrap sale	-	100.00	100.00	-	100.00	100.00	USA
Daewoo International Vietnam Co., Ltd.	Trading business	-	100.00	100.00	-	100.00	100.00	Vietnam
PT. Krakatau POSCO Chemtech Cakination	Manufacturing and selling	-	80.00	80.00	-	-	-	Indonesia
POSCO-Africa	Trading business	100.00	-	100.00	-	-	-	South Africa
E.P.C INGENIERIA & SERVICIOS DE COSTA RICA S. A.	Construction and engineering service	-	100.00	100.00	-	-	-	Costa Rica
POSCO ICT BRASIL PARTICIPACOES	IT service and engineering	-	100.00	100.00	-	-	-	Brazil
LA-SCRAP RECYCLING DISTRIBUTION CENTER, LLC.	Scrap manufacturing	-	68.41	68.41	-	-	-	USA
EEC, GmbH	Construction and engineering service	-	-	-	-	-	-	Germany
Posco Center Beijing	Real estate development, rental and management	-	99.00	99.00	-	-	-	China

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

		Ownership (%)						Region
		2012			2011			
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
Principal operations								
POSCO AMERICA COMERCIALIZADORA S DE RL DE C.V.	Steel sale	-	100.00	100.00	-	-	-	Mexico
POSCO AMERICA PRODUCTOS, OFERTAS, SISTEMAS Y COMERCIALIZADORA ORIENTAL S DE RL DE C.V.	Human-resource service	-	100.00	100.00	-	-	-	Mexico
Guangdong Pohang Car Steel Co., Ltd.	Steel manufacturing and selling	93.64	10.00	93.64	-	-	-	China
POSCO Mexico Aguascalientes Processing Center Co., Ltd.	Steel manufacturing and selling	90.00	20.00	100.00	-	-	-	Mexico

(*1) Included as a subsidiary from 2011 as the Company has the power over more than half of the voting rights by virtue of an agreement with Postech, which has a 4.72% ownership interest.

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

Changes in equity recognized as a result of changes in the Company's ownership interests in subsidiaries that did not result in a loss of control (2012 : POSCO Specialty Steel Co., Ltd., POSCO ENERGY Co., Ltd., POSCO-Thainox Public Company Limited, etc., 2011 : POSCO ENGINEERING CO., LTD, Guangdong Pohang Coated Steel Co., Ltd., POSCO VST Co., Ltd., etc.) were ₩ 41,924 million and ₩ 20,695 million for the years ended December 31, 2012 and 2011, respectively.

As of December 31, 2012, there are no restrictions on the ability of subsidiaries to transfer funds to the controlling company, such as in the form of cash dividends, repayment of loans or payment of advances.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(c) Summarized financial information of subsidiaries as of December 31, 2012 and 2011 are as follows:

1) December 31, 2012

(in millions of Won)

Company		Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Domestic]						
POSCO E&C Co., Ltd.	W	7,893,306	5,007,149	2,886,157	7,041,300	346,107
POSCO P&S Co., Ltd.		1,084,473	456,338	628,135	2,770,764	8,087
POSCO Coated & Color Steel Co., Ltd.		468,910	294,718	174,192	853,499	(47,444)
POSCO Plant Engineering Co., Ltd.		255,831	162,662	93,169	523,227	2,121
POSCO ICT Co., Ltd.		802,675	527,641	275,034	1,017,662	40,089
POSCO Research Institute		34,138	9,239	24,899	46,340	535
Seoung Gwang Co., Ltd.		83,439	33,998	49,441	12,667	685
POSCO Architects & Consultants Co., Ltd.		87,019	40,382	46,637	160,667	(6,227)
POSCO Specialty Steel Co., Ltd.		1,496,939	484,585	1,012,354	1,405,667	69,091
POSTECH Venture Capital Corp.		107,796	501	107,295	6,475	1,438
eNioB Co., Ltd.		103,000	71,712	31,288	607,230	1,839
POSCO Chemtec Company Ltd.		533,402	134,298	399,104	1,292,356	78,554
POSCO Terminal Co., Ltd.		120,483	14,806	105,677	111,275	25,796
POSCO M-TECH Co., Ltd. (*1)		340,877	169,150	171,727	618,316	14,737
POSCO ENERGY Co., Ltd.		3,315,742	2,374,622	941,120	2,805,208	177,796
Postech 2006 Energy Fund		26,000	950	25,050	6,141	385
POSCO TMC Co., Ltd. (*2)		253,987	163,175	90,812	268,574	152
PNR Co., Ltd.		149,117	104,272	44,845	72,607	13,380
Megaasset Co., Ltd.		112,729	64,252	48,477	14,274	1,402
POSCO Engineering Company		562,645	383,154	179,491	881,279	1,141
Pohang SPFC Co., Ltd.		29,514	22,941	6,573	75,513	816
POSWITH Co., Ltd.		5,140	2,366	2,774	14,873	105
POSCO AST Co., Ltd.		453,410	298,192	155,218	372,185	4,564
POS-HiMETAL Co., Ltd.		341,640	321,197	20,443	155,274	(19,369)
POSCO E&E Co., Ltd.		22,787	52	22,735	-	407
POSFINE Co., Ltd.		58,480	46,640	11,840	19,651	(2,304)
POS ECO HOUSING Co., Ltd.		8,274	1,822	6,452	14,513	108
Mapo high broad parking Co., Ltd.		1,561	281	1,280	-	(285)
Dakos Co., Ltd.		670	191	479	245	16
Kwang Yang SPFC Co., Ltd.		85,814	76,909	8,905	39,472	(6,539)
POSCALCIUM Company, Ltd.		7,637	6,528	1,109	155	(1,790)
Plant Engineering service Technology Co., Ltd.		3,620	1,316	2,304	8,332	477
9Digit Co., Ltd.		27,458	22,798	4,660	289,912	(431)
Postech Early Stage Fund		9,869	-	9,869	163	(100)
Busan E&E Co., Ltd.		79,054	37,470	41,584	67,419	(745)
POSCO Family Strategy Funds		66,390	-	66,390	1,368	362
POREKA Co., Ltd.		16,785	12,967	3,818	40,560	1,389
Daewoo International Corporation		6,989,140	4,866,242	2,122,898	17,011,373	306,041
POSCOLED Co., Ltd.		37,735	23,523	14,212	41,278	(8,205)
Gunsan SPFC Co., Ltd.		61,683	41,606	20,077	70,443	(692)
Pohang Scrap Recycling Center Co., Ltd.		19,435	3,207	16,228	5,657	1,270

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(in millions of Won)

Company		Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Domestic]						
PSC energy global Co., Ltd.	₩	61,168	-	61,168	-	(3,060)
Suncheon Ecotrans Co., Ltd.		49,496	27,118	22,378	-	(251)
Reco Metal Co., Ltd.		32,959	35,547	(2,588)	42,482	(4,736)
NewAltec Co., Ltd.		126,527	28,488	98,039	95,474	1,376
PONU Tech Co., Ltd.		133,854	97,105	36,749	53,662	(5,825)
BLUE O&M Co., Ltd.		900	21	879	232	(110)
Tamra Offshore Wind Power Co., Ltd.		20,074	2	20,072	-	(56)
POS-HIAL		47,314	32,852	14,462	-	(1,158)
MCM Korea		50	-	50	-	-
Tancheon E&E		5,606	17	5,589	-	(165)
[Foreign]						
POSCO America Corporation		510,392	333,246	177,146	803,368	(1,338)
POSCO Australia Pty. Ltd.		1,195,398	477,894	717,504	118,874	23,634
POSCO Canada Ltd.		555,972	47,925	508,047	205,885	62,584
POSCO Asia Co., Ltd.		586,971	550,913	36,058	2,616,390	2,148
Dalian POSCO Steel Co., Ltd.		29,078	47,280	(18,202)	18,615	(9,958)
POSCO-CTPC Co., Ltd.		82,206	50,391	31,815	132,510	1,481
POSCO-JKPC Co., Ltd.		79,788	61,793	17,995	115,531	3,108
International Business						
Center Corporation		81,465	46,210	35,255	25,340	10,987
POSCO E&C Vietnam Co., Ltd.		127,161	102,831	24,330	187,325	14,331
Zhangjiagang Pohang Stainless Steel Co., Ltd.		1,340,336	867,576	472,760	2,786,474	(79,016)
Guangdong Pohang Coated Steel Co., Ltd.		141,727	102,418	39,309	221,738	(20,980)
POSCO (Thailand) Company Ltd.		155,836	110,059	45,777	255,611	5,611
Myanmar POSCO Steel Co., Ltd.		23,699	7,810	15,889	19,484	2,569
POSCO-JOPC Co., Ltd.		78,402	73,817	4,585	114,432	647
POSCO Investment Co., Ltd.		718,078	621,268	96,810	13,461	6,000
POSCO-MKPC SDN BHD.		159,191	111,749	47,442	232,088	107
Qingdao Pohang Stainless Steel Co., Ltd.		206,941	117,753	89,188	514,354	(17,445)
POSCO (Suzhou) Automotive						
Processing Center Co., Ltd.		284,046	195,684	88,362	407,513	8,425
POSCO BioVentures L.P.		7,571	-	7,571	-	(1,301)
PT. POSNESIA		14,978	1,926	13,052	-	(55)
POSCO E&C - Hawaii Inc.		350	2	348	-	(35)
POS-Qingdao Coil Center Co., Ltd.		47,351	33,119	14,232	111,017	(623)
POS-Ore Pty. Ltd.		59,784	11,043	48,741	163,407	75,389
POSCO-China Holding Corp.		438,538	184,127	254,411	138,067	3,055
POSCO-Japan Co., Ltd.		852,406	735,583	116,823	1,659,045	16,218
POS-CD Pty. Ltd.		68,681	17,931	50,750	12,869	(9,603)
POS-GC Pty. Ltd.		83,998	49,598	34,400	20,160	(10,905)
POSCO-India Private Ltd.		131,409	306	131,103	-	(768)
POSCO-India Pune Steel						
Processing Centre Pvt. Ltd.		179,112	164,386	14,726	252,296	(6,061)
POSCO-JEPC Co., Ltd.						
(formerly, POSCO-JNPC Co., Ltd.)		221,086	200,769	20,317	351,377	4,769
POSCO-Foshan Steel Processing						
Center Co., Ltd.		218,881	177,426	41,455	515,773	727
POSCO E&C (China) Co., Ltd.		145,448	101,733	43,715	169,956	8,459
POSCO MPC S.A. de C.V.		204,770	178,108	26,662	359,768	(7,137)
Zhangjiagang Pohang Port Co., Ltd.		23,889	9,070	14,819	6,542	255
Qingdao Pujin Steel Material Co., Ltd.		10,429	9,628	801	59,165	(1,313)
POSCO-Vietnam Co., Ltd.		572,453	539,426	33,027	805,214	(46,619)
POSCO-Mexico Co., Ltd.		772,518	538,907	233,611	430,986	(12,354)
POSCO-India Delhi Steel						
Processing Centre Pvt. Ltd.		100,153	81,218	18,935	142,038	977
POSCO-Poland Wroclaw Steel						
Processing Center Co., Ltd.		56,394	37,399	18,995	97,381	5,875

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(in millions of Won)

Company		Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Foreign]						
POS-NP Pty. Ltd.	₩	62,868	26,259	36,609	28,872	(4,363)
POSCO-Vietnam Processing Center Co., Ltd.		64,551	39,418	25,133	137,641	58
POSCO (Chongqing) Automotive Processing Center Co., Ltd.		63,038	54,523	8,515	93,615	(729)
Suzhou POS-CORE Technology Co., Ltd.		52,746	29,180	23,566	83,910	(1,055)
POSCO-Malaysia SDN. BHD.		74,431	96,028	(21,597)	153,122	1,529
POS-Minerals Corporation		213,365	108,246	105,119	-	(496)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.		62,067	39,958	22,109	86,998	(363)
POSCO E&C India Private Ltd.		33,536	26,578	6,958	56,037	2,990
POSCO E&C SMART		12,607	10,693	1,914	41,717	1,326
POSCO-Philippine Manila Processing Center Inc.		23,737	14,091	9,646	35,897	673
POS-GSFC LLC		41,150	33,676	7,474	24,891	(3,297)
Dalian POSCON Dongbang Automatic Co., Ltd.		6,358	1,418	4,940	5,109	270
SANPU TRADING CO., LTD.		1,753	2	1,751	86	21
Zhangjiagang BLZ Pohang International Trading Co., Ltd.		9,150	4,408	4,742	61,529	192
POSCO Mexico Human Tech.		693	708	(15)	6,777	(148)
POSCO Mexico East Steel Distribution Center Co., Ltd.		12,860	717	12,143	5,654	287
POSCO ICT-China		1,922	1,286	636	6,528	227
DWEMEX S.A.DE C.V.		211	19	192	-	29
POS MPC Servicios de C.V.		925	697	228	6,077	62
POSCO-URUGUAY S.A.		24,835	226	24,609	3	(1,842)
POSCO South East Asia Pte. Ltd.		9,571	7,126	2,445	90,158	556
Europe Steel Distribution Center		7,270	1,460	5,810	13,054	399
VECTUS Ltd.		2,859	12,164	(9,305)	3,365	(7,325)
POSCO VST Co., Ltd.		405,882	353,058	52,824	348,339	(30,977)
POSCO Maharashtra Steel Pvt. Ltd.		942,982	754,791	188,191	97,948	(41,512)
POSCO India Chennai Steel Processing Centre Pvt. Ltd.		129,030	119,375	9,655	187,797	1,453
POSCO Turkey Nilufer Processing Center Co., Ltd.		51,139	40,429	10,710	53,246	1,841
POSCO Vietnam Ha Noi Processing Center Co., Ltd.		46,382	40,764	5,618	72,321	(1,232)
POSCO (Liaoning) Automotive Processing Center Co., Ltd.		71,502	48,643	22,859	114,046	1,143
POSCO-Indonesia Jakarta Processing Center		79,711	57,569	22,142	76,506	(1,402)
POSCO E&C Venezuela C.A		128	-	128	-	-
PT. MRI		8,148	15,508	(7,360)	1,109	(1,603)
POSCORE-INDIA		9,004	6,823	2,181	17,192	(45)
POSCO America Alabama Processing Center Co., Ltd.		49,178	37,475	11,703	109,454	(397)
PT DEC Indonesia		6,960	6,936	24	15,296	(101)
POSCO (Yantai) Automotive Processing Center Co., Ltd.		35,773	20,063	15,710	57,464	442
POSCO India Steel Distribution Center Private Ltd.		4,759	2,698	2,061	57	(72)
POSCO China Dalian Plate Processing Center Co., Ltd.		86,264	55,531	30,733	37,501	(7,020)
POSCO-South Asia Co., Ltd.		13,212	183	13,029	8,354	72
POSCO SS-VINA Co., LTD		156,811	4,050	152,761	-	(2,602)
POSCO WA Pty. Ltd.		235,224	51	235,173	-	(39,181)
POSCO E&C - UZ		8,589	7,968	621	1,076	334
POSCO Australia GP Limited		62,768	4	62,764	-	(67,392)
Daewoo International America Corp.		332,620	288,716	43,904	1,040,183	4,767
Daewoo International Deutschland GmbH		104,259	94,087	10,172	324,061	739

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(in millions of Won)

Company		Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Foreign]						
Daewoo International Japan Corp.	W	236,056	228,631	7,425	749,714	273
Daewoo International Singapore Pte. Ltd.		80,294	75,966	4,328	708,613	13
Daewoo Italia S.r.l.		103,710	99,911	3,799	262,784	383
Daewoo (China) Co., Ltd.		56,225	9,614	46,611	118,971	683
Daewoo Textile Fergana LLC		86,781	65,730	21,051	127,432	9,214
Daewoo Textile Bukhara LLC		54,780	40,581	14,199	44,382	2,615
Daewoo International Australia Holdings Pty. Ltd.		154,829	26,482	128,347	7,539	(3,464)
Daewoo Paper Manufacturing Co., Ltd.		70,572	70,339	233	69,880	(4,132)
Tianjin Daewoo. Paper Co., Ltd		13,739	31,105	(17,366)	-	-
POSCO Mauritius Ltd.		23,316	2	23,314	-	(15)
PT. KRAKATAU STEEL POSCO		1,912,134	969,415	942,719	-	(29,063)
MYANMAR Daewoo LTD.		5,671	3	5,668	1,305	473
Daewoo International MEXICO S.A. de C.V.		80,432	75,226	5,206	262,230	1,412
Daewoo International Guangzhou Corp.		18,292	14,120	4,172	66,808	(4,854)
Daewoo STC & Apparel Vietnam Ltd.		1,736	89	1,647	1,856	96
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.		114,433	102,240	12,193	265,850	519
Daewoo International Corporation (M) SDN BHD		9,145	6,689	2,456	37,244	213
Daewoo International SHANGHAI CO., LTD.		38,374	30,621	7,753	63,039	(2,746)
PGSF, LLC		5,669	2	5,667	-	731
Xenesys Inc.		10,162	1,404	8,758	4,302	(1,083)
Daewoo International INDIA Private Ltd.		2,279	272	2,007	2,382	223
TECHREN Solar, LLC		6,015	-	6,015	-	(2,486)
PT. POSCO E&C Indonesia		100,543	78,852	21,691	247,331	20,302
Hume Coal Pty. Ltd.		36,681	1,194	35,487	48	(210)
POSCO Foundation		187	2	185	-	(4)
EPC EQUITIES LLP		36,602	36,636	(34)	-	(141)
SANTOS CMI Construction Trading LLP		39,148	30,527	8,621	15,299	8,963
SANTOS CMI INC. USA		43,496	47,350	(3,854)	60,152	(5,013)
SANTOS CMI ENGENHARIA E CONSTRUCOES LTDA		9,338	17,629	(8,291)	20,029	(17,431)
SANTOS CMI PERU S.A.		19,937	39,932	(19,995)	69,415	(26,391)
SANTOS CMI COSTA RICA S.A.		10,720	10,469	251	-	(99)
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)		18	7	11	-	(25)
GENTECH International INC.		1,972	1,568	404	1,008	227
EPC INVESTMENTS C.V.		107	24	83	-	(8)
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.		103	4	99	-	(6)
ASESORIA Y SERVICIOS EPC S.A CHILE		891	468	423	1,691	250
SANTOS CMI S.A.		58,219	44,584	13,635	46,738	1,737
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.		9,533	3,608	5,925	1,608	178
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)		84	149	(65)	335	(158)
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.		8,648	6,018	2,630	16,926	465

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(in millions of Won)

Company		Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Foreign]						
VAUTIDAMERICAS S.A.	W	4,866	2,217	2,649	1,445	(451)
SANTOS CMI Constructions Argentina S.A.		58	24	34	-	4
POSCO E&C Brazil Ltd.		343,882	322,576	21,306	59,862	11,470
POSCO Electrical Steel India Private Limited		132,529	94,046	38,483	-	(1,343)
Daewoo International Cameroon PLC		2,064	25	2,039	-	-
POSCO ASSAN TST STEEL Industry		377,066	230,778	146,288	-	1,072
HONG KONG POSCO E&C						
(CHINA) Investment Co., Ltd.		147,685	172,085	(24,400)	-	(21,103)
DAESAN (Cambodia) Co., Ltd.		27,979	33,111	(5,132)	-	(18)
Brazil Sao Paulo Steel Processing						
Center Co., Ltd		39,794	23,210	16,584	4,863	(1,634)
POSCO(Dalian) IT Center						
Development Co., Ltd.		176,026	37,908	138,118	-	(4,691)
PT.POSCO Resources Indonesia		2,448	48	2,400	-	(1,147)
PT. POSCO ICT Indonesia		3,624	3,185	439	4,335	(324)
PT. POSCO M-Tech Indonesia		11,577	6,620	4,957	9,631	(34)
PT. KRAKATAU POSCOPOWER		143,452	55,475	87,977	-	(949)
POSCO RUS LLC.		12,384	8,324	4,060	4,260	505
POSCO Thainox Co., Ltd.		473,048	153,836	319,212	502,041	(5,532)
Daewoo International Shanghai						
Waigaoqiao Co., Ltd.		11,003	10,241	762	161,675	255
PT. Bio Inti Agrindo		35,514	21,447	14,067	404	828
POSCO E&C Australia Pty Ltd.		35,552	34,986	566	52,143	836
POSCO-TISCO (Jilin) Processing						
Center Co., Ltd.		26,258	9,203	17,055	1,497	(514)
Hunchun POSCO Logistics Co., Ltd.		46,923	8	46,915	-	(829)
USA SRDC Corporation		311	21	290	-	-
Daewoo International Vietnam Co., Ltd.		4,453	149	4,304	2,096	14
PT. Krakatau POSCO Chemtech						
Calcination		23,217	1,279	21,938	-	(722)
Posco Africa		3,580	112	3,468	-	(1,509)
DE		1,497	1,553	(56)	1,973	(73)
POSCO ICT BRASIL						
PARTICIPACOES LTDA		1,983	1,471	512	-	(336)
LA-SCRAP RECYCLING						
DISTRIBUTION		1,274	758	516	5,128	62
Posco Center Beijing		267,838	97,208	170,630	-	(1,233)
POSCO AMERICA						
COMERCIALIZADORA S		177	175	2	168	2
POSCO AMERICA PRODUCTOS,						
OFERTAS, SISTEMAS Y						
COMERCIALIZADORA						
ORIENTAL S DE RL DE C.V.		309	649	(340)	339	(408)
Guangdong Pohang Car Steel Co., Ltd.		351,910	203,033	148,877	1,061	(9,197)
POSCO Mexico Aguascalientes						
Processing Center Co., Ltd.		6,427	-	6,427	-	-

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

2) December 31, 2011

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Domestic]					
POSCO E&C Co., Ltd.	₩ 6,819,542	4,260,627	2,558,915	6,142,026	109,921
POSCO P&S Co., Ltd.	1,017,070	472,175	544,895	3,141,999	19,234
POSCO Coated & Color Steel Co., Ltd.	521,471	297,947	223,524	956,179	(24,713)
POSCO Plant Engineering Co., Ltd.	208,084	117,629	90,455	597,508	6,758
POSCO ICT Co., Ltd.	687,657	446,640	241,017	983,649	30,578
POSCO Research Institute	29,320	6,304	23,016	30,844	216
Seoung Gwang Co., Ltd.	82,671	34,868	47,803	14,652	2,522
POSCO Architects & Consultants Co., Ltd.	93,268	40,458	52,810	196,794	7,236
POSCO Specialty Steel Co., Ltd.	1,582,832	691,581	891,251	1,662,896	127,573
POSTECH Venture Capital Corp.	34,222	1,094	33,128	-	1,041
eNtoB Co., Ltd.	99,382	69,607	29,775	634,830	1,249
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	479,615	152,416	327,199	1,186,623	92,391
POSCO Terminal Co., Ltd.	96,806	15,145	81,661	100,710	22,955
POSCO M-TECH Co., Ltd.	316,953	153,876	163,077	602,155	12,447
POSCO ENERGY Co., Ltd.	2,891,382	2,327,398	563,984	1,863,670	25,152
Postech 2006 Energy Fund	21,662	1,042	20,620	-	(202)
PHP Co., Ltd.	66,461	58,521	7,940	4,456	483
POSCO TMC Co., Ltd.	204,738	113,595	91,143	219,580	5,746
PNR Co., Ltd.	159,076	129,198	29,878	74,013	13,366
Megaasset Co., Ltd.	23,757	9,354	14,403	63,667	5,794
POSCO Engineering Company (formerly Daewoo Engineering Company)	508,290	341,946	166,344	980,340	3,225
Pohang Fuel Cell Co. Ltd.	12,061	8,592	3,469	2,235	(286)
Pohang SPFC Co., Ltd.	10,021	4,221	5,800	38,117	1,170
POSWITH Co., Ltd.	5,129	2,460	2,669	13,745	151
BASYS INDUSTRY Co., Ltd.	967	266	701	2,500	369
POSTECH BD Newundertaking fund	90	-	90	-	(1)
POSBRO Co., Ltd.	126	-	126	-	(54)
POSCO AST Co., Ltd.	316,695	163,548	153,147	365,682	4,972
DaiMyung TMS Co., Ltd.	28,350	52,497	(24,147)	6,265	(3,695)
POS-HMETAL Co., Ltd.	309,369	268,788	40,581	34,682	(28,857)
POSCO E&E Co., Ltd.	22,435	127	22,308	-	508
POMIC Co., Ltd.	4,411	2,431	1,980	21,111	317
POSFINE Co., Ltd.	62,775	48,146	14,629	2,285	(3,847)
POS ECO HOUSING Co., Ltd.	8,190	1,846	6,344	13,629	265
Mapo high broad parking Co., Ltd.	1,676	110	1,566	-	(355)
Dakos Co., Ltd.	783	321	462	225	(58)
Kwang Yang SPFC Co., Ltd.	68,279	52,806	15,473	4,686	(2,156)
POSCALCIUM Company, Ltd.	8,403	7,004	1,399	106	(1,353)
Plant Engineering service Technology Co., Ltd.	2,327	500	1,827	6,259	354
9Digit Co., Ltd.	33,820	27,091	6,729	58,341	(308)
Postech Early Stage Fund	10,034	65	9,969	-	(31)
Busan E&E Co., Ltd.	44,731	1,687	43,044	-	127
POSCO Family Strategy Funds	57,678	250	57,428	-	290
POREKA Co., Ltd.	15,131	12,880	2,251	20,785	1,158
Songdo SE Co., Ltd.	1,652	282	1,370	2,761	77
Posgreen Co., Ltd.	8,225	4,280	3,945	2,944	(33)
Daewoo International Corporation	7,823,738	6,302,994	1,520,744	18,758,511	160,088
POSCOLED Co., Ltd.	28,717	5,917	22,800	14,063	(5,355)
Gunsan SPFC Co., Ltd.	51,483	30,673	20,810	53,797	(236)
POSCO NST Co., Ltd.	158,470	121,493	36,977	202,334	(803)
Pohang Scrap Recycling Center Co., Ltd.	17,842	2,863	14,979	1,748	143

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(in millions of Won)

Company	Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Domestic]					
PSC energy global Co., Ltd.	₩ 38,780	-	38,780	-	(1,595)
Suncheon Ecotrans Co., Ltd.	25,526	2,878	22,648	-	48
Shinan Energy Co., Ltd.	8,494	-	8,494	-	(56)
Reco Metal Co., Ltd.	15,043	13,280	1,763	6,761	(2,658)
NewAltec Co., Ltd.	114,744	17,171	97,573	92,849	638
PONUtech Co., Ltd.	9,919	182	9,737	-	(263)
BLUE O&M Co., Ltd.	988	-	988	-	(12)
[Foreign]					
POSCO America Corporation	416,078	223,968	192,110	419,258	8,866
POSCO Australia Pty. Ltd.	1,161,366	462,383	698,983	136,144	283,875
POSCO Canada Ltd.	565,424	82,867	482,557	304,274	133,660
POSCAN Elkveiv Coal Ltd.	-	-	-	-	-
POSCO Asia Co., Ltd.	540,685	504,059	36,626	2,968,097	6,523
Dalian POSCO Steel Co., Ltd.	49,104	58,254	(9,150)	90,990	(8,711)
POSCO-CTPC Co., Ltd.	84,966	52,546	32,420	134,930	1,320
POSCO-JKPC Co., Ltd.	93,668	75,512	18,156	87,203	1,405
International Business					
Center Corporation	90,577	51,831	38,746	25,889	11,655
POSCO E&C Vietnam Co., Ltd.	77,583	77,679	(96)	114,350	6,670
Zhangjiagang Pohang Stainless Steel Co., Ltd.	1,569,551	986,798	582,753	2,808,722	4,444
Guangdong Pohang Coated Steel Co., Ltd.	394,452	163,785	230,667	275,521	(7,849)
POSCO (Thailand) Company Ltd.	140,260	98,044	42,216	231,144	1,227
Myanmar POSCO Steel Co., Ltd.	27,519	9,580	17,939	30,967	5,885
POSCO-JOPC Co., Ltd.	80,896	76,118	4,778	92,296	768
POSCO Investment Co., Ltd.	787,069	688,482	98,587	10,792	10,509
POSCO-MKPC SDN BHD.	165,789	116,928	48,861	177,822	1,763
Qingdao Pohang Stainless Steel Co., Ltd.	268,411	155,877	112,534	615,532	(3,110)
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	305,690	220,468	85,222	384,705	11,046
POSCO BioVentures L.P.	16,851	-	16,851	-	(4,226)
PT. POSNESIA	14,129	20	14,109	-	(28)
POSCO E&C - Hawaii Inc.	914	503	411	-	(304)
POS-Qingdao Coil Center Co., Ltd.	56,062	40,314	15,748	117,470	65
POS-Ore Pty. Ltd.	75,312	66,851	8,461	250,347	132,737
POSCO-China Holding Corp.	427,447	160,423	267,024	173,639	3,617
POSCO-Japan Co., Ltd.	1,157,755	1,017,990	139,765	1,686,385	13,518
POS-CD Pty. Ltd.	72,582	68,030	4,552	22,575	557
POS-GC Pty. Ltd.	79,517	32,397	47,120	10,263	(4,344)
POSCO-India Private Ltd.	147,359	421	146,938	-	(1,034)
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	168,309	145,655	22,654	211,417	(16,626)
POSCO-JNPC Co., Ltd.	192,177	176,268	15,909	207,654	716
POSCO-Foshan Steel Processing Center Co., Ltd.	178,488	135,213	43,275	529,788	227
POSCO E&C (China) Co., Ltd.	120,135	82,361	37,774	104,055	1,898
POSCO MPC S.A. de C.V.	192,538	182,180	10,358	316,446	(6,587)
Zhangjiagang Pohang Port Co., Ltd.	26,801	11,327	15,474	6,244	222
Qingdao Pujin Steel Material Co., Ltd.	14,209	11,997	2,212	79,732	13
POSCO-Vietnam Co., Ltd.	659,931	576,657	83,274	962,490	(46,976)
POSCO-Mexico Co., Ltd.	488,782	422,155	66,627	396,897	(43,298)
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	85,349	75,582	9,767	129,434	(9,824)
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	62,709	49,981	12,728	71,871	(1,483)

POSCO and Subsidiaries **Notes to the Consolidated Financial Statements, Continued** **As of December 31, 2012**

(in millions of Won)

Company		Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Foreign]						
POS-NP Pty. Ltd.	W	57,890	15,003	42,887	48,404	9,480
POSCO-Vietnam Processing Center Co., Ltd.		71,203	50,417	20,786	159,369	26
POSCO (Chongqing) Automotive Processing Center Co., Ltd.		69,253	59,468	9,785	62,795	(1,622)
Suzhou POS-CORE Technology Co., Ltd.		60,082	33,980	26,102	96,008	781
POSCO-JYPC Co., Ltd.		67,587	64,165	3,422	102,700	781
POSCO-Malaysia SDN. BHD.		88,635	112,566	(23,931)	140,709	(4,114)
POS-Minerals Corporation		113,694	-	113,694	-	(808)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.		69,613	45,766	23,847	92,554	618
POSCO E&C India Private Ltd.		35,982	31,304	4,678	4,966	1,135
POSCO E&C SMART		4,670	4,034	636	4,421	135
POSCO-Philippine Manila Processing Center Inc.		27,412	17,492	9,920	45,680	266
Dalian POSCON Dongbang Automatic Co., Ltd.		8,083	2,996	5,087	5,104	382
SANPU TRADING CO., LTD.		1,842	5	1,837	73	3
Zhangjiagang BLZ Pohang International Trading Co., Ltd.		15,720	10,881	4,839	100,833	116
POSCO Mexico Human Tech.		787	481	306	5,378	221
POSCO Mexico East Steel Distribution Center Co., Ltd.		13,186	1,353	11,833	5,638	110
POSCO Gulf Logistics LLC.		-	-	-	-	-
POSCO ICT-China		1,737	1,294	443	4,920	114
DWEMEX S.A. DE C.V.		226	62	164	2	(29)
POS MPC Servicios de C.V.		667	458	209	4,902	90
EUROTALY S.A.		16,733	127	16,606	24	(898)
POSCO South East Asia Pte. Ltd.		5,232	2,633	2,599	62,235	256
Europe Steel Distribution Center		6,775	991	5,784	13,354	322
VECTUS Ltd.		3,066	5,126	(2,060)	3,560	(1,530)
Zeus(Cayman)		-	-	-	-	-
POSCO VST Co., Ltd.		356,484	268,005	88,479	264,616	(10,669)
POSCO Maharashtra Steel Pvt. Ltd.		372,434	149,442	222,992	44	2,036
POSCO India Chennai Steel Processing Centre Pvt. Ltd.		89,782	80,514	9,268	134,409	(3,232)
POSCO Turkey Nilufer Processing Center Co., Ltd.		49,588	40,578	9,010	38,729	(3,971)
POSCO Vietnam Ha Noi Processing Center Co., Ltd.		47,931	40,500	7,431	55,239	902
POSCO (Liaoning) Automotive Processing Center Co., Ltd.		84,315	61,131	23,184	117,395	3,267
POSCO-Indonesia Jakarta Processing Center		62,550	55,069	7,481	64,597	216
POSCO E&C Venezuela C.A		138	-	138	-	-
PT. MRI		12,251	17,626	(5,375)	458	(3,854)
POSCORE-INDIA		10,917	8,446	2,471	15,186	(48)
POSCO America Alabama Processing Center Co., Ltd.		63,014	50,007	13,007	85,381	(858)
PT DEC Indonesia		4,577	4,752	(175)	13,962	(267)
POSCO (Yantai) Automotive Processing Center Co., Ltd.		40,586	24,355	16,231	32,301	172
POSCO India Steel Distribution Center Private Ltd.		5,224	2,204	3,020	786	(427)
POSCO China Dalian Plate Processing Center Co., Ltd.		106,525	65,888	40,637	66,113	(165)
POSCO-South Asia Co., Ltd.		13,703	199	13,504	8,015	1,039
POSCO SS-VINA Co., LTD		74,438	469	74,029	-	(1,122)
POSCO-NCR Coal Ltd.		-	-	-	-	-
POSCO WA Pty. Ltd.		212,984	9	212,975	-	(33,142)
POSCO E&C - UZ		2,279	1,789	490	2,046	104
POSCO Australia GP Limited		97,196	5	97,191	-	(8)
Daewoo International America Corp.		283,653	241,259	42,394	984,378	5,372
Daewoo International Deutschland GmbH		115,256	105,288	9,968	482,585	314

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(in millions of Won)

Company		Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Foreign]						
Daewoo International Japan Corp.	W	245,086	236,533	8,553	804,864	981
Daewoo International Singapore Pte. Ltd.		43,647	38,982	4,665	902,315	481
Daewoo Italia S.r.l.		63,859	60,247	3,612	361,821	145
Daewoo Cement (Shandong) Co., Ltd.		221,807	291,000	(69,193)	133,502	20,361
Daewoo (China) Co., Ltd.		150,079	101,449	48,630	54,521	726
PT. RISMAR Daewoo Apparel		17,767	18,417	(650)	58,182	1,246
Daewoo Textile Fergana LLC		64,437	65,968	(1,531)	132,866	(11,994)
Daewoo Textile Bukhara LLC		51,939	49,630	2,309	51,312	(11,500)
Daewoo International Australia Holdings Pty. Ltd.		151,462	12,964	138,498	1,935	199
Daewoo Paper Manufacturing Co., Ltd.		76,855	72,385	4,470	76,632	(5,210)
Tianjin Daewoo Paper Co., Ltd.		14,589	33,029	(18,440)	-	-
POSCO Mauritius Ltd.		24,648	2,839	21,809	-	(22)
PT. KRAKATAU STEEL POSCO		819,899	44,918	774,981	-	(2,385)
MYANMAR Daewoo LTD.		6,030	41	5,989	1,373	152
Daewoo International MEXICO S.A. de C.V.		68,030	64,189	3,841	240,448	299
Daewoo International Guangzhou Corp.		7,666	7,473	193	61,554	(1,265)
Daewoo Energy Central Asia		15,571	322	15,249	-	-
Daewoo STC & Apparel Vietnam Ltd.		3,848	1,313	2,535	9,435	94
MYANMAR Daewoo International Ltd.		7,651	2,240	5,411	11,947	759
DAYTEK ELECTRONICS CORP.		-	-	-	-	-
Daewoo (M) SDN. BHD.		-	-	-	-	-
Daewoo CANADA LTD.		-	-	-	-	-
Daewoo EL SALVADOR S.A. DE C.V.		-	-	-	-	-
GEZIRA TANNERY CO., LTD.		-	-	-	-	-
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.		63,505	51,088	12,417	67,175	15
Daewoo International Corporation (M) SDN BHD		8,831	6,469	2,362	21,190	157
Daewoo International SHANGHAI CO., LTD.		63,694	52,656	11,038	91,541	1,286
PGSF, LLC		3,138	1	3,137	-	280
Xenesys Inc.		11,804	240	11,564	2,494	(3,865)
Daewoo International INDIA Private Ltd.		3,285	1,277	2,008	3,343	69
TECHREN Solar, LLC		5,184	-	5,184	-	(506)
PT. POSCO E&C Indonesia		37,495	34,094	3,401	46,665	2,114
Hume Coal Pty. Ltd.		24,316	2,499	21,817	-	(9)
Daewoo HANDELS GmbH		-	-	-	-	-
POSCO Foundation		213	3	210	-	3
EPC EQUITIES LLP		11,391	11,283	108	438	(2,743)
SANTOS CMI Construction Trading LLP		13,851	13,742	109	2,750	(1,323)
SANTOS CMI INC. USA		23,418	22,260	1,158	11,604	(155)
SANTOS CMI ENGENHARIA E CONSTRUÇÕES LTDA		18,771	9,381	9,390	14,823	7,484
SANTOS CMI PERU S.A.		26,074	20,500	5,574	59,091	4,779
SANTOS CMI COSTA RICA S.A.		11,856	11,480	376	1,228	(1,794)
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)		122	73	49	-	(9)
GENTECH International INC.		1,595	1,166	429	1,800	728
EPC INVESTMENTS C.V.		115	18	97	-	(6)
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.		115	2	113	-	(2)
ASESORIA Y SERVICIOS EPC S.A CHILE		468	285	183	635	88
SANTOS CMI S.A.		42,766	30,495	12,271	34,879	(5,430)
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.		8,430	2,669	5,761	13,009	1,703
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)		125	14	111	203	(208)
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.		10,982	8,392	2,590	14,588	923

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(in millions of Won)

Company		Assets	Liabilities	Equity (deficit)	Sales	Net income (loss)
[Foreign]						
VAUTIDAMERICAS S.A.	W	2,374	1,620	754	1,765	141
SANTOS CMI Constructions Argentina S.A.		82	46	36	-	1
POSCO E&C Brazil Ltd.		87,817	87,284	533	6,200	(465)
POSCO Electrical Steel India Private Limited		26,448	138	26,310	-	346
Daewoo International Cameroon PLC		1,233	-	1,233	-	-
POSCO ASSAN TST STEEL Industry		59,415	1,897	57,518	-	1,724
HONGKONG POSCO E&C (CHINA) Investment Co., Ltd.		171,127	174,814	(3,687)	-	(3,466)
POSCO Klappan Coal Ltd.		-	-	-	-	-
DAESAN (Cambodia) Co., Ltd.		30,145	35,652	(5,507)	-	(946)
Brazil Sao Paulo Steel Processing Center Co., Ltd.		26,987	-	26,987	-	-
POSCO(Dalian) IT Center Development Co., Ltd.		152,725	1,271	151,454	-	(1,464)
PT.POSCO Resources Indonesia		4,048	92	3,956	-	(415)
PT. POSCO ICT Indonesia		3,480	2,661	819	-	(80)
PT. POSCO M-Tech Indonesia		2,865	149	2,716	3,329	61
PT. KRAKATAU POSCOPOWER		45,041	42,874	2,167	-	(134)
POSCO RUS LLC.		3,639	5	3,634	-	(273)
POSCO Thainox Co., Ltd.		500,214	164,464	335,750	401,257	(22,466)
Daewoo International Shanghai Waigaoqiao Co., Ltd.		13,804	13,256	548	22,354	343
PT. Bio Inti Agrindo		18,900	9,714	9,186	-	(1,486)
POSCO E&C Australia Pty Ltd.		381	624	(243)	-	(237)
POSCO-TISCO (Jilin) Processing Center Co., Ltd.		12,587	12	12,575	-	(375)
Hunchun POSCO Logistics Co., Ltd.		23,725	7	23,718	-	(229)
USA SRDC Corporation		311	-	311	-	-
Daewoo International Vietnam Co., Ltd.		4,613	-	4,613	-	-

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(d) Details of associates

Details of associates as of December 31, 2012 and 2011 are as follows:

Investee	Category of business	Ownership(%)		Region
		2012	2011	
[Domestic]				
MHDAS Information Technology Co., Ltd. (*8)	Engineering	-	25.46	Seoul
Metapolis Co., Ltd.	Multiplex development	40.05	40.05	Hwasong
Songdo New City Development Inc.	Real estate	29.90	29.90	Seoul
POSMATE Co., Ltd.	Services	45.15	30.00	Seoul
Gail International Korea Ltd.	Real estate	29.90	29.90	Seoul
SNNC Co., Ltd.	Raw material manufacturing and sale	49.00	49.00	Gwangyang
CHUNGJU ENTERPRISE CITY	Real estate	25.10	25.10	Chungju
Taegisan Wind Power Corporation	Wind power plant construction and management	50.00	50.00	Hoengseong
KOREASOLARPARK Co., Ltd. (*8)	Solar power plant construction and management	-	37.50	Youngam
Gaofin Tidal Power Plant Co., Ltd.	Generation of electricity	32.13	32.13	Seosan
Cheongna IBT Co., Ltd. (*4)	Multiplex development	-	18.58	Incheon
PSIB Co., Ltd.	Non-resident building lease	49.00	49.00	Seoul
Universal Studios Resort Development Co., Ltd. (*3)	Construction	-	22.10	Hwasong
Universal Studios Resort Asset Management Corp.	Real estate services	26.16	26.16	Seoul
Daewoo national car Gwangju selling Co., Ltd.	Real estate	50.00	50.00	Gwangju
Ultrans Co., Ltd.	Transporting	41.89	38.19	Seoul
Suwon Green Environment Co., Ltd.	Construction	27.50	27.50	Hwasong
Pajoo & Vio Co., Ltd.	Construction	40.00	40.00	Paju
Green Gimpo Co., Ltd.	Construction	31.84	31.84	Gimpo
Busan-Gimhae Light Rail Transit Co., Ltd.	Transporting	25.00	25.00	Gimhae
Incheon-Gimpo Highway Co., Ltd.	Construction	29.94	25.82	Anyang
Green Jangryang Co., Ltd.	Sewerage treatment	25.00	25.00	Pohang
Green Tongyeong Enviro Co., Ltd.	Sewerage treatment	20.40	20.40	Tongyeong
POSPLATE Co., Ltd. (*3)	Services	-	48.95	Gwangyang
Pure Gimpo Co., Ltd.	Construction	28.79	28.79	Seoul
Pohang Techno Valley AMC Co., Ltd.	Construction	29.50	29.50	Pohang
Sungjin Geotec Co., Ltd.	Industrial machinery manufacturing	33.02	36.69	Ulsan
Kyobo Life Insurance Co., Ltd. (*6)	Life insurance	-	24.00	Seoul
POSGREEN Company, Ltd. (*9)	Plastic manufacturing	19.00	60.00	Gwangyang
Dongbang Special Steel Co., Ltd. (*3)	Steel processing and sales	-	35.82	Pohang
Pure Iksan Co., Ltd.	Construction	23.50	23.50	Pohang
Gyeonggi CES Co., Ltd.	Facility construction	21.84	21.84	Yangju
Innovalloy Co., Ltd.	Real estate development	28.77	28.77	Yongin
Applied Science Corp.	Machinery manufacturing	28.27	29.30	Paju
SENTECH KOREA Corp. (*3)	Manufacturing	-	20.25	Paju
AROMA POSTECH RENEWABLE ENERGY Co., Ltd.	Other science research	28.57	28.57	Seoul
Hyundai Investment Network Private Equity Fund	Mine investment	50.00	50.00	Seoul
Pohang Techno Valley PFV Corporation	Real estate development	29.90	28.65	Pohang
BLUE OCEAN Private Equity Fund	Private equity financial	27.52	27.52	Seoul
SUNAM Co., Ltd.	Power supply manufacturing	23.91	23.91	Seoul
Kones Corporation	Technical service	41.67	41.67	Gyeongju
DAEHO GM (*5)	Investment advisory service	35.82	-	Pohang
Mokpo Deayang Industrial Corporation (*1)	Real estate development	29.90	-	Mokpo
POSCO ES MATERIALS CO., LTD. (*1)	Secondary battery manufacturing	50.00	-	Gumi
Gyeonggi Fuel Cell Power Plant Co., Ltd. (*1)	Electricity generation	25.50	-	Hwasong
BUSAN SANBONG TUNNEL Co., Ltd. (*1, 3)	Highway construction and management	-	-	Busan
Pohang Special Welding Co., Ltd. (*1)	Welding material and tools manufacturing and sales	50.00	-	Pohang
Poscochemtech Mitsubishi Carbon Tech (*10)	Steel processing and sales	60.00	-	Gwangyang

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

Investee	Category of business	Ownership(%)		Region
		2012	2011	
[Foreign]				
VSC POSCO Steel Corporation	Steel manufacturing and Sale	50.00	50.00	Vietnam
KOBRA SCO	Facility lease	50.00	50.00	Brazil
USS-POSCO Industries	Material manufacturing and sale	50.00	50.00	USA
Poschrome Pty. Ltd.	Raw material manufacturing and sale	50.00	50.00	Republic of South Africa
POSHyundai Steel Manufacturing India Private Ltd.	Steel processing and sale	29.50	29.50	India
POSVINA Co., Ltd.	Plating steel sheet manufacturing	50.00	50.00	Vietnam
PT. POSMI Steel Indonesia	Steel processing and sale	36.69	36.69	Indonesia
CAML Resources Pty. Ltd.	Raw material manufacturing and sale	33.34	33.34	Australia
Nickel Mining Company SAS	Raw material manufacturing and sale	49.00	49.00	New Caledonia
Liaoning Rongyuan Posco Refractories Co., Ltd.	Manufacturing and sale	35.00	35.00	China
POSK (PingHu) Processing Center Co.,Ltd	Steel processing and sale	20.00	20.00	China
AN KHANH NEW CITY DEVELOPMENT	Highway construction and new town development	50.00	50.00	Vietnam
Henan Tsingpu Ferro Alloy Co., Ltd.	Raw material manufacturing and sale	49.00	49.00	China
United Spiral Pipe, LLC	Material manufacturing and sale	35.00	35.00	USA
Zhongyue POSCO(Qinhuangdao) Tmplate Industrial Co., Ltd.	Plating sheet manufacturing	34.00	34.00	China
BX STEEL POSCO Cold RolledSheet Co., Ltd.	Steel processing and sale	25.00	25.00	China
POSCO-SAMSUNG-Slovakia Processing Center	Steel processing and sale	30.00	30.00	Slovakia
Eureka Moly LLC	Raw material manufacturing and sale	20.00	20.00	USA
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd.	Steel processing and sale	30.00	30.00	China
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	Steel processing and sale	25.00	25.00	China
Yingkou Posrec Refractories Co., Ltd.	Refractory manufacturing	25.00	25.00	China
Zhangjiagang Pohang Refractories Co., Ltd.	Refractory manufacturing	50.00	50.00	China
Daewoo Engineering (THAILAND) Co., Ltd.	Development and contract	48.90	48.90	Thailand
Sebang Steel	Scrap sale	49.00	49.00	Japan
NCR LLC	Coal sale	29.40	20.00	Canada
AMCI (WA) Pty. Ltd.	Iron ore sale & mine development	49.00	49.00	Australia
POSCO YongXin Rare Earth Metal Co., Ltd.	Energy & resource development	31.00	31.00	China
Shanghai Lansheng Daewoo Coporation	Trading	49.00	49.00	China
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	Trading	49.00	49.00	China
Hanjiang Power Pty. Ltd	Electric power manufacturing and sale	49.00	49.00	Papua New Guinea
Myanmar Korea Timber International Ltd.	Plating sheet manufacturing	45.00	45.00	Myanmar
General Medicines Company Ltd.	Medicine manufacturing and sale	33.00	33.00	Sudan
KOREA LNG Ltd.	Gas production and sale	20.00	20.00	England
DMSA, AMSA (*2)	Energy & resource development	4.00	4.00	Madagascar
KG Power(M) SDN. BHD	Energy & resource development	20.00	20.00	Malaysia
Daewoo (THAILAND) CO., LTD.	Trading	49.00	49.00	Thailand
N.I.CO., LTD.	Trading	50.00	50.00	North Korea
South-East Asia Gas Pipeline Company Ltd.	Pipeline construction	25.04	25.04	Myanmar
GLOBAL KOMSCO Daewoo LLC	Mintage	35.00	35.00	Uzbekistan
POSLUK TITANIUM B.V	Steel manufacturing	-	50.00	Netherlands
POSCO-NPS Niobium LLC	Mine development	50.00	50.00	USA
POSCO-POGEN AMP	Steel manufacturing	26.00	26.00	India
Klappan Coal Joint Venture	Coal sale	20.00	20.00	Canada
AES-VCM Mong Duong Power Company Ltd.	Coal sale	30.00	30.00	Vietnam
CSP	Steel manufacturing and sale	20.00	20.00	Brazil
PT INDONESIA POS CHOSUN Ref	Refractory manufacturing and sale	30.00	30.00	Indonesia
NS-Thainox Auto Co., Ltd.	Steel manufacturing and sale	49.00	49.00	Vietnam
Korea-Siberia Wood	Forest resources development	50.00	50.00	Russia
PT. Tanggamus Electric Power	Construction and engineering service	20.00	20.00	Indonesia
PT. Wampu Electric Power	Construction and engineering service	20.00	20.00	Indonesia
Boulder Solar Power, LLC (*1)	Electric power manufacturing	25.00	-	USA
POSLUK Titanium(*1)	Titanium manufacturing and sale	50.00	-	Kazakhstan
Roy Hill Holdings Pty Ltd. (*2)	Energy & resource development	12.50	-	Australia
Li3 Energy Inc. (*7)	Energy & resource development	26.00	-	Peru
Fifth Combined Heat and Power Plant LLC (*1)	Thermal power generation	30.00	-	Mongolia
IMFA ALLOYS FINLEASE LTD (*7)	Raw material manufacturing and sale	24.00	-	India

(*1) These associates were newly established or acquired during the year ended December 31, 2012.

(*2) The Company is able to exercise significant influence even though the Company's percentage of ownership is below 20%.

(*3) Excluded from associates due to a decrease in ownership percentage during the year ended December 31, 2012.

(*4) Excluded from associates as the contract on entrusted voting rights expired during the year ended December 31, 2012.

(*5) This entity split off from Dongbang Special Steel Co., Ltd. during the year ended December 31, 2012.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued As of December 31, 2012

- (*6) The Company determined to dispose of the shares of Kyobo Life Insurance Co., Ltd., an associate of Daewoo International Corporation, one of the Company's subsidiaries, in order to secure investment funds and improve the Company's financial structure. The transaction was completed during the year ended December 31, 2012.
- (*7) These securities were acquired during the year ended December 31, 2012.
- (*8) Excluded from associates due to partial disposal during the year ended December 31, 2012.
- (*9) As the controlling company's percentage of ownership dropped below 50% during the year ended December 31, 2012, this investment was reclassified to associates.
- (*10) This associate was newly established and the Company is not able to exercise significant influence on the investee, even though the Company's percentage of ownership is above 50%.

As of December 31, 2012, there are no restrictions on the ability of associates to transfer funds to the controlling company, such as in the form of cash dividends, repayment of loans or payment of advances.

(e) Consolidated subsidiaries acquired during the year ended December 31, 2012 are as follows:

Company	Date of acquisition	Ownership (%)	Reason
Tamra Offshore Wind Power Co., Ltd.	January 2012	64.00	new investment
PT. Krakatau POSCO Chemtech Calcination	January 2012	80.00	new establishment
POS-HIAL Co., Ltd.	January 2012	65.30	new establishment
POSCO-Africa	February 2012	100.00	new establishment
E.P.C. INGENIERIA & SERVICIOS DE COSTA RICA S. A.	May 2012	100.00	new establishment
POSCO ICT BRASIL PARTICIPACOES LTDA	May 2012	100.00	new establishment
LA-SCRAP RECYCLING DISTRIBUTION CENTER, LLC	May 2012	68.41	new establishment
MCM Korea Co., Ltd.	July 2012	100.00	new investment
Tancheon E&E Co., Ltd.	July 2012	100.00	new establishment
EEC, GmbH	August 2012	100.00	new establishment
Posco Center Beijing	August 2012	99.00	new establishment
POSCO AMERICA COMERCIALIZADORA S DE RL DE C.V.	August 2012	100.00	new investment
POSCO AMERICA PRODUCTOS, OFERTAS, SISTEMAS Y COMERCIALIZADORA ORIENTAL S DE RL DE C.V.	August 2012	100.00	new investment
Guangdong Pohang Car Steel Co., Ltd.	October 2012	93.64	spin off from subsidiary
POSCO Mexico Aguascalientes Processing Center Co., Ltd.	December 2012	100.00	new establishment
POS-GSFC LLC	December 2012	81.93	new investment

(f) Cash outflows caused by the acquisitions

(in millions of Won)

	Amounts
Consideration transferred	₩ 287,085
Less: cash and cash equivalents-acquired	(188,205)
Total	₩ 98,880

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(g) Subsidiaries that were excluded from consolidation during the year ended December 31, 2012 are as follows:

Company	Date of disposal	Reason
POSCO-JYPC Co., Ltd.	January 2012	Statutory merger by POSCO-JEPC CO., Ltd.
DaiMyung TMS Co., Ltd.	March 2012	Statutory merger by POSCO-AST CO., Ltd.
MYANMAR DAEWOO INT'L LTD.	April 2012	Disposal
PT. RISMAR DAEWOO APPAREL	April 2012	Disposal
Daewoo Cement (Shandong) Co., Ltd.	June 2012	Disposal
POMIC Co., Ltd.	July 2012	Statutory merger by POSCO Research Institute
DAEWOO ENERGY CENTRAL ASIA	July 2012	Exclusion by corporate liquidation
BASYS INDUSTRY CO., LTD.	August 2012	Disposal
DAYTEK ELECTRONICS CORP.,	August 2012	Exclusion by corporate liquidation
PHP Co., Ltd.	November 2012	Statutory merger by Mega-Asset
Pohang Fuel Cell Power Corp.	November 2012	Statutory merger by POSCO ENERGY Co., Ltd.
POSGREEN Company, Ltd	November 2012	Disposal
Shinan Energy Co., Ltd.	November 2012	Statutory merger by POSCO ENERGY Co., Ltd.
EEC, GmbH	November 2012	Exclusion by corporate liquidation
POSTECH BD Newundertaking Fund	December 2012	Exclusion by corporate liquidation
POSBRO COMPANY LTD.	December 2012	Disposal
Songdose co., ltd	December 2012	Disposal
POSCONST.CO.,LTD	December 2012	Statutory merger by POSCO-AST CO., Ltd.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

2. Statement of Compliance

Statement of compliance

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

Basis of measurement

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

- (a) Derivatives instruments are measured at fair value
- (b) Financial instruments at fair value through profit or loss (FVTPL) are measured at fair value
- (c) Available-for-sale financial assets are measured at fair value
- (d) Defined benefit liabilities are measured at the present value of the defined benefit obligation less the fair value of the plan assets

Functional and presentation currency

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

Use of estimates and judgements

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

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

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

- Note 7 – Other financial assets
- Note 11 – Investment property, net
- Note 12 – Property, plant and equipment, net

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

- Note 13 – Goodwill and other intangible assets

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

- Note 17 – Provisions
- Note 18 – Employee Benefits
- Note 25 – Construction Contracts
- Note 35 – Commitments and Contingencies

Changes in accounting policies

(a) Changes in accounting policies

1) Financial Instruments: Disclosures

The Company has applied the amendments to K-IFRS No. 1107, “*Financial Instruments: Disclosures*” since January 1, 2012. The amendments require disclosure of the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Company derecognizes transferred financial asset but still retains their specific risks and rewards, the amendments require additional disclosures of their risks.

2) Presentation of financial statements

The Company adopted the amendment to K-IFRS No. 1001, “*Presentation of Financial Statements*” from the annual period ended December 31, 2012, which prescribes the Company’s operating profit to be calculated as revenue less: (1) cost of sales, and (2) selling and administrative expenses, and presented separately in the consolidated statement of comprehensive income.

Additionally, in the notes to the consolidated financial statements, the Company provides voluntary disclosure of the entity-specific measure of operating performance presented as “adjusted operating profit” which is calculated base on the Company’s own criteria. In doing so, the Company is required to disclose: (1) a reconciliation between the entity-specific measure of operating performance and operating profit or loss presented on the face of the consolidated statement of comprehensive income, and (2) the fact that the measure of operating performance disclosed in the notes is calculated based on the Company’s own criteria.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(b) Impact of change in accounting policy

The Company retrospectively applied the amendment to K-IFRS No. 1001, for which the impact is as follows:

<i>(in millions of Won)</i>	2012	2011
Operating profit before adoption of the amendment	₩ 3,291,763	5,408,102
Add		
Loss on disposals of property, plant and equipment	65,486	60,550
Loss on disposals of investment property	3,197	8,826
Loss on disposals of assets held for sale	9,510	-
Loss on disposals of investment in associates	15,119	-
Idle tangible assets expenses	31,297	16,881
Impairment loss of assets held for sale	258,451	-
Other bad debt expenses	44,115	11,155
Donations	73,963	66,558
Loss on disposals of waste	45,480	30,585
Penalty and default losses	149,437	39,551
Impairment loss of property, plant and equipment and others	72,259	99,071
Others	41,151	33,356
	<u>809,465</u>	<u>366,533</u>
Deduct		
Gain on disposals of property, plant and equipment	(42,290)	(13,812)
Rental revenues	(1,898)	(6,510)
Gain on disposals of intangible assets	(906)	(953)
Gain on disposals of investment in associates	(39,441)	(2,247)
Gain on disposal of assets held for sale	(193,333)	-
Grant income	(3,198)	(1,228)
Reversal of other bad debt allowance	-	(57,875)
Reversal of other provisions	(16,037)	(35,629)
Outsourcing income	(29,136)	(42,136)
Gain on disposals of waste	(38,597)	(11,348)
Gain from claim compensation	(31,613)	(68,853)
Penalty income from early termination of contracts	(15,054)	(38,570)
Others	(36,617)	(27,780)
	<u>(448,120)</u>	<u>(306,941)</u>
Operating profit after adoption of the amendment	₩ <u>3,653,108</u>	<u>5,467,694</u>

Approval of financial statements

The consolidated financial statements were approved by the Board of Directors on February 7, 2013.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

3. Summary of Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for those as disclosed in note 2.

Basis of consolidation

(a) Subsidiaries

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

If a member of the Company uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

(b) Non-controlling interests

Non-controlling interests in a subsidiary are accounted for separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the allocation reduces the non-controlling interest balance below zero. As of December 31, 2012,

(c) Changes in ownership interests in subsidiaries

Changes in the parent company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss. The difference between the consideration and the adjustments made to non-controlling interest is recognized directly in equity attributable to the owners of the parent company.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

Associates and jointly controlled entities

An associate is an entity in which the Company has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreement, and require unanimous consent for strategic financial and operating decisions.

The investment in an associate and a joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and changes in equity of the associate after the date of acquisition. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

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

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

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

Business combinations

(a) Business combinations

A business combination is accounted for by applying the acquisition method as of the acquisition date (i.e., when control is transferred to the Company), unless it is a combination involving entities or businesses under common control.

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

- Leases and insurance contracts are required to be classified on the basis of their contractual terms and other factors.
- Only those contingent liabilities assumed in a business combination that are a present obligation and can be measured reliably are recognized.
- Deferred tax assets or liabilities are recognized and measured in accordance with K-IFRS No. 1012 *"Income Taxes"*.
- Employee benefit arrangements are recognized and measured in accordance with K-IFRS No.1019 *"Employee Benefits"*.
- Indemnification assets are recognized and measured on the same basis as the indemnified liability or asset.
- Reacquired rights are measured on the basis of the remaining contractual terms of the related contract.
- Liabilities or equity instruments related to share-based payment transactions are measured in accordance with K-IFRS No. 1102 *"Share-based Payment"*.
- Assets held for sale are measured at fair value less costs to sell in accordance with K-IFRS No. 1105 *"Non-current Assets Held for Sale"*.

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

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

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issuance of debt or equity securities, are expensed in the periods in which the costs are incurred and the services are received. The costs to issue debt or equity securities are recognized in accordance with K-IFRS No. 1032 *"Financial Instruments: Presentation"* and K-IFRS No. 1039 *"Financial Instruments: Recognition and Measurement"*.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(b) Goodwill

The Company measures goodwill at the acquisition date as:

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

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

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

Foreign currency transactions and translation

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

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

Foreign operations

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments in highly liquid securities that are readily convertible to known amounts of cash with maturities of three months or less from the acquisition date and which are subject to an insignificant risk of changes in value. Equity investments are excluded from cash and cash equivalents.

Non-derivative financial assets

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

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

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

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

(b) Held-to-maturity financial assets

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

(c) Loans and receivables

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

(d) Available-for-sale financial assets

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

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

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

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

(f) Offsetting a financial asset and a financial liability

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

Inventories

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

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

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

Investment property

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

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

the lease term.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

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

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

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

Borrowing costs

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

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

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

Intangible assets

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

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

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

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

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

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

Exploration for and evaluation of mineral resources

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

(a) Exploration and evaluation assets

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

(b) Development assets

Development assets consist of expenditures for the evaluation of oil fields, facility construction, drilling for viability and others. These development assets are reclassified as industrial rights (mining rights) at inception of the extraction when the technical feasibility and commercial viability of extracting mineral resources are demonstrable.

Government grants

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

Government grants which are intended to compensate the Company for expenses incurred are deducted from the related expenses.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

Leases

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

(a) Finance leases

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

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

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

(b) Operating leases

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

(c) Determining whether an arrangement contains a lease

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

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

Impairment for financial assets

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

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

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

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

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

- (a) Financial assets carried at amortized cost

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

Impairments for non-financial assets

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

Management estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then management estimates the recoverable amount of a cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. The Company determined that individual operating entities are CGUs.

Also, the Company confirms that the CGU is the same level at which management is monitoring goodwill.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. The value-in-use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

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

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

Non-current assets held for sale

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

The Company recognizes an impairment loss for any initial or subsequent write-down of disposal group to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036 *"Impairment of Assets"*.

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

Derivative financial instruments and hedges

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

(a) Embedded derivatives

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

(b) Other derivatives

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

Non-derivative financial liabilities

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

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

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(b) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Financial guarantee liabilities are initially measured at their fair values and, if not designated as financial liabilities at fair value through profit or loss, they are subsequently measured at the higher of:

- the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and
- the amount initially recognized less, cumulative amortization recognized on a straight-line basis over the guarantee period

At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

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

Convertible bonds

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

Construction work in progress

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

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

Employee benefits

(a) Short-term employee benefits

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

(b) Other long-term employee benefits

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

(c) Retirement benefits: Defined contribution plans

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

(d) Retirement benefits: Defined benefit plans

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

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

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

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

Provisions

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognized.

A provision for warranties is recognized when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

Regarding provision for construction warranties, warranty period starts from the completion of construction in accordance with construction contracts. If the Company has an obligation for warranties, provision for warranties which are estimated based on historical warranty data are recorded as cost of construction and provision for warranties during the construction period.

Share capital

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

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

Revenue

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

(a) Sale of goods

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

(b) Services rendered

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(c) Construction contracts

Construction contracts of the Company primarily consist of contracts for the construction of plants and commercial or residential buildings, and revenue recognition for different types of contracts is

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

as follows:

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

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

(d) Rental income

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

Finance income and finance costs

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

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

Income tax

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

(a) Current tax

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(b) Deferred tax

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 is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred tax asset for deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

Earnings per share

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

Operating segments

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

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning after January 1, 2012, and the Company has not early adopted them. Management believes the impact of the amendments on the Company's consolidated financial statements is not significant.

(a) K-IFRS No.1110, "*Consolidated Financial Statements*"

The standard introduces a single control model to determine whether an investee should be consolidated. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

Adopting the standard from January 1, 2013, the Company may be required to change its consolidation conclusion in respect of its investees as below. The impacts of the standard cannot be estimated as of December 31, 2012.

	Company
Consolidating investees that were not previously consolidated	Daewoo Engineering (THAILAND) Co., Ltd.
Excluding investees that were previously consolidated from the consolidation scope	Postech 2006 Energy Fund, Postech Early Stage Fund

(b) K-IFRS No.1111, "*Joint Arrangements*"

The standard classifies joint arrangements into two types - joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. The standard requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant K-IFRSs applicable to the particular assets, liabilities, revenues and expenses. The standard requires a joint venturer to recognize an investment and to account for that investment using the equity method. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(c) K-IFRS No.1112, *"Disclosure of Interests in Other Entities"*

The standard brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. The standard requires the disclosure of information about the nature, risks and financial effects of these interests. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(d) Amendments to K-IFRS No. 1019 *"Employee Benefits"*

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

(e) 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.

(f) Amendments to K-IFRS No. 1001 *"Presentation of Financial Statements"*

The amendments require presenting in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment is mandatorily effective for annual periods beginning on or after July 1, 2012.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

4. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- capital risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(a) Risk management policy

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. In addition, credit risk arises from finance guarantees and unused sales contracts.

The Company implements a credit risk management policy under which the Company only transacts business with counterparties that have a certain level of credit rate evaluated based on financial condition, historical experience, and other factors. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of a nation or an industry in which a customer operates its business does not have a significant influence on credit risk. The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for companies of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. Debt securities are analyzed individually, and an expected loss shall be directly deducted from debt securities.

Credit risk also arises from transactions with financial institutions, and such transactions include transactions of cash and cash equivalents, various deposits, and financial instruments such as derivative contracts. The Company manages its exposure to this credit risk by only entering into transactions with banks that have high international credit ratings. The Company's Treasury Department authorizes, manages, and oversees new transactions with financial institutions with whom the Company has no previous relationship. Furthermore, the Company limits its exposure to credit risk of financial guarantee contracts by strictly evaluating their necessity based on internal decision making processes, such as the approval of the board of directors.

(c) Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's cash flow from business, borrowing or financing is sufficient to meet the cash requirements for the Company's strategic investments. Management believes that the Company is capable of raising funds by borrowing or financing if the Company is not able to generate cash flow requirements from its operations. The Company has committed borrowing facilities with various banks.

(d) Market risk management

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The goal of market risk management is optimization of profit and controlling the exposure to market risk within acceptable limits.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

1) Currency risk

Each segment is influenced by a risk factor of changes in foreign currency exchange rates for the different directions due to the difference in structure of each industry regarding the cash inflows and cash outflows in foreign currency. The steel segment generally has a lack of foreign currency cash outflows, while the engineering and construction segments generally have excessive foreign currency inflows due to the nature of their respective business. Therefore, the result of the business is affected by the changes of foreign exchange rates. The trading segment is structured such that the cash inflows and outflows of foreign currencies are to be offset; however, the trading segment is exposed to a risk of changes in foreign currency exchange rates when there are differences in currencies on receiving and paying the foreign currency amount and time differences.

The Company's policy in respect of foreign currency risks is a natural hedge whereby foreign currency income is offset with foreign currency expenditures. The remaining net exposures after the natural hedge have been hedged using derivative contracts such as forward exchange contracts. In addition, the Company's derivative transactions are limited to hedging actual foreign currency transactions and speculative hedging is not permitted. Based on this policy, the Company entities have performed currency risk management specific to various characteristics of different segments. The entities in the steel industry, which has a lack of foreign currency cash flows, has foreign currency borrowings from banks and hedges foreign currency risks of the foreign currency borrowings by using foreign currency swaps. The entities in the engineering and construction segments, which have excessive foreign currency cash flows, have hedged foreign currency risks by using forward exchange contracts. Entities in the trading industry have hedged foreign currency risks by using forward exchange contracts when the foreign currencies received and paid are different.

2) Interest rate risk

The Company mostly borrows at fixed interest rates. The Company's management monitors interest rate risks regularly.

(e) Management of capital risk

The fundamental goal of capital management is the maximization of shareholders' value by means of the stable dividend policy and the retirement of treasury shares. The capital structure of the Company consists of equity and net debt, deducting cash and cash equivalents and current financial instruments from borrowings. The Company applied the same financial risk management strategy that was applied in the previous period.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

The equity attributable to owners as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		2012	2011
Total borrowings	₩	24,921,433	26,811,717
Less: Cash and cash equivalents		4,680,526	4,598,682
Net borrowings		20,240,907	22,213,035
Total equity		42,429,418	40,729,920
Net borrowings-to-equity ratio		47.70%	54.54%

5. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		2012	2011
Cash	₩	8,595	23,954
Demand deposits and checking accounts		1,609,934	1,855,929
Financial instruments cash equivalents		3,061,997	2,718,799
	₩	<u>4,680,526</u>	<u>4,598,682</u>

6. Trade Accounts and Notes Receivable

(a) Trade accounts and notes receivable as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		2012	2011
Current			
Trade accounts and notes receivable	₩	9,865,436	10,265,421
Capital lease receivables		44,918	117,230
Unbilled due from customers for contract work		1,493,709	1,361,416
Less: Allowance for doubtful accounts		(366,090)	(293,552)
		<u>11,037,973</u>	<u>11,450,515</u>
Non-current			
Trade accounts and notes receivable		52,763	45,061
Capital lease receivables		102,887	147,634
Less: Allowance for doubtful accounts		(13,446)	(9,634)
		<u>142,204</u>	<u>183,061</u>
	₩	<u>11,180,177</u>	<u>11,633,576</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

Trade accounts and notes receivable sold to financial institution, for which the derecognition conditions were not met, amounted to ₩80,258 million, ₩132,908 million as of December 31, 2012 and 2011, respectively, and are included in bank borrowings (note 15).

(b) Capital lease receivables are as follows:

<i>(in millions of Won)</i>				
Customer	Contents		2012	2011
Korea Electric Power Corporation	Combined thermal power cycle 1~4	₩	147,634	199,141
Tenant of EXPO Apartment	Lease contract		171	65,723
		₩	<u>147,805</u>	<u>264,864</u>

(c) The gross amount and present value of minimum lease payments as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		2012	2011
Less than 1 year	₩	62,048	141,670
1 year - 5 years		120,135	169,265
Greater than 5 year		11,772	24,519
Unrealized interest income		(46,150)	(70,590)
Present value of minimum lease payment	₩	<u>147,805</u>	<u>264,864</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

7. Other Receivables and Other Financial Assets

(a) Other receivables as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	<u>2012</u>	<u>2011</u>
Current		
Short-term loans	₩ 271,067	367,330
Other accounts receivable	1,298,878	1,067,163
Accrued income	71,076	59,028
Allowance for bad debt accounts	(49,582)	(60,013)
	1,591,439	1,433,508
Non-Current		
Long-term loans	574,255	298,106
Long-term other accounts receivable	164,289	86,923
Accrued income	1,204	956
Allowance for bad debt accounts	(40,724)	(38,584)
	699,024	347,401
	₩ 2,290,463	1,780,909

(b) Other short-term financial assets as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	<u>2012</u>	<u>2011</u>
Financial assets at fair value through profit or loss		
Financial assets held for trading	₩ -	50,861
Derivatives assets held for trading	62,720	92,055
Available-for-sale financial assets		
Short-term available-for-sale securities	133,656	31,651
Held-to-maturity investments		
Current portion of held-to-maturity securities (bonds)	31,237	876
Loans and other receivables		
Short-term financial instruments (*1,2,3)	1,621,668	1,757,744
Deposits	107,208	73,343
Other receivables	302,738	221,125
Allowance for bad debt accounts	(4,233)	(4,893)
	₩ 2,254,994	2,222,762

(*1) As of December 31, 2012 and 2011, short-term financial instruments of ₩ 3,400 million and

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

₩ 1,670 million are secured related to long-term borrowings of forestry association, respectively.

(*2) As of December 31, 2012 and 2011, ₩ 12,699 million and ₩ 17,175 million, respectively, are restricted for use in a government project.

(*3) As of December 31, 2012 and 2011, short-term financial instruments amounting to ₩ 7,650 million are provided as collateral for long-term borrowings.

(c) Other long-term financial assets as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012	2011
Financial assets at fair value through profit or loss		
Derivatives asstes held for trading	₩ 8,634	16,696
Available-for-sale financial assets		
Long-term available-for-sale securities (equity instruments) (*1,2,3)	3,711,169	4,509,197
Long-term available-for-sale securities (bonds)	26,430	25,847
Long-term available-for-sale securities (others)	43,266	41,902
Held-to-maturity investments		
Held-to-maturity securities (bonds)	3,251	34,698
Loan and other receivables		
Long-term financial instruments	68,215	37,732
Deposits	110,682	112,244
Allowance for bad debt accounts	(802)	(45)
	₩ 3,970,845	4,778,271

(*1) As of December 31, 2012, 2,294,961 shares equivalent to 20,654,653 American Depository Receipts ("ADRs") of SK Telecom Co., Ltd. have been pledged as collateral for exchangeable bonds issued.

(*2) During the year ended December 31, 2012, there was a further significant decline in the fair value of shares of Jupiter mines Ltd., SK Telecom Co., Ltd. and others for a prolonged period, which was considered as objective evidence of impairment. As a result, an impairment losses of ₩ 224,171 million was recognized in profit or loss during the year ended December 31, 2012.

(*3) As of December 31, 2012, ₩ 28,354 million of long-term available-for-sale securities have been provided as collateral.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

8. Inventories

(a) Inventories as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

		2012	2011
Finished goods	₩	1,475,832	1,556,573
Merchandise		703,923	1,185,496
Semi-finished goods		1,876,196	2,163,124
Raw materials		2,425,367	2,563,837
Fuel and materials		893,137	758,333
Construction inventories		1,324,873	1,245,546
Materials-in-transit		2,007,106	2,857,434
Others		93,007	168,895
		<u>10,799,441</u>	<u>12,499,238</u>
Less: allowance for inventories valuation		<u>(214,795)</u>	<u>(215,594)</u>
	₩	<u>10,584,646</u>	<u>12,283,644</u>

The amounts of valuation losses of inventories recognized within cost of goods sold during the years ended December 31, 2012 and 2011 were ₩ 76,483 million and ₩ 140,391 million, respectively.

9. Non-Current Assets Held for Sale

Details of non-current assets held for sale and related liabilities as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

		2012		2011	
		Subsidiaries (*1,2)	POSCO (*3)	Subsidiaries (*4)	Total
Assets					
Trade accounts and notes receivable and other financial assets	₩	-	-	63,154	63,154
Inventories		-	-	23,186	23,186
Property, plant and equipment		1,190	16,887	172,538	189,425
Intangible assets		-	-	7,389	7,389
Other assets		-	-	45,883	45,883
		<u>1,190</u>	<u>16,887</u>	<u>312,150</u>	<u>329,037</u>
Liabilities					
Trade accounts and note payables and other financial liabilities		-	-	28,509	28,509
Borrowings		-	-	144,920	144,920
Other liabilities		-	-	53,178	53,178
		<u>-</u>	<u>-</u>	<u>226,607</u>	<u>226,607</u>
Net assets	₩	<u>1,190</u>	<u>16,887</u>	<u>85,543</u>	<u>102,430</u>

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

- (*1) The Company determined to dispose of the shares of Kyobo Life Insurance Co., Ltd., an associate of Daewoo International Corporation, one of the Company's subsidiaries, in order to secure investment funds and improve the Company's financial structure. The investment was reclassified as a non-current asset held for sale at the beginning of the bidding process that started during the six-month period ended June 30, 2012. The amount measured at the lower of its carrying amount and fair value less costs to sell of Kyobo Life Insurance Co., Ltd. was ₩1,150,720 million as of June 30, 2012. The Company recorded an impairment loss for the non-current assets held for sale of ₩258,381 million. The transaction was completed on September 5, 2012. The Company recognized a gain on disposal of assets held for sale of ₩45,874 million.
- (*2) POSCOAST CO., LTD. determined to dispose of its land and building and classified as non-current assets held for sale as of December 31, 2012. The amount measured at the lower of those carrying amount and fair value less costs to sell of some land and building was ₩ 1,190 million, the Company recorded impairment loss for the non-current assets held for sale of ₩ 70 million.
- (*3) POSCO planned to dispose of equipment of existing steel manufacturing plants due to the completion and expected use of a new plant. The relevant equipment was reclassified as non-current assets held for sale at December 31, 2011. Some of those non-current assets held for sale were disposed of by sale, and others were reclassified as property, plant and equipment due to the cancelation of plans to sell during the year ended December 31, 2012. POSCO recognized a gain of ₩1,150 million and a loss of ₩9,391 million from the assets held for sale during the year ended December 31, 2012.
- (*4) The Company determined to dispose of Daewoo Cement (Shandong) Co., Ltd., a subsidiary of Daewoo International Corporation, one of POSCO's subsidiaries, in order to close down a non-core business and collect long-term receivables and securities, pursuant to the board of director's resolution on July 28, 2011. Daewoo International Corporation entered into a sales contract with China United Cement Group Co., Ltd. on August 9, 2011 and completed the disposal of relevant non-current assets held for sale on June 28, 2012. The Company recognized a gain on disposal of assets held for sale of 146,309 million.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

10. Investments in Associates

(a) Details of investments in associates as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

Company	2012				2011
	Number of shares	Ownership (%)	Acquisition cost	Book value	Book value
[Domestic]					
Kyobo Life Insurance Co., Ltd. (*1)	₩ -	-	-	-	1,377,114
Sungjin Geotec Co., Ltd.	17,193,510	33.02	239,877	181,361	194,942
SNNC Co., Ltd.	18,130,000	49.00	90,650	147,539	154,131
POSCO-ESM Co., Ltd. (*2)	1,000,000	50.00	43,000	42,388	-
Busan-Ginhae Light Rail Transit Co., Ltd.	9,160,000	25.00	45,800	7,601	34,227
Cheongna IBT Co., Ltd. (*3)	-	-	-	-	35,564
Blue ocean PEF	333	27.52	33,300	33,839	35,971
METAPOLIS Co., Ltd. (*4)	4,229,280	40.05	15,410	-	15,674
POSMATE Co., Ltd.	411,573	45.15	28,258	46,204	22,409
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., LTD.	2,008,000	25.10	10,040	29,414	21,026
MIDAS Information Technology Co., Ltd. (*5)	-	-	-	-	12,476
Poscochemtech Mitsubishi Carbon Tech (*6)	2,892,000	60.00	28,920	28,060	-
UI trans Co., Ltd.	3,536,394	41.89	17,682	16,444	3,610
Incheonjinpo Highway Co., Ltd.	3,071,147	29.94	15,356	13,680	3,500
Garolam Tidal Power Plant Co., Ltd.	2,580,039	32.13	12,900	11,544	11,995
Others				52,925	62,926
				610,999	1,985,565
[Foreign]					
Roy Hill Holdings Pty Ltd. (*7)	12,723,959	12.50	551,979	527,129	-
POSCO-NPS Niobium LLC	325,050,000	50.00	364,609	348,646	374,868
AMCI (WA) Pty Ltd.	49	49.00	213,446	123,018	168,212
CSP(Compania Siderurgica do Pecem)	415,729,274	20.00	265,740	214,761	124,231
Nickel Mining Company SAS	3,234,698	49.00	157,585	146,699	168,292
KOBRASCO	2,010,719,185	50.00	32,950	113,847	128,884
KOREA LNG Ltd.	2,400	20.00	137,993	99,976	127,901
Eureka Moly LLC	-	20.00	232,397	213,136	109,772
DMSA, AMSA	-	4.00	133,177	124,326	119,556
BX STEEL POSCO Cold RolledSheet Co., Ltd.	-	25.00	61,961	92,888	95,577
CAML Resources Pty. Ltd.	3,239	33.34	40,388	62,227	55,465
South-East Asia Gas Pipeline Company Ltd.	135,219,000	25.04	150,779	144,831	136,175
Poschrome Pty. Ltd.	43,350	50.00	19,892	21,324	24,674
USS-POSCO Industries (*4)	-	50.00	277,715	-	16,880
NCR LLC	-	29.40	31,110	39,303	24,107
Others				156,151	171,500
				2,428,262	1,846,094
				₩ 3,039,261	₩ 3,831,659

(*1) The Company determined to dispose of the shares of Kyobo Life Insurance Co., Ltd., an associate of Daewoo International Corporation, one of the Company's subsidiaries, in order to secure investment funds and improve its financial structure. The transaction was completed in September 2012.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(*2) This entity was newly established during the year ended December 31, 2012.

(*3) Excluded from associates as the contract on entrusted voting rights expired during the year ended December 31, 2012.

(*4) As the Company's share of losses exceeded its interest in this entity, the carrying amount of that interest was reduced to nil and the recognition of further losses was discontinued. Unrecognized losses in this entity are ₩ 17,952 million during the year ended December 31, 2012.

(*5) Excluded from associates due to disposal during the year ended December 31, 2012.

(*6) The Company is not able to exercise significant influence on the investee even though the Company's percentage of ownership of above 50%.

(*7) This entity was acquired during the year ended December 31, 2012.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(b) The movements of investments in associates for the years ended December 31, 2012 and 2011 are as follows:

1) December 31, 2012

(in millions of Won)

Company	Dec. 31, 2011 Book value	Share of profits (losses)	Other increase (decrease) (*1)	Dec. 31, 2012 Book value
[Domestic]				
Kyobo Life Insurance Co., Ltd.	₩ 1,377,114	37,038	(1,414,152)	-
Sungjin Geotec Co., Ltd.	194,942	(17,162)	3,581	181,361
SNNC Co., Ltd.	154,131	15,157	(21,749)	147,539
POSCO-ESM Co., Ltd.	-	(560)	42,948	42,388
Busan-Gimhae Light Rail Transit Co., Ltd.	34,227	(26,626)	-	7,601
Cheongna IBT Co., Ltd.	35,564	(729)	(34,835)	-
Blue ocean PEF	35,971	(4,542)	2,410	33,839
METAPOLIS Co., Ltd.	15,674	(15,674)	-	-
POSMATE Co., Ltd.	22,409	2,158	21,637	46,204
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., LTD.	21,026	8,534	(146)	29,414
MIDAS Information Technology Co., Ltd.	12,476	1,530	(14,006)	-
Poscochemtech Mitsubishi Carbon Tech	-	(860)	28,920	28,060
UI trans Co., Ltd.	3,610	1,268	11,566	16,444
Incheongimpo Highway Co., Ltd.	3,500	(377)	10,557	13,680
Garolim Tidal Power Plant Co., Ltd.	11,995	(451)	-	11,544
Others	62,926	(3,842)	(6,159)	52,925
	<u>1,985,565</u>	<u>(5,138)</u>	<u>(1,369,428)</u>	<u>610,999</u>
[Foreign]				
Roy Hill Holdings Pty Ltd.	-	(16,537)	543,666	527,129
POSCO-NPS Niobium LLC	374,868	19,199	(45,421)	348,646
AMCI (WA) Pty Ltd.	168,212	(38,706)	(6,488)	123,018
CSP (Compania Siderurgica do Pecem)	124,231	(2,520)	93,050	214,761
Nickel Mining Company SAS	168,292	(12,795)	(8,798)	146,699
KOBRASCO	128,884	28,792	(43,829)	113,847
KOREA LNG Ltd.	127,901	12,697	(40,622)	99,976
Eureka Moly LLC	109,772	-	103,364	213,136
DMSA, AMSA	119,556	(1,176)	5,946	124,326
BX STEEL POSCO Cold RolledSheet Co., Ltd.	95,577	2,650	(5,339)	92,888
CAML Resources Pty. Ltd.	55,465	11,390	(4,628)	62,227
South-East Asia Gas Pipeline Company Ltd.	136,175	-	8,656	144,831
Poschrome Pty. Ltd.	24,674	(311)	(3,039)	21,324
USS-POSCO Industries	16,880	(5,933)	(10,947)	-
NCR LLC	24,107	(452)	15,648	39,303
Others	171,500	(13,862)	(1,487)	156,151
	<u>1,846,094</u>	<u>(17,564)</u>	<u>599,732</u>	<u>2,428,262</u>
₩	<u>3,831,659</u>	<u>(22,702)</u>	<u>(769,696)</u>	<u>3,039,261</u>

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

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

2) December 31, 2011

(in millions of Won)

Company		Dec. 31, 2010 Book value	Share of profits (losses)	Other increase (decrease) (*1)	Dec. 31, 2011 Book value
[Domestic]					
Kyobo Life Insurance Co., Ltd.	₩	1,314,808	82,450	(20,144)	1,377,114
Sungjin Geotec Co., Ltd.		227,245	(33,650)	1,347	194,942
SNNC Co., Ltd.		145,466	49,605	(40,940)	154,131
Busan-Gimhae Light Rail Transit Co., Ltd.		42,151	(7,924)	-	34,227
Cheongna IBT Co., Ltd.		39,607	(4,043)	-	35,564
Blue ocean PEF		-	1,478	34,493	35,971
METAPOLIS Co., Ltd.		32,666	(16,992)	-	15,674
POSMATE Co., Ltd.		20,989	3,141	(1,721)	22,409
CHUNGJU ENTERPRISE CITY DEVELOPMENT CO., LTD.		21,317	(146)	(145)	21,026
MIDAS Information Technology Co., Ltd.		9,457	3,089	(70)	12,476
UI trans Co., Ltd.		3,920	(1,906)	1,596	3,610
Incheongimpo Highway Co., Ltd.		3,049	(245)	696	3,500
Garolim Tidal Power Plant Co., Ltd.		10,881	(164)	1,278	11,995
Others		129,405	(5,064)	(61,415)	62,926
		<u>2,000,961</u>	<u>69,629</u>	<u>(85,025)</u>	<u>1,985,565</u>
[Foreign]					
POSCO-NPS Niobium LLC		-	5,658	369,210	374,868
AMCI (WA) Pty Ltd.		213,446	(32,879)	(12,355)	168,212
CSP (Compania Siderurgica do Pecem)		-	(1,661)	125,892	124,231
Nickel Mining Company SAS		180,671	(7,073)	(5,306)	168,292
KOBRASCO		141,939	36,911	(49,966)	128,884
KOREA LNG Ltd.		133,793	8,026	(13,918)	127,901
Eureka Moly LLC		109,177	(754)	1,349	109,772
DMSA, AMSA		100,536	38	18,982	119,556
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.		89,313	1,797	4,467	95,577
CAML Resources Pty. Ltd.		67,401	15,517	(27,453)	55,465
South-East Asia Gas Pipeline Company Ltd.		56,636	(25)	79,564	136,175
Poschrome Pty. Ltd.		29,201	1,422	(5,949)	24,674
USS-POSCO Industries		40,000	(31,585)	8,465	16,880
NCR LLC		23,931	(85)	261	24,107
Others		119,420	(14,367)	66,447	171,500
		<u>1,305,464</u>	<u>(19,060)</u>	<u>559,690</u>	<u>1,846,094</u>
₩		<u>3,306,425</u>	<u>50,569</u>	<u>474,665</u>	<u>3,831,659</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

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

(c) The fair value of investments in associates for which there are published price quotations as of December 31, 2012 are as follows:

(in millions of Won)

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

(d) Summarized financial information of associates as of and for the years ended December 31, 2012 and 2011 are as follows:

1) December 31, 2012

(in millions of Won)

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
Sungjin Geotec Co., Ltd.	763,581	632,999	130,582	703,236	(29,219)
SNNC Co., Ltd.	577,273	261,781	315,492	379,230	16,959
POSCO-ESM Co., Ltd.	69,287	16,067	53,220	-	(1,422)
Busan-Gimhae Light Rail Transit Co., Ltd.	787,011	756,606	30,405	16,811	(106,668)
Blue ocean PEF	347,298	224,338	122,960	429,210	(16,504)
METAPOLIS Co., Ltd.	521,942	512,720	9,222	21,063	(35,244)
POSMATE Co., Ltd.	118,077	14,580	103,497	104,705	9,587
CHUNGJU ENTERPRISE CITY DEVELOPMENT CO., LTD.	333,716	250,540	83,176	229,271	36,971
Poscochemtech Mitsubishi Carbon Tech	47,014	247	46,767	-	(1,433)
UJ trans Co., Ltd.	50,932	12,822	38,110	-	(880)
Incheongimpo Highway Co., Ltd.	44,714	334	44,380	-	(1,323)
Garoljin Tidal Power Plant Co., Ltd.	37,476	1,546	35,930	-	(1,404)
[Foreign]					
Roy Hill Holdings Pty Ltd.	1,404,336	105,340	1,298,996	-	(146,321)
POSCO-NPS Niobium LLC	697,431	140	697,291	-	38,412
CSP(Compania Siderurgica do Pecem)	1,088,105	16,551	1,071,554	-	(12,622)
Nickel Mining Company SAS	445,344	91,266	354,078	120,224	(33,981)
KOBRASCO	231,524	3,831	227,693	121,619	56,282
KOREA LNG Ltd.	545,841	64	545,777	109,992	107,953
DMSA, AMSA	7,935,489	5,906,301	2,029,188	-	(29,407)
BX STEEL POSCO Cold Rolled Sheet Co	922,932	579,140	343,792	1,506,012	2,296
CAML Resources Pty. Ltd.	209,717	70,502	139,215	284,134	34,162
South-East Asia Gas Pipeline Company L	1,341,510	763,116	578,394	-	-
Poschrome Pty. Ltd.	53,900	3,582	50,318	89,962	(899)
USS-POSCO Industries	420,767	459,681	(38,914)	990,356	(52,287)

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

2) December 31, 2011

(in millions of Won)

Company		Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]						
Kyobo Life Insurance Co., Ltd.	₩	60,828,181	55,786,580	5,041,601	11,610,607	487,785
Sungjin Geotec Co., Ltd.		717,665	611,548	106,117	663,879	(58,894)
SNNC Co., Ltd.		610,059	269,318	340,741	473,173	81,246
Busan-Gimhae Light Rail Transit Co., Ltd.		817,402	680,492	136,910	3,690	(31,696)
Cheongna IBT Co., Ltd.		433,306	263,377	169,929	305	(20,527)
Blue ocean PEF		385,060	254,353	130,707	79,583	5,371
METAPOLIS Co., Ltd.		579,241	534,775	44,466	21,333	(36,861)
POSMATE Co., Ltd.		90,403	15,317	75,086	116,021	8,592
CHUNGJU ENTERPRISE CITY DEVELOPMENT CO., LTD.		302,887	256,485	46,402	67,459	2,099
MIDAS Information Technology Co., Ltd.		73,939	24,178	49,761	50,501	9,411
UI trans Co., Ltd.		30,292	17,279	13,013	-	(831)
Incheonjinpo Highway Co., Ltd.		14,690	1,518	13,172	-	(911)
Garolim Tidal Power Plant Co., Ltd.		37,626	293	37,333	-	(510)
[Foreign]						
POSCO-NPS Niobium LLC		749,737	-	749,737	11,433	11,317
CSP(Compania Siderurgica do Pecem)		622,810	1,657	621,153	-	(1,302)
Nickel Mining Company SAS		496,518	94,900	401,618	142,456	(12,983)
KOBRASCO		314,458	56,691	257,767	130,725	73,978
KOREA LNG Ltd.		24,169	10,492	13,677	95,385	92,600
DMSA, AMSA		5,807,261	3,979,755	1,827,506	939	939
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.		1,099,540	745,318	354,222	1,421,784	7,188
CAML Resources Pty. Ltd.		217,677	105,456	112,221	278,778	46,567
South-East Asia Gas Pipeline Company Ltd.		596,972	53,140	543,832	-	(99)
Poschrome Pty. Ltd.		61,740	4,129	57,611	96,785	1,028
USS-POSCO Industries		470,963	434,722	36,241	1,062,110	(61,478)

(e) Joint venture as of December 31, 2012 is as follows:

	Operation	Ownership	Location
Mt. Thorley J/V	Mine development	20%	Australia
POSMAC J/V	Mine development	20%	Australia
CD J/V	Mine development	5%	Australia
RUM J/V	Mine development	10%	Australia

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

11. Investment Property, Net

(a) Investment property as of December 31, 2012 and 2011 are as follows:

(in millions of Won)	2012			2011		
	Acquisition cost	Accumulated depreciation and impairment loss	Book value	Acquisition cost	Accumulated depreciation and impairment loss	Book value
Land	₩ 252,846	(41,464)	211,382	280,634	(61,157)	219,477
Buildings	490,657	(186,154)	304,503	475,971	(174,238)	301,733
Structures	9,448	(4,142)	5,306	10,300	(3,977)	6,323
Total	₩ 752,951	(231,760)	521,191	766,905	(239,372)	527,533

As of December 31, 2012, the fair value of investment property is ₩ 837,511 million, among which the Company evaluated investment property of 7 subsidiaries including International Business Center Corporation as its book value amounted to ₩ 64,653 million since it is believed that fair value is approximately same as book value.

(b) Changes in the carrying value of investment property for the years ended December 31, 2012 and 2011 were as follows:

1) For the year ended December 31, 2012

(in millions of Won)	Beginning	Acquisitions	Business combination	Disposals	Depreciation (*1)	Others (*2)	Ending
Land	₩ 219,477	15,832	1,442	(38,575)	(475)	13,681	211,382
Buildings	301,733	13,857	1,560	(6,730)	(15,044)	9,127	304,503
Structures	6,323	-	-	-	(322)	(695)	5,306
Total	₩ 527,533	29,689	3,002	(45,305)	(15,841)	22,113	521,191

(*1) Impairment losses of investment property amounted to ₩ 1,053 million are included.

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

2) For the year ended December 31, 2011

(in millions of Won)	Beginning	Acquisitions	Business combination	Disposals	Depreciation (*1)	Others (*2)	Ending
Land	₩ 211,464	41,243	94	(57,905)	(14,010)	38,591	219,477
Buildings	278,361	109,757	-	(56,953)	(22,783)	(6,649)	301,733
Structures	3,540	6,072	-	-	(640)	(2,649)	6,323
Total	₩ 493,365	157,072	94	(114,858)	(37,433)	29,293	527,533

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

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

POSCO and Subsidiaries **Notes to the Consolidated Financial Statements, Continued** **As of December 31, 2012**

12. Property, Plant and Equipment, Net

(a) Property, plant and equipment as of December 31, 2012 and 2011 are as follows:

(in millions of Won)	2012				2011			
	Acquisition cost	Accumulated depreciation and impairment loss	Government grants	Book value	Acquisition cost	Accumulated depreciation and impairment loss	Government grants	Book value
Land	₩ 2,549,178	(11,979)	-	2,549,178	₩ 2,549,178	-	-	2,549,178
Buildings	7,130,322	(2,091,430)	(169)	4,168,802	6,664,004	(2,644,172)	(3)	4,019,829
Structures	3,997,124	(1,676,669)	(274)	2,320,181	3,761,335	(1,590,808)	(250)	2,260,437
Machinery and equipment	16,217,492	(19,684,338)	(950)	16,332,204	14,392,737	(18,211,863)	(1,490)	16,179,384
Vehicles	279,680	(219,489)	(7)	60,184	272,249	(205,478)	(28)	66,743
Tools	331,870	(261,572)	(47)	69,851	325,511	(242,612)	(22)	80,877
Furniture and fixtures	526,396	(342,796)	(319)	183,380	466,225	(296,120)	(416)	169,689
Capital lease assets	365,241	(48,617)	-	316,624	315,924	(33,684)	-	282,240
Construction-in-progress	6,238,505	-	-	6,238,505	-	-	(65,419)	3,088,505
Total	₩ 37,474,657	(25,396,590)	(1,088)	32,276,379	51,653,289	(23,134,937)	(65,668)	28,453,184

(b) The changes in carrying value of property, plant and equipment as for the years ended December 31, 2012 and 2011 were as follows:

1) For the year ended December 31, 2012

(in millions of Won)	Business combination						
	Beginning	Acquisitions (*1)		Disposals	Depreciation (*2)	Others (*3)	Ending
Land	₩ 2,549,178	153,031	2,377	(26,793)	-	(31,371)	2,646,422
Buildings	4,019,829	342,068	12,210	(29,756)	(298,978)	123,409	4,168,802
Structures	2,260,437	256,958	-	(24,308)	(199,970)	27,064	2,320,181
Machinery and equipment	16,179,384	2,016,572	5,804	(209,357)	(1,774,051)	313,852	16,532,204
Vehicles	66,743	16,777	141	(1,244)	(20,705)	(1,558)	60,154
Tools	80,877	21,833	411	(1,081)	(36,026)	3,837	69,851
Furniture and fixtures	169,689	72,052	76	(3,369)	(65,074)	10,006	183,380
Capital Lease Assets	38,542	535	-	(236)	(9,154)	27,537	57,222
Construction-in-progress	3,088,505	6,423,131	-	-	-	(3,273,475)	6,238,156
Total	₩ 28,453,184	9,302,977	21,019	(296,144)	(2,403,958)	(2,800,699)	32,276,379

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

(*2) Impairment losses of property, plant and equipment amounted to ₩ 12,977 million are included.

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

2) For the year ended December 31, 2011

(in millions of Won)	Business combination						
	Beginning	Acquisitions (*1)		Disposals	Depreciation	Others (*2)	Ending
Land	₩ 2,011,851	450,151	92,806	(55,751)	-	50,121	2,549,178
Buildings	3,551,163	701,166	38,382	(38,755)	(278,097)	45,970	4,019,829
Structures	2,070,189	289,524	8,961	(10,775)	(163,072)	65,610	2,260,437
Machinery and equipment	13,777,382	2,892,960	204,871	(45,950)	(1,605,342)	955,463	16,179,384
Vehicles	64,173	21,041	1,981	(1,795)	(17,894)	(763)	66,743
Tools	75,437	38,477	2,259	(1,477)	(37,743)	3,924	80,877
Furniture and fixtures	124,677	66,297	1,995	(1,657)	(28,249)	6,626	169,689
Capital Lease Assets	43,106	8,029	20	(145)	(14,081)	1,613	38,542
Construction-in-progress	3,719,762	4,593,524	10,536	-	-	(5,235,317)	3,088,505
Total	₩ 25,437,740	9,061,169	361,811	(156,305)	(2,144,478)	(4,106,753)	28,453,184

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

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

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(c) Borrowing costs capitalized and the capitalized interest rate for the years ended December 31, 2012 and 2011 were as follows:

(in millions of Won)

	2012	2011
Weighted average expenditure	₩ 3,131,866	1,433,877
Borrowing costs capitalized	101,794	78,777
Capitalization rate	3.25%	5.49%

(d) Pledged as collateral assets

(in millions of Won)

	Collateral right holder	2012	2011
Land (*1)	Korean Development Bank and others	₩ 545,654	381,096
Buildings and structures (*1)	Korean Development Bank and others	327,757	139,169
Machinery and equipment	Korean Development Bank and others	1,285,452	218,816
Construction-in-progress	The Export-Import Bank of Korea and others	1,486,745	-
		₩ 3,645,608	739,081

(*1) Investment properties are included.

13. Goodwill and Other Intangible Assets

(a) Goodwill and other intangible assets as of December 31, 2012 and 2011 are as follows:

	2012				2011			
(in millions of Won)	Acquisition cost	Accumulated depreciation and impairment loss	Government grants	Book value	Acquisition cost	Accumulated depreciation and impairment loss	Government grants	Book value
Goodwill	₩ 1,735,879	(22,188)	-	1,713,691	1,671,775	(14,958)	-	1,656,817
Intellectual property rights	317,748	(41,448)	(1,154)	275,146	285,166	(10,259)	-	274,907
Premium in rental	151,116	(13,383)	-	137,733	151,747	(12,603)	-	139,144
Development expense	127,856	(65,367)	(1,558)	60,931	90,109	(42,458)	(2,068)	45,583
Port facilities usage rights	410,023	(326,901)	-	83,122	410,077	(315,331)	-	94,746
Exploration and evaluation assets	509,581	(29,853)	-	479,728	501,374	(28,182)	-	473,192
Mining development assets	1,643,306	-	-	1,643,306	1,414,315	-	-	1,414,315
Customer relationships	862,217	(111,485)	-	750,732	865,036	(57,968)	-	807,068
Other intangible assets	921,277	(403,302)	(3)	517,972	710,257	(371,097)	(4)	339,156
Total	₩ 6,679,903	(1,013,927)	(2,715)	5,662,361	6,099,856	(852,856)	(2,072)	5,244,928

(b) The changes in carrying value of goodwill and other intangible assets for the years ended December 31, 2012 and 2011 were as follows:

1) For the year ended December 31, 2012

	Beginning	Increase			Decrease				Others (*3)	Ending
(in millions of Won)		Acquisitions	Development	Business combination	Disposals	Amortization	Impairment loss			
Goodwill (*1)	₩ 1,656,817	-	-	77,298	-	-	(7,230)	(13,194)		1,713,691
Intellectual property rights	274,907	30,352	-	1	(1,375)	(24,829)	-	(3,910)		275,146
Premium in rental (*2)	139,144	13,498	-	622	(10,038)	(544)	(12,336)	7,387		137,733
Development expense	45,583	1,466	26,966	-	(148)	(23,011)	-	10,975		60,931
Port facilities usage rights	94,746	-	-	-	-	(11,624)	-	-		83,122
Exploration and evaluation assets	473,192	7,349	-	-	-	-	(1,671)	858		479,728
Mining development assets	1,414,315	228,991	-	-	-	-	-	-		1,643,306
Customer relationships	807,068	-	-	-	-	(53,517)	-	(2,819)		750,732
Other intangible assets	339,156	193,561	17	26,748	(652)	(44,466)	(9)	3,617		517,972
	₩ 5,244,928	475,217	26,983	104,669	(12,213)	(157,991)	(71,246)	2,914		5,662,361

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(*1) Acquisition amounts include goodwill amounting to ₩ 77,298 million related to the acquisition of PONUTech Co., Ltd.

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

(*3) Includes translation adjustment and reclassifications.

2) For the year ended December 31, 2011

(in millions of ₩)	Beginning	Increase			Disposals	Decrease		Others (*3)	Ending
		Acquisitions	Development	Business combination		Amortization	Impairment loss		
Goodwill (*1)	₩ 1,447,743	-	-	234,032	-	-	(14,958)	-	1,656,817
Intellectual property rights	119,100	171,402	-	-	(7,544)	(16,258)	-	8,207	234,907
Premium in rental (*2)	159,761	15,355	-	9	(3,457)	(8,391)	-	(24,133)	139,144
Development expense	49,275	13,978	352	688	(44)	(20,092)	-	1,526	45,583
Port facilities usage rights	108,161	-	-	-	-	(13,130)	-	(285)	94,746
Exploration and evaluation assets	594,464	10,151	-	-	(38,563)	-	(92,860)	-	473,192
Mining development assets	1,058,354	357,681	-	-	(96)	-	-	(1,624)	1,414,315
Customer relationships	778,080	-	-	75,836	-	(46,848)	-	-	807,068
Other intangible assets	304,231	95,557	-	8,160	(5,684)	(28,569)	-	(34,539)	339,156
	<u>₩ 4,619,169</u>	<u>664,124</u>	<u>352</u>	<u>308,725</u>	<u>(55,388)</u>	<u>(133,288)</u>	<u>(14,958)</u>	<u>(143,708)</u>	<u>5,244,928</u>

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

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

(*3) Includes translation adjustment and reclassifications.

(c) For the purpose of impairment testing, goodwill is allocated to individual operating entities determined to be CGUs. The goodwill amount as of December 31, 2012 and 2011 are as follows:

Reporting segments	Total number of CGUs		CGUs		2012		2011	
	2012	2011						
Steel	11	11	POSCO-Thainox Public Company Limited. (*3)	₩	109,779	119,260		
			POSCO VST Co., Ltd.		36,955	36,955		
			Others (*4)		14,096	21,322		
Trading	3	3	Daewoo International Corporation (*1)		1,163,922	1,163,922		
			Others		11,906	13,316		
E&C	3	1	POSCO Engineering Company (*2)		194,637	194,637		
			EPC EQUITIES LLP		47,913	49,931		
			Others		11,291	11,796		
Others	10	8	PONUTech Co., Ltd.		77,298	-		
			POSCO ENERGY Co., Ltd.		26,471	26,471		
			Others		19,423	19,207		
Total	<u>27</u>	<u>25</u>		₩	<u>1,713,691</u>	<u>1,656,817</u>		

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

- (*1) Recoverable amounts of Daewoo International Corporation were determined based on value-in-use. As of December 31, 2012, value-in-use is estimated by applying 7.60% discount rate and 2.8% terminal growth rate with 5 years, the period for the estimated future cash flows, based on management's business plan. No impairment loss of goodwill was recognized during the year ended December 31, 2012 as the recoverable amount exceeded the carrying value of the CGU.

The estimated recoverable amount of CGU exceeded the carrying value by ₩ 1,087,136 million. Value-in-use of the CGU was affected by the assumption such as discount rate and terminal growth used in discount cash flow model. When the discount rate increases by 0.25%, value-in-use will be decreased by 4.43% and when the terminal growth rate decreases by 0.25%, value-in-use will be decreased by 3.80%. There is no effect on the impairment loss of the goodwill.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

- (*2) Recoverable amounts of POSCO Engineering Company were determined based on value-in-use. As of December 31, 2012, value-in-use is estimated by applying 11.15% discount rate and 1% terminal growth rate with 5 years, the period for the estimated future cash flows based on management's business plan. No impairment loss of goodwill was recognized during the year ended December 31, 2012 as the recoverable amount exceeded the carrying value of the CGU.

The estimated recoverable amounts of CGU exceeded the carrying value by ₩ 171,253 million. Value-in-use of the CGU was affected by the assumption such as discount rate and terminal growth used in discount cash flow model. When the discount rate increases by 0.25%, value-in-use will be decreased by 2.91% and when the terminal growth rate decreases by 0.25%, value-in-use will be decreased by 1.88%. There is no effect on the impairment loss of the goodwill.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

- (*3) Recoverable amounts of POSCO- Thainox Public Company Limited were determined based on fair value, which was calculated to 30% control premium added to the current stock price as of December 31, 2012. And no impairment loss of goodwill was recognized since there was no objective evidence of impairment on December 31, 2012.
- (*4) The Company recognized goodwill impairment loss of ₩ 7,230 million, which was occurred when POSCONST CO., LTD. merged into POSCOAST CO., LTD. for the year ended December 31, 2012.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

14. Other Assets

Other current assets and other long-term assets as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

		<u>2012</u>	<u>2011</u>
Other current assets			
Advance payment	₩	1,205,969	1,035,846
Prepaid expenses		189,647	180,369
Others		2,564	3,927
	₩	<u>1,398,180</u>	<u>1,220,142</u>
Other long-term assets			
Long-term advance payment	₩	2,119	2,895
Long-term prepaid expenses		178,934	190,741
Others (*1)		212,733	436,651
	₩	<u>393,786</u>	<u>630,287</u>

(*1) The guarantee deposits of ₩257,878 million related to the Australia Roy Hill iron ore mine were transferred to investments in associates during the year ended December 31, 2012.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

15. Borrowings

(a) Short-term borrowings and current portion of long-term borrowings as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	Bank	Interest rate (%)	2012	2011
Short-term borrowings				
Bank overdrafts	BOA, others	0.4~1.0	₩ 123,685	233,804
Short-term borrowings (*1)	Shinhan Bank, others	0.3~13.0	7,586,993	9,339,182
			7,710,678	9,572,986
Current portion of long-term liabilities				
Current portion of long-term borrowings (*1)	Korean Development Bank, others	0.5~6.0	898,564	428,409
Current portion of foreign loan	NATIXIS	2.0	901	951
Current portion of debentures (*1)	Korean Development Bank, others	1.9~7.0	1,899,430	790,050
Less : Current portion of discount on debentures issued			(2,644)	(886)
Add : Premium on debentures redemption			2,419	-
			2,798,670	1,218,524
			₩ 10,509,348	10,791,510

(*1) Property, plant and equipment, short-term financial assets, available-for-sale financial assets and other assets amounting to ₩ 3,629,296 million, ₩ 11,050 million, ₩ 624,187 million and ₩ 65 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

(b) Long-term borrowings, excluding current portion as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	Bank	Interest rate (%)	2012	2011
Long-term borrowings (*1)	Korean Development Bank and others	0.6~13.0	₩ 5,161,711	4,614,391
Less : Present value discount			(44,293)	(302,118)
Foreign loan (*2)	NATIXIS	2.0	2,009	3,071
Bonds (*1,3,4)	Korean Development Bank and others	1.5~9.0	9,339,966	11,776,893
Less : Discount on debentures issued			(62,943)	(94,356)
Add : Premium on debentures redemption			15,635	21,493
Add : Premium on debentures issued			-	833
			₩ 14,412,085	16,020,207

(*1) Property, plant and equipment, short-term financial assets, available-for-sale financial assets and other assets amounting to ₩ 3,629,296 million, ₩ 11,050 million, ₩ 624,187 million and ₩ 65 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

(*2) Korea Development Bank has provided guarantees related to this foreign loan.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(*3) In 2009, one of the controlling company's subsidiaries, Daewoo International Corporation, issued convertible bonds with a face value of USD 300 million and a 5 year maturity. All of these convertible bonds have been converted to equity stocks of the subsidiary during the year ended December 31, 2012.

(*4) POSCO issued exchangeable bonds with SK Telecom Co., Ltd. ADRs through Zeus(Cayman) Ltd. August 2011. The Company accounted for these exchangeable bonds as long-term borrowings. POSCO provides guarantees for Zeus (Cayman) Ltd.

16. Other Payables and Other Financial Liabilities

(a) Other payables as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	<u>2012</u>	<u>2011</u>
Current		
Accounts payable	₩ 737,802	1,048,895
Accrued expenses (*1)	868,015	457,071
	<u>1,605,817</u>	<u>1,505,966</u>
Non-Current		
Accounts payable	117,462	149,308
Accrued expenses	24,950	20,067
	<u>142,412</u>	<u>169,375</u>
	<u>₩ 1,748,229</u>	<u>1,675,341</u>

(*1) During the year ended December 31, 2012, a fine of ₩ 117,629 million was imposed on POSCO and POSCO Coated & Color Steel Co., Ltd. for price fixing galvanized steel sheets as a result of Korea Fair Trade Commission's investigation.

(b) Other financial liabilities as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	<u>2012</u>	<u>2011</u>
Current		
Dividends payable	7,487	5,822
Derivatives liabilities	84,922	146,903
Finance lease liabilities	16,044	15,295
Financial guarantee liabilities	7,819	7,510
Withholding	205,556	129,694
	<u>321,828</u>	<u>305,224</u>
Non-Current		
Derivatives liabilities	100,220	48,934
Finance lease liabilities	32,961	29,504
Financial guarantee liabilities	17,493	24,732
Long-term withholding	68,549	78,015
	<u>219,223</u>	<u>181,185</u>
	<u>₩ 541,051</u>	<u>486,409</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

17. Provisions

(a) Provisions as of December 31, 2012 and 2011 were as follows:

(in millions of Won)

	2012		2011	
	Current	Non-current	Current	Non-current
Provision for bonus payments	₩ 42,904	-	47,682	-
Provision for construction warranties	23,489	27,227	19,656	30,967
Provision for legal contingencies and claims (*1)	-	30,920	-	38,847
Others	11,438	41,951	2,094	39,529
	₩ 77,831	100,098	69,432	109,343

(*1) As of December 31, 2012 and 2011, the amount includes provision of ₩ 23,784 million and ₩ 38,847 million, respectively, for a potential claim in connection to the spin-off of the trading division of Daewoo International Corporation in 2000 (note 35). In addition, the amount includes provision of ₩ 7,136 million for obligation to payment guarantee related to borrowings incurred in the process of disposal of Daewoo Cement (Shandong) Co., Ltd. during the year ended December 31, 2012.

(b) The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period.

	Key assumptions for the estimation
Provision for bonus payments	Estimations based on financial performance
Provision for construction warranties	Estimations based on historical warranty data
Provision for legal contingencies and claims	Estimations based on the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss

(c) Changes in provisions for the year ended December 31, 2012 are as follows:

(in millions of Won)

	Beginning	Increase	Utilization	Reversal	Others (*1)	Ending
Provision for bonus payments	₩ 47,682	343,062	(347,262)	(523)	(55)	42,904
Provision for construction warranties	50,623	24,694	(16,054)	(4,472)	(4,075)	50,716
Provision for legal contingencies and claims	38,847	8,540	-	(16,163)	(304)	30,920
Others	41,623	14,209	(3,450)	(1,680)	2,687	53,389
	₩ 178,775	390,505	(366,766)	(22,838)	(1,747)	177,929

(*1) Include adjustments of foreign currency translation difference and others.

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

(in millions of Won)

	Beginning	Increase	Utilization	Reversal	Others (*1)	Ending
Provision for bonus payments	₩ 37,978	30,592	(20,888)	-	-	47,682
Provision for construction warranties	49,068	30,724	(11,624)	(1,334)	(16,211)	50,623
Provision for legal contingencies and claims	126,626	-	-	(35,629)	(52,150)	38,847
Others	2,286	371	1,062	(1,334)	39,238	41,623
	₩ 215,958	61,687	(31,450)	(38,297)	(29,123)	178,775

(*1) Include adjustments of foreign currency translation difference and transfer to non-current liability held for sale (related to Daewoo Cement (Shandong) Co., Ltd.).

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

18. Employee Benefits

(a) Defined contribution plans

The Company operates a defined contribution plan for participating employees. Though the Company pays fixed contributions into a separate fund, employee benefits relating to employee service in the future is based on the contributions to the funds and the investment earnings on it. Plan assets are managed by a trustee within a fund separate from the Company's assets.

The expense related to post-employment benefit plans under defined contribution plans for the year ended December 31, 2012 and 2011 was as follows:

(in millions of Won)

	<u>2012</u>	<u>2011</u>
Expense related to post-employment benefit plans under defined contribution plans	₩ 16,520	8,874

(b) Defined benefit plans

The Company also operates a defined benefit pension plan for employees. The employees who chose a defined benefit pension plan will receive a defined payment upon termination of their employment if they fulfill the condition to qualify as a recipient. Before the termination of employment, the Company recognizes the pension liability related to defined benefit plans at the end of the reporting period, and measures it at the present value of the defined benefit obligation less the fair value of the plan assets. The Company uses the projected unit credit method in the actuarial valuation of plan assets and the defined benefit obligation.

(c) The amounts recognized in relation to defined benefit obligations in the statements of financial position as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	<u>2012</u>	<u>2011</u>
Present value of funded obligations	₩ 1,394,675	1,158,329
Fair value of plan assets	(1,064,711)	(832,771)
Present value of non-funded obligations	15,724	14,909
Net defined benefit obligations	<u>₩ 345,688</u>	<u>340,467</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(d) The changes in present value of defined benefit obligations for the years ended December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Defined benefit obligation at the beginning of period	₩	1,173,238	1,467,853
Current service cost (*1)		212,450	207,871
Interest costs		51,351	67,372
Actuarial losses		83,050	43,166
Business combinations		1,684	221
Benefits paid		(116,846)	(593,369)
Others		5,472	(19,876)
Defined benefit obligation at the end of period	₩	<u>1,410,399</u>	<u>1,173,238</u>

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

(e) The changes in fair value of plan assets for the years ended December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Fair value of plan assets at the beginning of period	₩	832,771	964,727
Expected return on plan assets		37,670	38,244
Actuarial gains and losses		2,157	3,073
Contributions of participants (*1)		267,420	190,909
Business combinations		906	354
Others		(490)	14,059
Benefits paid		(75,723)	(378,595)
Fair value of plan assets at the end of period	₩	<u>1,064,711</u>	<u>832,771</u>

(*1) The Company expects to make a contribution of ₩267,420 million to the defined benefit plan assets in 2013.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(f) The fair value of plan assets as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Equity instruments	₩	12,002	7,703
Debt instruments		107,303	103,074
Deposits		743,884	538,260
Others		201,522	183,734
	₩	<u>1,064,711</u>	<u>832,771</u>

(g) The amounts recognized in the statements of comprehensive income for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Current service costs	₩	212,450	207,871
Interest costs		51,351	67,372
Expected return on plan assets (*1)		(37,670)	(38,244)
	₩	<u>226,131</u>	<u>236,999</u>

(*1) The actual return on plan assets amounted to ₩ 39,827 million and ₩ 41,317 million for the years ended December 31, 2012 and 2011, respectively.

The above expenses by function were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Cost of sales	₩	165,675	177,020
Selling and administrative expenses		60,456	59,979
	₩	<u>226,131</u>	<u>236,999</u>

(h) Accumulated actuarial gains (losses), net of tax, recognized in other comprehensive income as of and for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Beginning	₩	(182,702)	(152,125)
Current actuarial losses		(62,527)	(30,577)
Ending	₩	<u>(245,229)</u>	<u>(182,702)</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(i) The principal actuarial assumptions as of December 31, 2012 and 2011 are as follows:

(%)	<u>2012</u>	<u>2011</u>
Discount rate (*1)	3.29~4.46	3.86~5.42
Expected return on plan assets (*2)	3.29~5.10	2.00~5.29
Expected future increases in salaries (*3)	1.04~6.72	1.03~7.35

(*1) Discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of our benefits obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(*2) The overall expected rate of return on plan assets is a weighted average of the expected returns of the various categories of plan assets held. The management's assessment of the expected returns is based on historical return trends and predictions of the market for the asset over the life of the related obligation.

(*3) The expected future increases in salaries are based on the average salary increase rate for past three-years.

All assumptions are reviewed at the end of the reporting period. Additionally, the total estimated defined benefit obligation includes actuarial assumptions associated with the long-term characteristics of the defined benefit plan.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

19. Other Liabilities

Other liabilities as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		2012	2011
Other current liabilities			
Due to customers for contract work	₩	529,104	449,470
Advances received		1,289,805	973,427
Unearned revenue		46,963	36,935
Withholdings		162,073	114,941
Deferred revenue		235	362
Others (*1)		283,474	224,496
		<u>2,311,654</u>	<u>1,799,631</u>
Other long-term liabilities			
Advances received		312,668	1,547
Unearned revenue		841	1,200
Others (*1)		64,305	81,756
		<u>377,814</u>	<u>84,503</u>
	₩	<u><u>2,689,468</u></u>	<u><u>1,884,134</u></u>

(*1) Includes other current liabilities amounting to ₩ 274,490 million, ₩ 204,653 million and other long-term liabilities amounting to ₩ 14,939 million and ₩ 14,857million as of December 31, 2012 and 2011, respectively, due to proportionate consolidation of joint ventures which are owned by POSCO's subsidiaries.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

20. Financial Instruments

(a) Classification of financial instruments

1) Financial assets as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012	2011
Financial assets at fair value through profit or loss		
Financial assets held for trading	₩ -	50,861
Derivatives assets held for trading	71,354	108,751
	<u>71,354</u>	<u>159,612</u>
Available-for-sale financial assets	3,914,521	4,608,597
Held-to-maturity investments	34,488	35,574
Loans and receivables	19,787,951	19,902,456
	<u>₩ 23,808,314</u>	<u>24,706,239</u>

2) Financial liabilities as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012	2011
Financial liabilities at fair value through profit or loss		
Derivatives liabilities held for trading	₩ 185,142	195,837
Designated as financial liabilities at fair value through profit or loss	-	333,004
	<u>185,142</u>	<u>528,841</u>
Financial liabilities evaluated as amortized cost		
Trade accounts payable	4,391,787	4,397,662
Borrowings	24,921,433	26,478,713
Financial guarantee liabilities	25,312	32,242
Others	1,802,175	1,882,179
	<u>31,140,707</u>	<u>32,790,796</u>
	<u>₩ 31,325,849</u>	<u>33,319,637</u>

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

3) Finance income and costs by category of financial instrument for the years ended December 31, 2012 and 2011 were as follows:

① December 31, 2012

(in millions of Won)

		Finance income and costs						Other comprehensive loss
		Interest income (cost)	Dividend income	Gain and loss on foreign currency transactions	Gain and loss on foreign currency translations	Gain and loss on disposal	Others	
Financial assets at fair value through profit or loss	W	130	-	-	-	407,505	77,907	485,542
Available-for-sale financial assets		1,046	124,475	-	-	75,809	(224,171)	(22,841)
Held-to-maturity investments		1,664	-	-	-	(224)	79	1,519
Loans and receivables		275,967	-	(252,265)	(162,156)	(33,786)	(406)	(172,646)
Financial liabilities at fair value through profit or loss		-	-	-	-	(308,350)	(143,754)	(452,104)
Financial liabilities at amortized cost		(871,457)	-	348,481	855,805	-	(72,874)	259,955
	W	(592,650)	124,475	96,216	693,649	140,954	(363,219)	99,425
								(81,471)

② December 31, 2011

(in millions of Won)

		Finance income and costs						Other comprehensive loss
		Interest income (cost)	Dividend income	Gain and loss on foreign currency transactions	Gain and loss on foreign currency translations	Gain and loss on disposal	Others	
Financial assets at fair value through profit or loss	W	3	-	-	-	544,913	70,656	615,572
Available-for-sale financial assets		768	143,880	-	-	453,540	(152,804)	445,384
Held-to-maturity investments		1,749	-	-	-	-	(311)	1,438
Loans and receivables		213,714	-	(26,239)	46,971	(41,171)	(95)	193,180
Financial liabilities at fair value through profit or loss		-	-	-	-	(506,664)	(150,963)	(657,627)
Financial liabilities at amortized cost		(788,348)	-	(140,052)	(317,867)	-	(27,956)	(1,274,223)
	W	(572,114)	143,880	(166,291)	(270,896)	450,618	(261,473)	(676,276)
								(1,231,758)

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(b) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Company's maximum exposure to credit risk. The maximum exposures to credit risk as of December 31, 2012 and 2011 is as follows:

<i>(in millions of Won)</i>		2012	2011
Cash and cash equivalents	₩	4,680,526	4,598,682
Financial assets at fair value through profit or loss		71,354	159,612
Available-for-sale financial assets		203,352	99,400
Held-to-maturity investments		34,488	35,574
Loans and other receivables		3,927,248	3,670,198
Trade accounts and notes receivable		11,037,973	11,450,515
Long-term trade accounts and notes receivable		142,204	183,061
	₩	<u>20,097,145</u>	<u>20,197,042</u>

The Company provided financial guarantees for the repayment of loans of associates and third parties. As of December 31, 2012 and 2011, the maximum exposure to credit risk amounted to ₩ 4,496,666 million and ₩ 4,542,734 million, respectively.

2) Impairment losses on financial assets

① Allowance for doubtful accounts as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		2012	2011
Trade accounts and notes receivable	₩	379,536	303,186
Other accounts receivable		47,565	36,453
Long-term loans		42,721	61,222
Other assets		5,055	5,860
	₩	<u>474,877</u>	<u>406,721</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

- ② Impairment losses on financial assets for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Bad debt expenses on trade receivables	₩	79,258	92,197
Impairment of available-for-sale financial assets		224,171	152,804
Other bad debt expenses (*1)		44,115	11,155
Impairment of held to maturity financial assets		-	579
Less: Reversal of allowance for doubtful accounts		-	(57,875)
Less: Impairment of held to maturity financial assets		(79)	(268)
	₩	<u>347,465</u>	<u>198,592</u>

(*1) Other bad debt expenses are mainly related to other receivables and long-term loans.

- ③ The aging schedule and the impaired losses of trade accounts and notes receivables as of December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>		<u>2011</u>	
		Trade accounts and notes receivable	Impairment	Trade accounts and notes receivable	Impairment
Not due	₩	9,106,925	52,063	6,154,045	8,137
Over due less than 1 month		1,313,554	4,387	4,868,928	233
1 month - 3 months		278,029	3,264	256,022	1,506
3 months - 12 months		413,251	41,291	301,875	37,032
Over 12 months		447,954	278,531	355,892	256,278
	₩	<u>11,559,713</u>	<u>379,536</u>	<u>11,936,762</u>	<u>303,186</u>

- ④ Changes in the allowance for doubtful accounts for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Beginning	₩	406,721	357,063
Bad debt expenses		79,258	92,197
(Reversal of) other bad debt expenses		44,115	(46,720)
Other		(55,217)	4,181
Ending	₩	<u>474,877</u>	<u>406,721</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(c) Liquidity risk

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

<i>(in millions of Won)</i>		Book value	Contractual cash flow (*3)	Within 1 year	1 year - 5 years	Later than 5 years	Total
Non-derivative financial liabilities							
Trade accounts payable	₩	4,391,787	4,391,787	4,389,194	2,593	-	4,391,787
Financial guarantee liabilities (*1)		25,312	4,607,773	4,607,773	-	-	4,607,773
Other financial liabilities		1,802,175	1,802,175	1,558,253	242,557	1,365	1,802,175
Borrowings (*2)		24,921,433	27,461,706	11,084,122	11,619,867	4,757,717	27,461,706
	₩	31,140,707	38,263,441	21,639,342	11,865,017	4,759,082	38,263,441

(*1) For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

(*2) Includes cash flows of embedded derivative instruments in relation to exchangeable bonds (exchange right).

(*3) Includes estimated interest.

- 2) The maturity analysis of derivative financial liabilities is as follows:

<i>(in millions of Won)</i>		Within 1 year	1 year - 5 years	Later than 5 years	Total
Derivative financial liabilities					
Currency forward	₩	58,129	5,247	-	63,376
Currency futures		67	-	-	67
Currency swaps		9,499	65,119	4,525	79,143
Others		17,227	25,329	-	42,556
	₩	84,922	95,695	4,525	185,142

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(d) Currency risk

- 1) The Company has exposure to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The exposure to currency risk as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>	2012		2011	
	Assets	Liabilities	Assets	Liabilities
USD	₩ 3,933,448	9,120,893	3,852,909	10,912,882
EUR	317,381	330,481	275,012	610,454
JPY	239,569	2,017,179	236,046	2,353,794
Others	264,299	65,679	130,753	136,294

- 2) As of December 31, 2012 and 2011, provided that functional currency against foreign currencies other than functional currency hypothetically strengthens or weakens by 10%, the changes in gain or loss during the years ended December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>	2012		2011	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ (518,745)	518,745	(705,997)	705,997
EUR	(1,310)	1,310	(33,544)	33,544
JPY	(177,761)	177,761	(211,775)	211,775

(e) Interest rate risk

- 1) The carrying amount of interest-bearing financial instruments as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>	2012	2011
Fixed rate		
Financial assets	₩ 7,325,825	7,086,835
Financial liabilities	(15,301,208)	(24,169,245)
	₩ (7,975,383)	(17,082,410)
Variable rate		
Financial liabilities	₩ (9,620,225)	(2,642,472)

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

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

As of December 31, 2012 and 2011, provided that other factors remain the same and the interest rate of borrowings with floating rates increases or decreases by 1%, the changes in gain or loss during the years ended December 31, 2012 and 2011 are as follows:

(in millions of Won)	2012		2011	
	1% increase	1% decrease	1% increase	1% decrease
Variable rate financial instruments	₩ (96,202)	96,202	(26,425)	26,425

(f) Fair value

1) Fair value and book value

The carrying amount and the fair value of financial instruments as of December 31, 2012 and 2011 are as follows

(in millions of Won)	2012		2011	
	Book value	Fair value	Book value	Fair value
Assets measured at fair value				
Financial assets held for trading	₩ -	-	50,861	50,861
Available-for-sale financial assets (*1)	3,349,606	3,349,606	4,359,202	4,359,202
Derivatives assets held for trading (*2)	71,354	71,354	108,751	108,751
	<u>3,420,960</u>	<u>3,420,960</u>	<u>4,518,814</u>	<u>4,518,814</u>
Assets measured amortized cost (*3)				
Cash and cash equivalents	4,680,526	4,680,526	4,598,682	4,598,682
Trade accounts and notes receivable	11,180,177	11,180,177	11,633,576	11,633,576
Loans and other receivables	3,927,248	3,927,248	3,670,198	3,670,198
Held-to-maturity investments	34,488	34,488	35,574	35,574
	<u>19,822,439</u>	<u>19,822,439</u>	<u>19,938,030</u>	<u>19,938,030</u>
Liabilities measured fair value				
Derivatives liabilities held for trading (*2)	185,142	185,142	195,837	195,837
Convertible bonds	-	-	333,004	333,004
	<u>185,142</u>	<u>185,142</u>	<u>528,841</u>	<u>528,841</u>
Liabilities measured amortized cost (*3)				
Trade accounts and notes payable	4,391,787	4,391,787	4,397,662	4,397,662
Borrowings	24,921,433	25,382,344	26,478,713	26,793,230
Financial guarantee liabilities	25,312	25,312	32,242	32,242
Others	1,802,175	1,802,175	1,882,179	1,882,179
	<u>₩ 31,140,707</u>	<u>31,601,618</u>	<u>32,790,796</u>	<u>33,105,313</u>

(*1) The fair value of available-for-sale financial assets publicly traded is measured at the closing bid price quoted at the end of the reporting period. Meanwhile, the fair value of unquoted available-for-sale financial assets is calculated using the valuation results from an external pricing service in which weighted average borrowing rates of interest of evaluated companies are used as a discount rate.

(*2) The fair value of derivatives is measured using valuation models such as Black-scholes model and others in which the market yields on government bonds are used as a discount rate.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

- (*3) The fair value of financial assets and liabilities measured at amortized cost is determined at the present value of estimated future cash flows discounted at the current market interest rate. The fair value is calculated for the disclosures in the notes. On the other hand, the Company has not performed fair value measurement for the financial assets and liabilities measured at amortized cost except borrowings since the fair value is close to their carrying amounts.

2) Interest rates used for determining fair value

Interest rates used to discount estimated cash flows as of December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2012</u>
Interest rate of borrowings (%)	1.47~7.22	1.80 ~ 4.62

3) The fair value hierarchy

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

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

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

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

- ② The fair values of financial instruments, by valuation method as of December 31, 2012 and 2011 are as follows:

a. December 31, 2012

<i>(in millions of Won)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets				
Available-for-sale financial assets	₩ 2,590,933	-	758,673	3,349,606
Derivatives assets held for trading	-	71,354	-	71,354
	<u>₩ 2,590,933</u>	<u>71,354</u>	<u>758,673</u>	<u>3,420,960</u>
Financial Liabilities				
Derivatives liabilities held for trading	-	185,142	-	185,142
	<u>₩ -</u>	<u>185,142</u>	<u>-</u>	<u>185,142</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

b. December 31, 2011

<i>(in millions of Won)</i>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets					
Financial assets held for trading	₩	-	50,861	-	50,861
Available-for-sale financial assets		3,419,961	-	939,241	4,359,202
Derivatives assets held for trading		-	108,751	-	108,751
	₩	<u>3,419,961</u>	<u>159,612</u>	<u>939,241</u>	<u>4,518,814</u>
Financial Liabilities					
Derivatives liabilities held for trading	₩	-	195,837	-	195,837
Convertible bonds		333,004	-	-	333,004
	₩	<u>333,004</u>	<u>195,837</u>	<u>-</u>	<u>528,841</u>

- ③ Changes in fair value of financial instruments measured by Level 3 for the years ended December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Beginning	₩	939,241	805,160
Valuation		(182,927)	157,329
Acquisition and others (*1)		30,729	98,242
Disposal and others (*1)		(28,370)	(121,490)
Ending	₩	<u>758,673</u>	<u>939,241</u>

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

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

21. Share Capital and Contributed Surplus

(a) Share capital as of December 31, 2012 and 2011 are as follows:

<i>(share, Won)</i>		2012	2011
Authorized shares	₩	200,000,000	200,000,000
Par value		5,000	5,000
Issued shares (*1)		87,186,835	87,186,835
Shared capital (*2)		482,403,125,000	482,403,125,000

(*1) As of December 31, 2012, total shares of ADRs of 52,294,944 are equivalent to 13,823,736 of common stock.

(*2) As of December 31, 2012, the difference between the ending balance of common stock and the par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

(b) The changes in issued common stock for the years ended December 31, 2012 and 2011 are as follows:.

<i>(share)</i>	2012			2011		
	Issued shares	Treasury shares	Number of outstanding shares	Issued shares	Treasury shares	Number of outstanding shares
Beginning	87,186,835	(9,942,391)	77,244,444	87,186,835	(10,153,957)	77,032,878
Acquisition of treasury shares	-	-	-	-	(131,389)	(131,389)
Disposal of treasury shares	-	-	-	-	342,955	342,955
Ending	87,186,835	(9,942,391)	77,244,444	87,186,835	(9,942,391)	77,244,444

(c) Capital surplus as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		2012	2011
Share premium	₩	463,825	463,825
Gains on disposal of treasury shares		763,867	763,867
Other capital surplus		(122,878)	(77,240)
	₩	<u>1,104,814</u>	<u>1,150,452</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

22. Reserves

(a) Reserves as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Accumulated comprehensive loss			
of investments in associates	₩	(129,159)	(16,186)
Changes in the unrealized fair value of			
available-for-sale investments		67,956	154,617
Currency translation differences		(8,591)	283,516
Others		(18,356)	(16,521)
	₩	<u>(88,150)</u>	<u>405,426</u>

(b) Changes in fair value of available-for-sale securities as of December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Beginning balance	₩	154,617	1,381,667
Changes in the unrealized fair value of			
available-for-sale investments		(189,664)	(1,095,009)
Reclassification to profit or loss upon disposal		(54,089)	(252,102)
Impairment of available-for-sale securities		150,869	120,978
Others		6,223	(917)
Ending balance	₩	<u>67,956</u>	<u>154,617</u>

23. Treasury Shares

Based on the Board of Director's resolution, the Company holds treasury shares for the business purposes including price stabilization. The changes in treasury shares for the years ended December 31, 2012 and 2011 are as follows:

<i>(share, in millions of Won)</i>		<u>2012</u>		<u>2011</u>	
		<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>
Beginning	₩	9,942,391	2,391,406	10,153,957	2,403,263
Acquisition of treasury shares		-	-	131,389	61,296
Disposal of treasury shares		-	-	(342,955)	(73,153)
Ending	₩	<u>9,942,391</u>	<u>2,391,406</u>	<u>9,942,391</u>	<u>2,391,406</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

24. Sales

Details of the company sales for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		2012	2011
Revenues			
Goods sales	₩	55,123,774	59,915,941
Services sales		3,488,562	2,440,639
Construction sales		4,660,811	5,297,892
Rental income		32,056	39,862
Others		298,948	1,244,391
	₩	<u>63,604,151</u>	<u>68,938,725</u>

25. Construction Contracts

(a) Construction contracts in progress as of December 31, 2012 and 2011 were as follows:

<i>(in million of Won)</i>		2012	2011
Aggregate amount of costs incurred	₩	8,343,117	14,711,524
Add: Recognized profits		659,555	1,369,479
Less: Recognized losses		(213,055)	(310,647)
Cumulative construction revenue		8,789,617	15,770,356
Less: Progress billing		(7,691,482)	(14,638,181)
Foreign currency gains and losses		(2,589)	(1,966)
Others		(130,941)	(218,263)
	₩	<u>964,605</u>	<u>911,946</u>

(b) Amount unbilled due from customers and due to customers for contract work as of December 31, 2012 and 2011 were as follows:

<i>(in million of Won)</i>		2012	2011
Unbilled due from customers for contract work	₩	1,493,709	1,361,416
Due to customers for contract work		(529,104)	(449,470)
	₩	<u>964,605</u>	<u>911,946</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(c) When the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract.

The Company estimates the stage of completion of the contract based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

The estimated total contract costs are based on the nature and characteristics of an individual contract, historical costs of similar projects, and current circumstances. Only those contract costs that reflect work performed are included in costs incurred to date.

The following are the key assumptions for the estimated total contract cost.

	Key assumptions for the estimation
Material	Estimations based on recent purchasing contracts, market price and quoted price
Labor cost	Estimations based on standard monthly and daily labor cost
Outsourcing cost	Estimations based on the historical costs of similar projects, market price and quoted price

The management continually reviews all estimates involved in such construction contracts and adjusts them as necessary.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

26. Selling and Administrative Expenses

(a) Administrative expenses

Administrative expenses for years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		2012	2011
Wages and salaries	₩	694,682	606,819
Expenses related to defined benefit plan		61,261	60,271
Other employee benefits		170,734	164,508
Travel		52,817	56,635
Depreciation		218,747	172,807
Communication		15,088	13,061
Electric power		11,305	7,529
Taxes and public dues		59,664	50,617
Rental		93,268	65,559
Repairs		11,769	14,919
Entertainment		18,239	17,905
Advertising		55,777	70,939
Research & development		192,321	212,472
Service fees		264,439	286,635
Supplies		10,166	14,357
Vehicles maintenance		22,442	21,491
Industry association Fee		11,487	10,200
Training		17,772	24,375
Conference		17,745	21,739
Warranty expense		13,148	12,606
Bad debt allowance		79,258	92,197
Others		37,334	37,412
	₩	<u>2,129,463</u>	<u>2,035,053</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(b) Selling expenses

Selling expenses for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Freight	₩	1,472,817	1,406,268
Operating expenses for distribution center		9,327	8,115
Sales commissions		74,308	85,410
Sales advertising		4,575	1,204
Sales promotion		17,525	16,179
Samples		7,489	7,321
Sales insurance premium		32,065	19,915
Contract cost		52,176	62,986
Others		8,406	4,730
	₩	<u>1,678,688</u>	<u>1,612,128</u>

27. Research and Development Expenditures Recognized as Expense

Research and development expenditures recognized as expense for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Selling and administrative expenses	₩	192,321	212,472
Cost of sales		385,128	380,177
	₩	<u>577,449</u>	<u>592,649</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

28. Adjusted Operating Profit

Adjusted operating profits which include the other profits or losses excluded in operating profit but reflect the results of the Company's operations for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>	2012	2011
Operating profit on the statement of comprehensive income	₩ 3,653,108	₩ 5,467,694
Add		
Gain on disposals of property, plant and equipment	42,290	13,812
Rental revenues	1,898	6,510
Gain on disposals of intangible assets	906	953
Gain on disposals of investment in associates	39,441	2,247
Gain on disposals of assets held for sale	193,333	-
Grant income	3,198	1,228
Reversal of other bad debt allowance	-	57,875
Reversal of other provisions	16,037	35,629
Outsourcing income	29,136	42,136
Gain on disposals of wastes	38,597	11,348
Gain from claim compensation	31,613	68,853
Penalty income from early termination of contracts	15,054	38,570
Others	36,617	27,780
	<u>448,120</u>	<u>306,941</u>
Deduct		
Loss on disposals of property, plant and equipment	(65,486)	(60,550)
Loss on disposals of investment property	(3,197)	(8,826)
Loss on disposals of assets held for sale	(9,510)	-
Loss on disposals of investment in associates	(15,119)	-
Idle tangible assets expenses	(31,297)	(16,881)
Impairment loss of assets held for sale	(258,451)	-
Other bad debt expenses	(44,115)	(11,155)
Donations	(73,963)	(66,558)
Loss on disposals of wastes	(45,480)	(30,585)
Penalty and default losses	(149,437)	(39,551)
Impairment loss of property, plant and equipment and others	(72,259)	(99,071)
Others	(41,151)	(33,356)
	<u>(809,465)</u>	<u>(366,533)</u>
Adjusted operating profit	₩ <u>3,291,763</u>	₩ <u>5,408,102</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

29. Finance Income and Costs

Details of finance income and costs for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Finance income			
Interest income	₩	278,807	216,234
Dividend income		124,475	143,880
Gain on foreign currency transactions		935,457	1,454,103
Gain on foreign currency translations		936,740	259,014
Gain on transactions of derivatives		407,791	549,439
Gain on valuations of derivatives		94,492	111,637
Gain on disposals of available-for-sale investments		112,095	454,543
Others		7,206	1,569
	₩	<u>2,897,063</u>	<u>3,190,419</u>
Finance costs			
Interest expenses	₩	(871,457)	(788,348)
Loss on foreign currency transactions		(839,241)	(1,620,394)
Loss on foreign currency translations		(243,091)	(529,910)
Loss on transactions of derivatives		(309,067)	(512,882)
Loss on valuations of derivatives		(159,604)	(188,742)
Impairment loss on available-for-sale investments		(224,171)	(152,804)
Loss on disposals of available-for-sale investments		(36,286)	(1,003)
Loss on Financial guarantee		(38,442)	(1,000)
Others		(76,279)	(71,612)
	₩	<u>(2,797,638)</u>	<u>(3,866,695)</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

30. Other Non-Operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		2012	2011
Other non-operating income			
Gain on disposals of property, plant and equipment	₩	42,290	13,812
Rental revenues		1,898	6,510
Gain on disposals of intangible assets		906	953
Gain on disposals of investment in associates		39,441	2,247
Gain on disposals of assets held for sale		193,333	-
Grant income		3,198	1,228
Reversal of other bad debt allowance		-	57,875
Reversal of other provisions		16,037	35,629
Outsourcing income		29,136	42,136
Gain on disposals of wastes		38,597	11,348
Gain from claim compensation		31,613	68,853
Penalty income from early termination of contracts		15,054	38,570
Others		36,617	27,780
	₩	<u>448,120</u>	<u>306,941</u>
Other non-operating expense			
Loss on disposals of property, plant and equipment	₩	(65,486)	(60,550)
Loss on disposals of investment property		(3,197)	(8,826)
Loss on disposals of assets held for sale		(9,510)	-
Loss on disposals of investment in associates		(15,119)	-
Idle tangible assets expenses		(31,297)	(16,881)
Impairment loss of assets held for sale		(258,451)	-
Other bad debt expenses		(44,115)	(11,155)
Donations		(73,963)	(66,558)
Loss on disposals of wastes		(45,480)	(30,585)
Penalty and default losses		(149,437)	(39,551)
Impairment loss of property, plant and equipment and oth		(72,259)	(99,071)
Others		(41,151)	(33,356)
	₩	<u>(809,465)</u>	<u>(366,533)</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

31. Expenses by Nature

Expenses that are recorded by nature for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Changes in inventories	₩	14,161,271	17,546,701
Cost of merchandises sold		25,997,220	26,650,240
Employee benefits expenses (*2)		2,889,829	2,639,966
Outsourced processing cost		8,896,642	8,331,110
Depreciation expenses (*1)		2,405,769	2,133,010
Amortization expenses		157,991	133,289
Electricity and water expenses		837,507	715,265
Service fees		670,919	630,223
Research & development expenses		577,449	592,649
Freight and custody expenses		1,472,817	1,406,268
Commission paid		74,308	85,410
Loss on disposal of property, plant, and equipment		65,486	60,550
Donations		73,963	66,558
Other expenses		2,479,337	2,846,326
	₩	<u>60,760,508</u>	<u>63,837,565</u>

(*1) Includes depreciation expense of investment properties.

(*2) The details of employee benefits expenses for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Wages and salaries	₩	2,647,178	2,394,093
Severance benefit		242,651	245,873
	₩	<u>2,889,829</u>	<u>2,639,966</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

32. Income Taxes

(a) Income tax expense for the years ended December 31, 2012 and 2011 was as follows:

<i>(in millions of Won)</i>		2012	2011
Current income taxes	₩	795,601	1,069,240
Deferred income tax due to temporary differences		154,324	(318,722)
Less: Items recorded directly in equity		32,954	317,591
Income tax expense	₩	<u>982,879</u>	<u>1,068,109</u>

(b) The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company for the nine-month period ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		2012	2011
Net income before income tax expense	₩	3,368,486	4,782,395
Income tax expense computed at statutory rate		815,174	1,157,340
Adjustments:		167,705	(89,231)
Tax effects due to permanent differences		48,220	(13,798)
Tax credit		(188,713)	(193,633)
Unrealized deferred tax assets		115,836	68,905
Tax rate change effect		-	17,661
Over (under) provision from prior years		1,776	(15,739)
Difference in tax rate		165,601	28,341
Others		24,985	19,032
Income tax expense	₩	<u>982,879</u>	<u>1,068,109</u>
Effective tax rate (%)		29.18	22.33

(c) The income taxes charged (credited) directly to other comprehensive income during the period ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		2012	2011
Net changes in the unrealized fair value of available-for-sale securities	₩	22,585	306,827
Gains on sale of treasury stock		-	(22,078)
Others		10,369	31,628
	₩	<u>32,954</u>	<u>316,377</u>

POSCO and Subsidiaries **Notes to the Consolidated Financial Statements, Continued** **As of December 31, 2012**

(d) The movements in deferred tax assets (liabilities) for the years ended December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012			2011		
	Beginning	Inc (Dec)	Ending	Beginning	Inc (Dec)	Ending
Deferred income tax due to temporary differences						
Reserve for special repairs	₩ (29,659)	646	(29,013)	(27,776)	(1,883)	(29,659)
Allowance for doubtful accounts	104,621	7,807	112,428	80,349	24,272	104,621
Reserve for technology developments	(366,232)	(9,698)	(375,930)	(269,892)	(96,340)	(366,232)
Depreciation	(58,288)	11,714	(46,574)	(61,129)	2,841	(58,288)
Share of profit or loss of equity-accounted investees	(224,136)	(27,762)	(251,898)	(170,016)	(54,120)	(224,136)
Reserve for inventory valuation	(1,514)	(2,568)	(4,082)	1,484	(2,998)	(1,514)
Revaluation of assets	(570,403)	(229,529)	(799,932)	(362,949)	(207,454)	(570,403)
Prepaid expenses	21,437	9,803	31,240	18,733	2,704	21,437
Impairment loss on property, plant and equipment	25,492	3,263	28,755	24,858	634	25,492
Loss on foreign currency translation	95,787	(159,132)	(63,345)	90,656	5,131	95,787
Defined benefit obligations	55,053	15,571	70,624	40,710	14,343	55,053
Plant assets	(43,091)	(3,340)	(46,421)	(36,232)	(6,859)	(43,091)
Provision for construction losses	2,852	(625)	2,227	1,097	1,155	2,852
Provision for construction warranty	15,902	(1,061)	14,841	13,056	2,846	15,902
Appropriated retained earnings for technological development	(165)	(286)	(451)	(246)	81	(165)
Accrued income	(1,949)	(1,248)	(3,197)	(1,061)	(888)	(1,949)
Others	376,107	(66,085)	310,022	317,877	58,230	376,107
	(598,186)	(296,996)	(895,182)	(339,281)	(258,365)	(598,186)
Deferred income taxes recognized directly to equity						
Loss (gain) on valuation of available-for-sale investments	1,421	22,585	24,006	(305,406)	306,827	1,421
Others	35,769	10,369	46,138	4,141	31,628	35,769
	37,190	32,954	70,144	(301,265)	338,455	37,190
Deferred tax from tax credit						
Tax credit carryforward and others	256,877	82,231	339,108	280,295	(23,418)	256,877
Deferred tax effect due to unrealized gains (losses) and others	(8,375)	27,470	19,095	(129,000)	120,625	(8,375)
₩	(312,494)	(154,341)	(466,835)	(489,851)	177,357	(312,494)

(e) Deferred tax assets and liabilities for the years ended December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012			2011		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred income tax due to temporary differences						
Reserve for special repairs	₩ -	(29,013)	(29,013)	-	(29,659)	(29,659)
Allowance for doubtful accounts	112,428	(52)	112,428	104,672	(51)	104,621
Reserve for technology developments	-	(375,930)	(375,930)	-	(366,232)	(366,232)
Depreciation	15,192	(61,766)	(46,574)	12,319	(70,607)	(58,288)
Share of profit or loss of equity-accounted investees	-	(96,374)	(96,374)	-	(224,136)	(224,136)
Reserve for inventory valuation	1,751	(5,833)	(4,082)	4,319	(5,833)	(1,514)
Revaluation of assets	-	(799,932)	(799,932)	-	(570,403)	(570,403)
Prepaid expenses	31,240	-	31,240	23,045	(1,608)	21,437
Impairment loss on property, plant and equipment	28,755	-	28,755	25,492	-	25,492
Loss on foreign currency translation	202,973	(266,318)	(63,345)	176,621	(80,834)	95,787
Defined benefit obligations	86,200	(15,576)	70,624	75,912	(20,859)	55,053
Plant assets	-	(46,421)	(46,421)	-	(43,091)	(43,091)
Provision for construction losses	2,227	-	2,227	2,852	-	2,852
Provision for construction warranty	14,841	-	14,841	15,902	-	15,902
Appropriated retained earnings for technological development	-	(451)	(451)	-	(165)	(165)
Accrued income	25	(3,222)	(3,197)	-	(1,949)	(1,949)
Others	421,595	(111,573)	310,022	382,735	(6,628)	376,107
	917,279	(1,812,461)	(895,182)	823,869	(1,422,055)	(598,186)
Deferred income taxes recognized directly to equity						
Loss (gain) on valuation of available-for-sale investments	281,599	(257,593)	24,006	199,317	(197,896)	1,421
Others	66,975	(20,837)	46,138	49,898	(14,129)	35,769
	348,574	(278,430)	70,144	249,215	(212,025)	37,190
Deferred tax from tax credit						
Tax credit carryforward and others	378,926	(39,818)	339,108	292,255	(35,378)	256,877
Deferred tax effect due to unrealized gains (losses) and others	522,471	(503,276)	19,095	494,450	(592,825)	(8,375)
₩	2,167,650	(2,634,485)	(466,835)	1,859,789	(2,172,283)	(312,494)

(f) Deductible and addible temporary difference amounting ₩ 1,952,989 million and ₩ 3,095,821 million related to subsidiaries and associates are not recognized as deferred tax assets and liabilities due to remote possibility of realization.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

33. Earnings per Share

(a) Basic and diluted earnings per share for the year ended December 31, 2012 and 2011 were as follows:

<i>(Won, except per share information)</i>		<u>2012</u>	<u>2011</u>
Profit attribute to controlling interest	₩	2,462,080,504,484	3,648,136,025,973
Weighted-average number of common shares outstanding (*1)		77,244,444	77,251,818
Basic and diluted earnings per share		31,874	47,224

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

<i>(share)</i>		<u>2012</u>	<u>2011</u>
Total number of common shares issued	₩	87,186,835	87,186,835
Weighted-average number of treasury shares		(9,942,391)	(9,935,017)
Weighted-average number of common shares outstanding	₩	<u>77,244,444</u>	<u>77,251,818</u>

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

34. Related Party Transactions

(a) Significant transactions with related companies for the year ended December 31, 2012 and 2011 were as follows:

(in millions of Won)	Sales and others (*1)		Purchase and others (*2)	
	2012	2011	2012	2011
Subsidiaries (*3)				
POSCO E&C Co., Ltd.	W 28,110	26,536	1,451,086	1,687,665
POSCO P&S Co., Ltd.	897,051	1,181,088	1,395,891	1,406,245
POSCO Coated & Color Steel Co., Ltd.	489,545	593,656	6,496	1,890
POSCO ICT Co., Ltd.	1,547	1,537	468,915	507,883
POSCO Chemtech Co., Ltd.	511,917	423,643	798,150	755,515
POSCO M-TECH CO., LTD.	27,906	19,355	318,548	211,832
POSCO TMC Co., Ltd.	230,235	168,314	1,032	884
POSCO AST Co., Ltd.	278,463	319,258	58,647	58,475
Daewoo International Corp.	4,271,450	3,896,857	15,731	5,599
POSCO NST CO., LTD.	212,536	186,809	3,618	4,734
POSCO America Corporation	726,450	353,904	733	1
POSCO Canada Co., Ltd.	-	-	205,129	289,047
POSCO Asia Co., Ltd.	1,929,508	2,029,781	107,313	178,395
POSCO-Japan Co., Ltd.	1,439,580	1,628,069	28,710	34,860
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	164,483	148,343	15	-
POSCO-Mexico Co., Ltd.	338,645	347,915	492	176
Daewoo International Singapore Pte. Ltd.	-	-	73,471	149,029
POSCO Maharashtra Steel Pvt. Ltd.	155,642	2,340	-	-
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	128,974	99,778	-	-
POSCO-Thailand Bangkok Processing Center Co., Ltd.	119,278	96,288	182	63
Others	749,758	709,834	954,105	986,196
	<u>12,701,078</u>	<u>12,233,305</u>	<u>5,888,264</u>	<u>6,278,489</u>
Associates				
Posmate Co., Ltd.	22,044	1,038	46,058	53,357
SNNC Co., Ltd.	2,511	4,787	379,950	447,130
SUNG JIN GEOTEC Co., Ltd.	27,697	44,451	-	-
DONG BANG METAL IND.CO.LTD.	89,094	84,748	-	-
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd.	26,280	23,974	-	-
USS-POSCO Industries (UPI)	85	342,594	101	29
Poschrome(Proprietary) Ltd.	58	-	68,079	72,502
Others	37,700	59,021	14,311	6,087
	<u>205,469</u>	<u>560,613</u>	<u>507,599</u>	<u>579,105</u>
W	<u>12,906,547</u>	<u>12,793,918</u>	<u>6,395,863</u>	<u>6,857,594</u>

(*1) Sales and others include sales and other operating income which is composed largely of sales of steel manufactures to subsidiaries and associates. Sales are mainly sales of steel products and these are priced on an arm's length basis.

(*2) Purchase and others include purchase of raw materials, property, plant and equipment, overhead cost and other operating expense, which is composed largely of sales of steel manufactures to subsidiaries and associates. Goods are purchased based on the price lists in force and terms that would be available to third parties.

(*3) The Company provides guarantees for its related party as of December 31, 2012 (Note 35).

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

- (b) The related account balances of significant transactions with related companies as of December 31, 2012 and 2011 are as follows:

	Receivables (*1)		Payables (*1)	
	2012	2011	2012	2011
<i>(in millions of Won)</i>				
Subsidiaries				
POSCO E&C Co., Ltd.	₩ 7,977	647	403,630	241,918
POSCO Processing&Service	64,564	88,838	32,672	1,512
POSCO Planteo	267	65	32,297	42,534
POSCO ICT Co., Ltd.	287	30	91,297	62,583
POSCO Coated & Color Steel Co., Ltd.	108,505	116,252	2,618	335
POSCO Chemtech Company Ltd.	47,074	37,808	84,538	82,048
POSCO TMC CO., LTD.	64,862	21,601	145	134
POSCO AST Co., Ltd.	65,575	33,266	7,800	7,090
Daewoo International Corp.	358,824	284,125	730	1,589
POSCO NST.CO.,LTD	-	64,012	-	676
POSCO America Corporation	63,545	32,346	-	-
POSCO Asia Co., Ltd.	102,849	227,476	2,244	1,407
POSCO-TBPC Co., Ltd.	17,986	27,381	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	8,710	6,713	-	-
POSCO-Vietnam Co., Ltd.	291	422	-	-
POSCO-Japan Co., Ltd.	35,400	52,362	673	1,546
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	-	3,484	-	-
POSCO-Mexico Co., Ltd.	131,669	171,908	-	-
Others	127,626	81,255	115,817	83,201
	1,206,011	1,249,991	774,461	526,573
Associate				
Posmate Co., Ltd.	78	-	6,315	7,198
SNNC Co., Ltd.	229	223	37,145	23,187
DONG BANG METAL IND.CO., LTD.	-	17,038	-	-
SUNG JIN GEOTEC Co., Ltd.	4,849	4,122	-	-
Poschrome Pty. Ltd.	-	-	2,273	-
Others	453	-	804	809
	5,609	21,383	46,537	31,194
₩	1,211,620	1,271,374	820,998	557,767

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

- (c) For the years ended December 31, 2012 and 2011, details of compensation to key management officers were as follows:

<i>(in millions of Won)</i>	2012		2011	
	₩			
Short-term benefits	₩	109,614		93,231
Retirement benefits		25,049		23,407
Long-term benefits		22,462		26,971
	₩	157,125		143,609

Key management officers include directors (including non-standing directors), executive officials and fellow officials who have significant influence and responsibilities in the Company's business and operations. In addition to the compensation described above, the Company provided stock appreciation rights to its executive officers and recorded stock compensation expenses amounted to ₩ 436 million and reversal of stock compensation expenses amounted to ₩ 4,223 million for the years ended December 31, 2012 and 2011, respectively.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

35. Commitments and Contingencies

(a) Contingent liabilities

Contingent liabilities may develop in a way not initially expected. Therefore, management continuously assesses contingent liabilities to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

Management makes estimates and assumptions that affect disclosures of commitments and contingencies. All estimates and assumptions are based on the evaluation of current circumstances and appraisals with the supports of internal specialists or external consultants.

Management regularly analyzes current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(b) Details of guarantees

(in millions of Won)

Guarantors	Guarantee beneficiary	Financial institution	Foreign currency	Won equivalent
[The Company]				
POSCO	Guangdong Pohang Coated Steel Co., Ltd.	SMBC and others	USD 122,600,000	131,317
	POSCO Investment Co., Ltd.	BOC and others	CNY 350,000,000	60,158
		HSBC	MYR 240,000,000	83,952
		HSBC and others	USD 350,000,000	374,885
	POSCO Maharashtra Steel Pvt. Ltd.	Export-Import Bank of Korea and others	USD 566,000,000	606,243
	POSCO VST Co., Ltd.	ANZ(Tapei) and others	USD 65,000,000	69,622
	POSCO-Mexico Co., Ltd.	HSBC and others	USD 244,725,000	262,125
	POSCO-Vietnam Co., Ltd.	Export-Import Bank of Korea and others	USD 200,000,000	214,220
	Zeus (Cayman) Ltd.	Creditor	JPY 38,798,173,522	484,007
	Zhangjiagang Pohang Stainless Steel Co., Ltd.	MIZUHO and others	USD 160,000,000	171,376
	POSCO ASSAN TST Steel Industry	SMBC and others	USD 188,392,500	201,787
	POSCO Electrical Steel India Private Limited	ING and others	USD 84,000,000	89,972
	PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD 1,210,300,000	1,296,352
Daewoo International Corporation	PT. Bio Inti Agrindo	Export-Import Bank of Korea	USD 19,000,000	20,351
	Daewoo International America Corp.	Shinhan Bank	USD 500,000	536
	Daewoo International Australia Holdings Pty. Ltd.	Korea Exchange Bank	USD 12,000,000	12,853
	Daewoo Paper Manufacturing Co., Ltd.	HSBC	USD 12,500,000	13,389
	Daewoo Textile Bukhara LLC	Export-Import Bank of Korea	USD 24,950,000	26,724
	Daewoo International MEXICO S.A. de C.V.	SMBC	USD 25,000,000	26,778
	POSCO ASSAN TST STEEL Industry Brazil Sao Paulo Steel Processing Center Co., Ltd.	ING and others	USD 20,932,500	22,421
		SMBC	USD 20,000,000	21,422
	Daewoo International Deutschland GmbH	Shinhan Bank	EUR 15,000,000	21,244
POSCO E&C Co., Ltd.	HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	Woori Bank	USD 30,000,000	32,133
	International Business Center Corporation	Export-Import Bank of Korea and others	USD 20,000,000	21,422
	POSCO E&C Vietnam Co., Ltd.	ANZ	USD 10,000,000	10,711
		Kookmin Bank (Hong Kong)	USD 5,000,000	5,356
		Export-Import Bank of Korea and others	USD 16,500,000	17,673
	SANTOS CMI S.A.	CITI Ecuador	USD 3,000,000	3,213
		KEB Panama	USD 25,000,000	26,778
POSCO P&S Co., Ltd.	POSCO Canada Pty., Ltd.	Hana Bank	USD 12,484,500	13,372
POSCO ICT Co., Ltd.	POSCO ICT Indonesia	POSCO Investment Co., Ltd.	USD 1,500,000	1,607
	VECTUS Ltd.	POSCO Investment Co., Ltd.	USD 4,000,000	4,284
	POSCO ICT BRASIL PARTICIPACOES LTDA	Korea Exchange Bank	BRL 8,875,000	4,652
POSCO Energy Co., Ltd.	TECHREN Solar, LLC	Woori Bank	USD 30,000,000	32,133
POSCO Engineering Co., Ltd.	PT DEC INDONESIA	Korea Exchange Bank	USD 6,818,876	7,304
		Korea Exchange Bank	IDR 41,707,614,097	4,634
		Woori Bank	IDR 32,128,484,002	3,569
POSCO JAPAN Co., Ltd.	POSCO-JEPC Co., Ltd.	Mizuho Bank and others	JPY 3,008,564,339	37,532
	POSCO-JKPC Co., Ltd.	Higo bank and others	JPY 1,436,800,000	17,924
	POSCO-JOPC Co., Ltd.	Kiyo bank and others	JPY 1,187,500,000	14,814
	Xenesys Inc.	Aozora Bank	JPY 85,000,000	1,060
Daewoo Textile Fergana LLC	Daewoo Textile Bukhara LLC	NBU	USD 3,286,250	3,520
POSCO E&C (CHINA) Co., Ltd.	HONG KONG POSCO E&C (China) Investment Co., Ltd.	Woori Bank (Beijing)	USD 33,000,000	35,346
International Business Center Corporation	POSCO E&C Co., Ltd.	Export-Import Bank of Korea and others	USD 20,000,000	21,422

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(in millions of Won)

Guarantors	Guarantee beneficiary	Financial institution	Foreign currency	Won equivalent
[Associates]				
POSCO	BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	BOC and others	CNY 119,600,000	20,557
	United Spiral Pipe, LLC	Shinhan Bank	USD 21,980,000	23,543
	POSUB Titanium	Shinhan Bank	USD 24,500,000	26,242
Daewoo International Corporation	DMSA, AMSA	Export-Import Bank of Korea and others	USD 18,000,000	19,280
	GLOBAL KOMSCO Daewoo LLC	Export-Import Bank of Korea and others	USD 165,133,333	176,874
POSCO E&C Co., Ltd.	Taegisan Wind Power Corporation	Export-Import Bank of Korea and others	USD 5,950,000	6,373
	PSIB Co., Ltd.	NH Bank and others	KRW 7,500	7,500
	THE GALE INVESTMENTS COMPANY, LLC and others	Hana Bank	KRW 356,600	356,600
	Pohang Techno Valley PFV Corporation	Woori Bank	USD 50,000,000	53,555
POSCO P&S Co., Ltd.	Sebang Steel Co., Ltd.	Shinhan Bank and others	KRW 135,660	135,660
POSCO ICT Co., Ltd.	Ultrans LRT Co., Ltd.	Fukuoka Bank	JPY 345,000,000	3,056
	CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	Construction Guarantee Cooperative	KRW 64,638	64,638
		NH Bank	KRW 2,530	2,530
POSCO Engineering Co., Ltd.	Daewoo Engineering (THAILAND) Co., Ltd. and others	Citibank Korea Inc.	USD 19,300,000	20,672
	PT Wampu Electric Power	PT Bank Woori Indonesia	USD 344,848	369
		Export-Import Bank of Korea and SMBC	USD 59,357,000	63,577
Daewoo (China) Co., Ltd.	Shanghai Lansheng Daewoo Corporation	China Construction Bank	CNY 100,000,000	17,188
POSCO CHEMTECH Co., Ltd.	PT INDONESIA POS CHEMTECH CHOSUN REF	Korea Exchange Bank	USD 6,000,000	6,427
[Others]				
Daewoo International Corporation	Ambatovy Project Investments Limited	Export-Import Bank of Korea and others	USD 50,408,289	53,992
	Shenit International Corporation	Export-Import Bank of Korea and others	USD 6,207,696	6,649
POSCO E&C Co., Ltd.	ALD PFV and others	Korea Exchange Bank and others	KRW 1,105,589	1,105,589
POSCO Plant Engineering Co., Ltd.	Gyeongpo wind power generation and others	KB Bank and others	KRW 229,213	229,213
	GS CALTEX HOU and others	Korea Exchange Bank and others	USD 9,787,628	10,484
POSCO ICT Co., Ltd.	BTL business and others	Kyobo Life Insurance Co., Ltd. and others	KRW 1,781,581	1,781,581
	SMS Energy and others	Hana Bank	KRW 207,110	207,110
POSCO M-TECH Co., Ltd.	PYUNGSAK SI Co., Ltd.	Seoul Guarantee Insurance Co., Ltd.	KRW 326	326
Posco Engineering Co., Ltd.	Kwanma Solar Co., Ltd. and others	Hana Bank and others	KRW 60,476	60,476
	Hyundai ENG Co., Ltd.	Engineering Financial Cooperative	KRW 147,663	147,663
POSCALCIUM Company, Ltd.	Pohang city	Seoul Guarantee Insurance Co., Ltd.	KRW 49	49
			CNY 569,600,000	97,903
			EUR 15,000,000	21,244
			BRL 8,875,000	4,652
			IDR 73,836,098,099	8,203
			JPY 44,761,037,861	558,393
			KRW 4,098,935	4,098,935
			MYR 340,000,000	83,952
			USD 3,983,458,420	4,266,684

- (c) POSCO E&C Co., Ltd. has provided the completion guarantees for Samsung C&T Corporation amounting to ₩2,024,503 million while Samsung C&T Corporation and SK E&C have provided the construction guarantees or payment guarantees on customers' borrowings on behalf of POSCO E&C Co., Ltd. amounting to ₩ 1,276,581 million as of December 31, 2012. POSCO E&C Co., Ltd. provides payment guarantees on borrowings of customers such as Asset Backed Commercial Paper amounted to ₩ 518,178 million and Project Financing loan amounted to ₩ 280,536 million as of December 31, 2012.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(d) Commitments

POSCO	<p>POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. These contracts generally have terms of more than three years and provide for periodic price adjustments to the market price. As of December 31, 2012, 217 million tons of iron ore and 27 million tons of coal remained to be purchased under such long-term contracts.</p> <p>POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. Purchase price is subject to change, following the change of the monthly standard oil price (JCC) and also price ceiling is applicable.</p> <p>As of December 31, 2012, POSCO entered into commitments with Korea National Oil Corporation for long-term foreign currency borrowings, which are limited up to the amount of USD 6.86 million, USD 3.54 million and USD 4.12 million, respectively. The borrowings are related to the exploration of gas hydrates in Aral Sea, Uzbekistan, the exploration of gas hydrates in Namangan-Chust and the exploration of gas hydrates in Western Fergana-Chenavard, respectively. The repayment of the borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the money borrowed if the respective project fails. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements.</p>
POSCO E&C Co., Ltd.	<p>POSCO E&C Co., Ltd. has bank overdraft agreements of up to ₩ 20,000 million with Woori Bank which is included in the limit of comprehensive loan agreements and ₩ 3,000 million with Korea Exchange Bank. Also POSCO E&C Co., Ltd. has comprehensive loan agreements of up to ₩ 360,000 million and USD 308 million with Woori Bank and ₩ 83,000 million with Korea Exchange Bank.</p>
POSCO ICT Co., Ltd.	<p>As of December 31, 2012, in relation to contract enforcement, POSCO ICT Co., Ltd. was provided with ₩ 123,999 million and ₩ 48,651 million guaranties from Seoul Guarantee Insurance and Korea Software Financial Cooperative, respectively.</p> <p>As of December 31, 2012, in relation to transfer of military camp based on Changwon city & land development projects, POSCO ICT Co., Ltd. provided Kyongnam Bank and other banks with ₩ 620,000 million fund support under fund support agreements between POSCO ICT Co., Ltd. and Unicity 7th LLC.</p> <p>As of December 31, 2012, in relation to Incheongimpo Highway investment projects, POSCO ICT Co., Ltd. provided Korea Development Bank and other banks with ₩ 175,000 million fund support under fund support agreements between POSCO ICT Co., Ltd. and Incheongimpo Highway INC.</p> <p>As of December 31, 2012, in relation to Busan sansung tunnel projects, POSCO ICT Co., Ltd. provided Korea Development Bank and other banks with ₩ 17,000 million fund support under fund support agreements between POSCO ICT Co., Ltd. and Busan Sansung Tunnel Co., Ltd.</p>
POSCO Specialty Steel Co., Ltd.	<p>POSCO Specialty Steel Co., Ltd. has a loan agreement, secured by trade accounts receivable, of up to ₩ 1,081,447 million with Woori Bank and others. POSCO Specialty Steel Co., Ltd. has used ₩ 133,489 million of this loan agreement.</p> <p>POSCO Specialty Steel Co., Ltd. has agreements with Woori Bank and nine other banks for opening letters of credit of up to USD 313 million, and for a loan of up to ₩120,975 million. POSCO Specialty Steel Co., Ltd. has used USD 202 million, EUR 666 thousand for opening letters of credit and ₩ 7,043 million for Korean Won loans.</p>

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(e) Litigation in progress

As of December 2012, the Company and certain subsidiaries are defendants in legal actions arising from the normal course of business. Details of amount claimed are as follows:

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

Company	Legal actions	Claim amount	Korean Won equivalent	Description
POSCO	2	JPY 98,600,000	1,230,035	Lawsuit on claim for damages (*1)
	14	KRW 55,182	55,182	Lawsuit on claim for damages
POSCO E&C Co., Ltd.	78	KRW 71,983	71,983	Lawsuit on claim for payment
POSCO Plant Engineering Co., Ltd.	9	KRW 2,374	2,374	Lawsuit on claim for payment
POSCO ICT Co., Ltd.	12	KRW 6,918	6,918	Lawsuit on claim for payment
POSCO A&C Co., Ltd.	1	KRW 572	572	Imposed high tax rate
POSCO M-TECH Co., Ltd.	1	KRW 76	76	
POSCO America Corporation	3	USD -	-	
POSCO E&C China Co., Ltd.	1	CNY 37,000	6,360	Lawsuit on claim for payment of work complied related with the subcontractor and second subcontractor.
POSCO-Malaysia SDN. BHD.	1	MYR 5,782	2,023	
POSCO Engineering Co., Ltd.	3	KRW 1,662	1,662	Lawsuit on claim for damages
Kwang Yang SPFC Co., Ltd.	1	KRW 5,693	5,693	Lawsuit on claim for payment
Daewoo International Corporation	2	EUR 5,164	7,314	Lawsuit on claim for damages (*2)
	1	INR 4,458,849	87,037	
	3	USD 190,231	203,756	

(*1) Civil lawsuits with Nippon Steel & Sumitomo Metal Corporation

During the year ended December 31, 2012, Nippon Steel & Sumitomo Metal Corporation had filed civil lawsuits against POSCO and POSCO Japan Co., Ltd., a subsidiary of POSCO, relating to claims of prohibiting production and sales of grain oriented electrical steel sheets used improper acquiring trade secrets and of seeking compensation worth ₩ 1,230 billion in Tokyo District Court, Japan. Through first and second trials in October and December 2012, the Company submitted its answer to claim that Japan court didn't have a jurisdiction on this lawsuit as it should be judged by Korean law and the Company developed a grain oriented electrical steel sheets by the Company's own technologies. As of December 31, 2012, Japan court hasn't made any judgment.

In addition, Nippon Steel & Sumitomo Metal Corporation had filed civil lawsuits against POSCO and POSCO America Co., Ltd., a subsidiary of POSCO, relating to claims of infringement of intellectual property rights related to production of grain oriented electrical steel sheets in New Jersey federal court, the United States. As of December 31, 2012, the Company is under discovery proceeding prior to the official defend.

Due to the early stage of the litigations, the Company is not able to reliably estimate the amount of compensation, if any, that might be awarded to Nippon Steel & Sumitomo Metal Corporation. Consequently, it is not possible for the Company to make an estimate of the expected financial effect that will result from the ultimate resolution of the civil lawsuits. The Company has not recorded any provision for those lawsuits as of December 31, 2012 because management believes the possibility of unfavorable outcome is not probable. In the opinion of management, the foregoing lawsuits and claims will not have a material adverse effect on the Company's financial position, operating results or cash flows.

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

(*2) In May 2002, Industrial Development Bank of India Limited, the creditor of Daewoo Moters India Ltd. for which Daewoo Co., Ltd. provided guarantee, filed lawsuits against Daewoo Moters India Ltd., Daewoo Co., Ltd., Daewoo Engineering & Construction Co., Ltd, and Daewoo International Corporation (a subsidiary of POSCO) seeking for the disposition of assets and judgment of debt of Daewoo Moters India Ltd. in India Delhi Mumbai Court. The Company has reasonably estimated the likelihood and amount of the outcome and reflected in the provision for loss contingencies.

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

(e) Other contingencies

Company	Description
POSCO	POSCO has provided two blank promissory notes and one blank check to Korea Resources Corporation and six blank promissory notes and three blank checks to Korea National Oil Corporation as collateral for outstanding loans.
POSCO E&C Co., Ltd.	As of December 31, 2012, POSCO E&C Co., Ltd. has provided ten blank promissory notes, sixteen blank checks and six other notes, approximately amounting to ₩ 61,704 million, to Korea Housing Guarantee Co., Ltd. and other financial institutions as collateral for agreements and outstanding loans.
Daewoo International Corporation	As of December 31, 2012, Daewoo International Corporation has provided forty-five blank promissory notes and thirteen blank checks to Korea National Oil Corporation as collateral for the guarantee on performance for contracts and others.
POSCO ICT Co., Ltd.	As of December 31, 2012, POSCO ICT Co., Ltd. has provided eight blank promissory notes and ten blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.
POSCO Engineering Co., Ltd.	As of December 31, 2012, POSCO Engineering Co., Ltd. has provided one note to Hana Tank Terminal Co., Ltd. as collateral for the guarantee on performance for contracts and others.
POSCO-JKPC Co., Ltd.	As of December 31, 2012, POSCO-JKPC Co., Ltd. has provided two hundred-three notes as collateral for borrowings. (JPY 747,817,793, 45% of borrowings from the Kinokuniya Bank, Ltd., 30% of borrowings from Higo bank, Ltd.)
Daewoo International Japan Corp.	As of December 31, 2012, Daewoo International Japan Corp. has provided one hundred-fifteen notes receivable (JPY 563,771,819) to Resona bank Ltd. as collateral for loans from banks.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

36. Cash Flows from Operating Activities

Adjustments for operating cash flows for the years ended December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Trade accounts and notes receivable	₩	87,830	(2,402,346)
Other financial assets		(392,090)	(187,607)
Inventories		1,450,431	(2,538,178)
Other current assets		(198,157)	(310,397)
Other long-term assets		(141,037)	47,929
Trade accounts payable		225,086	265,993
Other financial liabilities		357,502	260,306
Other current liabilities		583,159	384,943
Provisions		17,108	(36,511)
Payment severance benefits		(116,846)	(574,759)
Plan assets		(191,696)	252,671
Other long-term liabilities		252,068	(12,791)
	₩	<u>1,933,358</u>	<u>(4,850,747)</u>

37. Non-cash Transactions

Significant non-cash transactions for the years ended December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Construction-in-progress transferred to other accounts	₩	3,273,475	5,235,317
Other non-current asset transferred to investments in associates		257,878	-
Convertible bonds		315,530	76,677

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

38. Business Combinations

The Company has acquired additional shares in POSCO-Thainox Public Company Limited from its previous largest shareholder on September 23, 2011 in order to expand its footprint in the cold-rolled stainless steel sheets and coils market in Southeast Asia and to achieve its synergy effects with its existing operations in the region. The Company obtained control of POSCO-Thainox Public Company Limited, since its voting interest increased from 15.39% to 75.32%. There is no contingent consideration. The results of operations of POSCO-Thainox Public Company Limited have been consolidated from the date of acquisition. Therefore, comparability with POSCO's consolidated financial statements for prior years is impacted accordingly the amounts of revenues and net profit of POSCO-Thainox Public Company Limited since the acquisition date included in consolidated revenues and net profit amounted to ₩ 92,798 million and ₩ 11,658 million, respectively. Goodwill recognized in this business combination is as follows:

<i>(in millions of Won)</i>	<u>Amount</u>
I. Consideration transferred	
Fair value of investment held before acquisition (*1)	₩ 99,382
Cash	390,474
Total	<u>489,856</u>
II. Non-controlling interests (*2)	<u>121,413</u>
Total	<u>611,269</u>
III. Acquired identifiable assets and liabilities	
[Assets]	
Cash and cash equivalents	62,080
Trade accounts and notes receivable and other financial assets	102,464
Inventories	149,901
Property, plant and equipment and intangible assets	340,487
Other assets	20,129
Total	<u>675,061</u>
[Liabilities]	
Trade accounts and notes payable and other financial liabilities	147,382
Borrowings	11,803
Other liabilities	23,867
Total	<u>183,052</u>
Total acquired net assets	<u>492,009</u>
IV. Goodwill recognized	<u>₩ 119,260</u>

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

- (*1) Upon acquisition of the business, a ₩ 57,080 million re-measurement gain on the Company's existing investment in the acquiree prior to acquisition date (acquisition cost: ₩ 42,302 million) was recognized as finance income. The fair value of this existing investment was determined using quoted market price of the shares on acquisition date.
- (*2) The non-controlling interests at the acquisition date were measured using their proportionate share in the recognized amounts of POSCO-Thainox Public Company Limited's identifiable net assets

After obtaining control, Company acquired additional 19.61% of shares amounting to ₩ 126,927 million through tender offer. In results, the percentage of shares increased from 75.32% to 94.93% as of December 31, 2011. Carrying value of POSCO-Thainox Public Company's net assets is ₩ 667,571 million. Regarding this transaction, non-controlling interests decreased by ₩ 95,885 million and related differential amounts amounting to ₩ 31,043 million was deducted from consolidated capital surplus since it is equity transaction between consolidated entities.

Pro-forma Information

The following summarized pro forma consolidated statement of comprehensive income information assumes that the POSCO-Thainox Public Company Limited acquisition occurred as of January 1, 2011. The pro forma results reflect certain adjustments related to the acquisition, such as increased depreciation and amortization expense on assets acquired from POSCO-Thainox Public Company Limited resulting from the fair valuation of assets acquired in place on acquisition date, September 23, 2011. The pro forma results do not include any anticipated cost synergies or other effects of the planned integration of POSCO-Thainox Public Company Limited.

If the Company had acquired POSCO-Thainox Public Company Limited as of January 1, 2011, pro-forma consolidated revenues and pro-forma consolidated net profit for the year ended December 31, 2011 would have been ₩ 69,243,204 million and ₩ 3,726,225 million, respectively.

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

39. Operating Segments

- (a) Our operating businesses are organized based on the nature of markets and customers. We have four reportable operating segments— steel, construction, trading and others. The steel segment includes production of steel products and revenue of such products. The engineering and construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. Other segments include power generation, liquefied natural gas production, network and system integration and logistics.
- (b) Segment profit and loss is determined the same way that consolidated net after tax profit for the period is determined under IFRS without any adjustment for corporate allocations.. The accounting policies used by each segment are consistent with the accounting policies used in the preparation of the consolidated financial statements. Segment assets and liabilities are measured based on total assets and liabilities in accordance with IFRS without any adjustment for corporate allocations. Also, segment assets and liabilities are based on the separate financial statements of the entities instead of on consolidated basis. In addition, there are varying levels of transactions amongst the reportable segments. These transactions include sales of property, plant and assets, and rendering of construction service and so on. Inter-segment transactions are accounted for on an arm's length basis.
- (c) Information about reportable segments for the year ended December 31, 2012 and 2011 are as follows:

1) For the year ended December 31, 2012

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
External revenues	₩	35,258,979	18,945,642	4,675,596	4,723,943	63,604,161
Internal revenues		17,609,789	7,467,872	5,050,287	2,857,139	32,985,087
Total revenues		52,868,769	26,413,514	9,725,883	7,581,082	96,589,258
Interest income		176,229	50,907	43,815	21,811	292,762
Interest expenses		(553,588)	(174,607)	(48,975)	(116,499)	(893,589)
Depreciation and amortization		(2,334,357)	(35,788)	(35,323)	(218,345)	(2,623,983)
Impairment loss of						
property, plant and equipment and others		(46,951)	(70,973)	(7,734)	(16,257)	(191,915)
Impairment loss of						
available-for-sale financial assets		(291,859)	(254)	(1,713)	(29,354)	(324,171)
Share of profit or loss of						
investment in associates		(39,806)	(5,579)	(27)	(2,764)	(48,176)
Income tax expense		(658,307)	(184,318)	(135,469)	(77,139)	(1,055,233)
Segments profit		2,245,977	325,197	345,295	301,670	3,218,139
Segments assets		69,939,261	16,904,747	10,775,895	1,723,374	99,324,277
Investment in associates		15,802,952	1,943,018	1,130,216	455,980	18,411,266
Acquisition of non-current assets		7,629,767	395,081	167,818	781,087	8,973,753
Segments liabilities	₩	23,105,008	1,865,399	7,608,996	4,836,641	42,816,044

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2012

2) For the year ended December 31, 2011

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Total
External revenues	W	39,151,930	21,097,356	5,436,209	3,213,330	68,938,725
Internal revenues		17,138,610	7,525,555	2,996,933	2,446,417	30,107,515
Total revenues		56,290,540	28,622,911	8,433,142	5,659,747	99,046,240
Interest income		154,671	43,842	22,744	22,625	243,282
Interest expenses		(551,478)	(95,532)	(69,050)	(119,615)	(824,675)
Depreciation and amortization		(2,128,182)	(37,320)	(31,238)	(178,429)	(2,375,169)
Impairment loss of property, plant and equipment and others		(25,177)	(34,544)	(23,397)	(995)	(84,113)
Impairment loss of available-for-sale financial assets		(136,638)	-	-	(16,166)	(152,804)
Share of profit or loss of investment in associates		(33,361)	-	-	(6,888)	(40,249)
Income tax expense		(1,111,399)	(35,322)	(22,536)	(16,454)	(1,186,021)
Segments profit		3,689,461	195,298	154,618	155,277	4,194,654
Segments assets		67,961,383	12,120,569	8,764,698	6,663,297	95,509,938
Investment in associates		14,226,687	1,899,762	718,079	186,496	17,231,018
Acquisition of non-current assets		9,385,381	617,076	207,619	594,314	10,794,590
Segments liabilities	W	23,169,910	9,796,622	5,554,097	4,328,283	42,938,912

(d) Reconciliations of total segment revenues, profit or loss, assets and liabilities, and other significant items to their respective consolidated financial statement line items are as follows:

1) Revenues

<i>(in millions of Won)</i>		2012	2011
Total revenue for reportable segments	W	96,589,238	99,046,240
Elimination of inter-segment revenue		(32,985,087)	(30,107,515)
	W	63,604,151	68,938,725

2) Profit

<i>(in millions of Won)</i>		2012	2011
Total profit for reportable segments	W	3,218,139	4,194,654
Goodwill and PP&E FV adjustments		(58,486)	(39,489)
Elimination of inter-segment profits		(774,047)	(440,879)
Income tax expense		982,880	1,068,109
Profit before income tax expense	W	3,368,486	4,782,395

3) Assets

<i>(in millions of Won)</i>		2012	2011
Total assets for reportable segments	W	99,324,277	95,509,938
Equity-accounted investees		(15,365,984)	(13,393,184)
Goodwill and PP&E FV adjustments		3,657,016	4,357,046
Elimination of inter-segment assets		(8,349,458)	(8,064,962)
	W	79,265,851	78,408,838

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

4) Liability

(in millions of Won)

	2012	2011
Total liabilities for reportable segments	₩ 42,816,044	42,958,912
Goodwill and PP&E FV adjustments	330,791	341,852
Elimination of inter-segment liabilities	(6,310,403)	(5,621,847)
₩	36,836,432	37,678,917

5) Other significant items

a) December 31, 2012

(in millions of Won)

	Total Segment	Goodwill and PP&E FV adjustments	Elimination of inter-segment	Consolidated
Interest income	₩ 292,762	-	(13,955)	278,807
Interest expenses	(893,589)	1,372	20,760	(871,457)
Depreciation and amortization	(2,623,983)	(77,496)	137,719	(2,563,760)
Share of profit or loss of investment in associates	(48,176)	-	25,474	(22,702)
Income tax expense	(1,055,233)	15,150	57,203	(982,880)
Impairment loss of property, plant and equipment and others	(101,015)	(258,451)	24,070	(335,396)
Impairment loss of available-for-sale financial assets	(234,171)	-	-	(234,171)
₩	(4,653,405)	(319,425)	251,271	(4,721,559)

b) December 31, 2011

(in millions of Won)

	Total segment	Goodwill and PP&E FV adjustments	Elimination of inter-segment	Consolidated
Interest income	₩ 243,282	-	(27,048)	216,234
Interest expenses	(824,675)	6,312	30,015	(788,348)
Depreciation and amortization	(2,375,169)	(63,690)	172,560	(2,266,299)
Share of profit or loss of investment in associates	(40,249)	-	90,818	50,569
Income tax expense	(1,186,021)	12,194	105,718	(1,068,109)
Impairment loss of property, plant and equipment and others	(84,113)	-	(14,958)	(99,071)
Impairment loss of available-for-sale financial assets	(152,804)	-	-	(152,804)
₩	(4,419,749)	(45,184)	357,105	(4,107,828)

POSCO and Subsidiaries
Notes to the Consolidated Financial Statements, Continued
As of December 31, 2012

(e) Revenue by geographic area for years ended December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Domestic	₩	47,692,025	53,986,926
Japan		2,380,651	2,386,578
China		6,022,875	6,070,588
Asia		3,157,469	2,645,428
North America		1,792,706	1,281,906
Others		2,558,425	2,567,299
Total	₩	<u>63,604,151</u>	<u>68,938,725</u>

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers.

(f) Non-current assets by geographic area as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Domestic	₩	31,213,290	29,386,052
Japan		256,532	320,009
China		1,745,076	1,474,983
Asia		3,162,715	1,752,302
North America		125,206	110,702
Others		1,957,112	1,181,597
Total	₩	<u>38,459,931</u>	<u>34,225,645</u>

Non-current assets by geographic area include investment property, property, plant and equipment, goodwill and other intangible assets.

(g) There are no customers whose revenue is 10% or more of total consolidated revenues.

POSCO

Separate Financial Statements
December 31, 2012

(With Independent Auditors' Report Thereon)

Table of Contents

	Page
Independent Auditors' Report	1
Separate Financial Statements	
Separate Statements of Financial Position	3
Separate Statements of Comprehensive Income	5
Separate Statements of Changes in Equity.....	6
Separate Statements of Cash Flows	7
Notes to the Separate Financial Statements	9
Independent Auditors' Review Report on Internal Accounting Control System	76
Report on the Operations of Internal Accounting Control System	78

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
POSCO:

We have audited the accompanying separate statements of financial position of POSCO (the "Company") as of December 31, 2012 and 2011 and the related separate statements of comprehensive income, changes in equity and cash flows for the years then ended. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these separate financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended, in conformity with Korean International Financial Reporting Standards.

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

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

Seoul, Korea
February xx, 2013

This report is effective as of February xx, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

POSCO
Separate Statements of Financial Position
As of December 31, 2012 and 2011

(in millions of Won)

	<u>Notes</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Assets			
Cash and cash equivalents	5,19	₩ 1,752,560	1,137,882
Trade accounts and notes receivable, net	6,19,33	4,087,030	4,220,242
Other receivables	7,19,33	393,223	330,629
Other short-term financial assets	7,19,33	930,316	1,050,834
Inventories	8	5,403,660	7,144,709
Assets held for sale	12	-	16,887
Other current assets	9	42,682	23,612
Total current assets		<u>12,609,471</u>	<u>13,924,795</u>
Long-term trade accounts and notes receivable, net	6,19,33	274	24
Other receivables	7,19,33	58,732	57,937
Other long-term financial assets	7,19,33	2,970,033	3,775,121
Investments in subsidiaries and associates	10	14,100,053	12,824,776
Investment property, net	11	110,526	117,418
Property, plant and equipment, net	12	22,166,735	21,533,135
Intangible assets, net	13	293,841	222,896
Other long-term assets	9	10,771	271,774
Total non-current assets		<u>39,710,965</u>	<u>38,803,081</u>
Total assets		<u>₩ 52,320,436</u>	<u>52,727,876</u>

See accompanying notes to the separate financial statements.

POSCO
Separate Statements of Financial Position
As of December 31, 2012 and 2011

(in millions of Won)

	<u>Notes</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Liabilities			
Trade accounts payable	19,33	₩ 978,581	1,395,846
Short-term borrowings	6,14,19	2,116,540	2,294,380
Other payables	15,19,33	1,253,389	1,055,510
Other short-term financial liabilities	15,19,33	33,543	33,788
Current income tax liabilities	31	84,355	182,715
Provisions	16	6,239	4,451
Other current liabilities	18	<u>70,865</u>	<u>48,455</u>
Total current liabilities		<u>4,543,512</u>	<u>5,015,145</u>
Long-term borrowings	7,14,19	7,487,234	9,338,016
Other payables	15,19	113,602	106,489
Other long-term financial liabilities	15,19	88,130	40,810
Defined benefit liabilities	17	140,256	176,648
Deferred tax liabilities	31	779,312	448,552
Other long-term liabilities	18	<u>3,842</u>	<u>4,200</u>
Total non-current liabilities		<u>8,612,376</u>	<u>10,114,715</u>
Total liabilities		<u>13,155,888</u>	<u>15,129,860</u>
Shareholders' equity			
Share capital	20	482,403	482,403
Capital surplus	20	1,227,692	1,227,692
Accumulated other comprehensive income	21	3,362	156,707
Treasury shares	22	(2,391,406)	(2,391,406)
Retained earnings	23	<u>39,842,497</u>	<u>38,122,620</u>
Total shareholders' equity		<u>39,164,548</u>	<u>37,598,016</u>
Total liabilities and shareholders' equity		<u>₩ 52,320,436</u>	<u>52,727,876</u>

See accompanying notes to the separate financial statements.

POSCO
Separate Statements of Financial Position
As of December 31, 2012 and 2011

POSCO
Separate Statements of Comprehensive Income
For the years ended December 31, 2012 and 2011

(in millions of Won, except per share information)

	Notes	2012	2011
Revenue	24,33	₩ 35,664,933	39,171,703
Cost of sales	26,30,33	(31,041,900)	(33,077,807)
Gross profit		4,623,033	6,093,896
Selling and administrative expenses			
Administrative expenses	19,25,26,30	(853,908)	(846,332)
Selling expenses	25,26,30	(979,528)	(917,182)
Operating profit	27	2,789,597	4,330,382
Finance income and costs			
Finance income	19,28	1,356,539	1,240,359
Finance costs	19,28	(759,291)	(1,370,668)
Other non-operating income and expenses			
Other non-operating income	27,29,33	69,737	45,640
Other non-operating expenses	19,27,29,30,33	(334,301)	(179,993)
Profit before income tax		3,122,281	4,065,720
Income tax expense	31	(622,758)	(876,875)
Profit for the period		2,499,523	3,188,845
Other comprehensive income			
Net changes in the unrealized fair value of available-for-sale investments, net of tax	21	(153,345)	(922,331)
Defined benefit plan actuarial losses, net of tax	17	(45,824)	(2,145)
Total comprehensive income, net of tax		₩ 2,300,354	2,264,369
Basic and diluted earnings per share	32	₩ 32,359	41,279

See accompanying notes to the separate financial statements.

POSCO

Separate Statements of Changes in Equity

For the years ended December 31, 2012 and 2011

(in millions of Won)

Balance as of January 1, 2011

Comprehensive income :

Profit for the period

Net changes in the unrealized fair value of available-for-sale investments, net of tax

Defined benefit plan actuarial losses, net of tax

Total comprehensive income

Transactions with owners of the Company,

recognized directly in equity :

Year-end dividends

Interim dividends

Acquisition of treasury shares

Disposal of treasury shares

Balance as of December 31, 2011

	Share capital	Capital surplus	Accumulated other comprehensive income	Treasury shares	Retained earnings	Total
₩	482,403	1,158,539	1,079,038	(2,403,263)	35,706,778	36,023,495
	-	-	-	-	3,188,845	3,188,845
	-	-	(922,331)	-	-	(922,331)
	-	-	-	-	(2,145)	(2,145)
	-	-	(922,331)	-	3,186,700	2,264,369
	-	69,153	-	-	-	142,306
₩	482,403	1,227,692	156,707	(2,391,406)	38,122,620	37,598,016

Balance as of January 1, 2012

Comprehensive income :

Profit for the period

Net changes in the unrealized fair value of available-for-sale investments, net of tax

Defined benefit plan actuarial losses, net of tax

Total comprehensive income

Transactions with owners of the Company,

recognized directly in equity :

Year-end dividends

Interim dividends

Balance as of December 31, 2012

	Share capital	Capital surplus	Accumulated other comprehensive income	Treasury shares	Retained earnings	Total
₩	482,403	1,227,692	156,707	(2,391,406)	38,122,620	37,598,016
	-	-	-	-	2,499,523	2,499,523
	-	-	(153,345)	-	-	(153,345)
	-	-	-	-	(45,824)	(45,824)
	-	-	(153,345)	-	2,453,699	2,300,354
	-	-	-	-	-	-
	-	-	-	-	(579,333)	(579,333)
	-	-	-	-	(154,489)	(154,489)
₩	482,403	1,227,692	3,362	(2,391,406)	39,842,497	39,164,548

See accompanying notes to the separate financial statements.

POSCO
Separate Statements of Cash Flows
For the years ended December 31, 2012 and 2011

<i>(in millions of Won)</i>	<u>Notes</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Cash flows from operating activities			
Profit for the period	₩	2,499,523	3,188,845
Adjustments for:			
Costs for defined benefit plans		107,107	129,600
Depreciation		1,840,807	1,738,466
Amortization		40,386	34,757
Finance income		(1,079,341)	(743,797)
Finance costs		542,944	763,976
Gain on disposal of property, plant and equipment		(27,688)	(10,840)
Loss on disposal of property, plant and equipment		84,990	60,174
Loss on disposal of investments in subsidiaries and associates		17,575	-
Income tax expense		622,758	876,875
Others, net		18,900	32,955
Changes in operating assets and liabilities	35	1,470,440	(1,958,361)
Interest received		111,309	122,212
Interest paid		(443,470)	(378,490)
Dividends received		175,556	267,316
Income taxes paid		(310,907)	(937,198)
Net cash provided by operating activities	₩	5,670,889	3,186,490
Cash flows from investing activities	36		
Proceeds from disposal of short-term financial instruments		3,182,714	5,108,712
Proceeds from disposal of available-for-sale investments		601,185	392,619
Collection of long-term loans		18,754	14,760
Proceeds from disposal of investment in subsidiaries and associates		37,134	22,125
Proceeds from disposal of property, plant and equipment		29,323	1,549
Proceeds from disposal of assets held for sale		3,378	-
Acquisition of short-term financial investments		(2,982,224)	(3,731,276)
Acquisition of available-for-sale investments		(130,845)	(245,389)
Issuance of long-term loans		(12,687)	(20,039)
Acquisition of investment in subsidiaries and associates		(1,056,628)	(2,275,307)
Acquisition of property, plant and equipment		(2,494,862)	(3,304,376)
Acquisition of intangible assets		(92,776)	(25,499)
Others		747	-
Net cash used in investing activities	₩	(2,896,787)	(4,062,121)

See accompanying notes to the separate financial statements.

POSCO
Separate Statements of Cash Flows, Continued
For the years ended December 31, 2012 and 2011

<i>(in millions of Won)</i>	<u>Notes</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Cash flows from financing activities	36		
Proceeds from borrowings		3,855,933	5,693,070
Proceeds from long-term financial liabilities		3,033	3,781
Proceeds from disposal of treasury shares		-	164,384
Repayment of borrowings		(5,281,336)	(3,686,447)
Repayment of long-term financial liabilities		(3,674)	(3,757)
Acquisition of treasury shares		-	(61,296)
Payment of cash dividends		(733,380)	(770,858)
Net cash provided by (used in) financing activities		<u>₩ (2,159,424)</u>	<u>1,338,877</u>
Effect of exchange rate changes on cash held		<u>-</u>	<u>2,210</u>
Net increase in cash and cash equivalents		614,678	465,456
Cash and cash equivalents			
Cash and cash equivalents at beginning of the period		<u>1,137,882</u>	<u>672,426</u>
Cash and cash equivalents at end of the period		<u>₩ 1,752,560</u>	<u>1,137,882</u>

See accompanying notes to the separate financial statements.

1. Reporting Entity

POSCO (the "Company") is the largest steel producer in Korea which was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea to manufacture and sell steel rolled products and plates in the domestic and overseas markets.

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

As of December 31, 2012 and 2011, major shareholders are as follows:

Shareholder's name	2012		2011	
	Number of shares	Ownership (%)	Number of shares	Ownership (%)
National Pension Service	5,225,654	5.99%	5,937,323	6.81%
Nippon Steel & Sumitomo Metal Corporation (*1)	4,394,712	5.04%	4,394,712	5.04%
SK Telecom Co., Ltd.	-	-	2,481,310	2.85%
KB Financial Group Inc. and subsidiaries	1,919,773	2.20%	-	-
Pohang University of Science and Technology	1,905,000	2.18%	1,905,000	2.18%
Shinhan Financial Group Inc. and subsidiaries	1,845,054	2.12%	1,870,879	2.15%
Others	71,896,642	82.47%	70,597,611	80.97%
	<u>87,186,835</u>	<u>100.00%</u>	<u>87,186,835</u>	<u>100.00%</u>

(*1) Nippon Steel & Sumitomo Metal Corporation owns American Depositary Receipts (ADRs) of the Company, each of which represents 0.25 share of POSCO's common share which has par value of ₩ 5,000 per share.

As of December 31, 2012, the shares of the Company are listed on the Korea Exchange, while its depository shares are listed on the New York, Tokyo and London Stock Exchanges.

2. Statement of Compliance

Statement of compliance

The separate financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations.

These financial statements are separate financial statements prepared in accordance with K-IFRS No. 1027 "*Consolidated and Separate Financial Statements*" presented by a parent, an investor in an associate or a venture in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

Basis of measurement

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

- (a) Derivatives instruments are measured at fair value
- (b) Financial instruments at fair value through profit or loss (FVTPL) are measured at fair value
- (c) Available-for-sale financial assets are measured at fair value
- (d) Defined benefit liabilities are measured at the present value of the defined benefit obligation less the fair value of the plan assets

Functional and presentation currency

These separate financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

Use of estimates and judgements

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. Actual results may differ from these estimates.

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

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

- Note 7 - Other Financial Assets
- Note 11 - Investment Property, Net
- Note 12 - Property, Plant and Equipment, Net

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

- Note 17 - Employee Benefits
- Note 34 - Commitments and Contingencies

Changes in accounting policies**(a) Changes in accounting policies****1) Financial Instruments: Disclosures**

The Company has applied the amendments to K-IFRS No. 1107, "*Financial Instruments: Disclosures*" since January 1, 2012. The amendments require disclosure of the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial asset that are not derecognized in their entirety. If the Company derecognizes transferred financial assets but still retains their specific risks and rewards, the amendments require additional disclosures of their risks.

2) Presentation of financial statements

The Company adopted the amendment to K-IFRS No. 1001, "*Presentation of Financial Statements*" from the annual period ended December 31, 2012, which prescribes the Company's operating profit to be calculated as revenue less: (1) cost of sales, and (2) selling and administrative expenses, and presented separately in the statement of comprehensive income.

Additionally, in the notes to the financial statements, the Company provides voluntary disclosure of the entity-specific measure of operating performance presented as "adjusted operating profit" which is calculated base on the Company's own criteria. In doing so, the Company is required to disclose: (1) a reconciliation between the entity-specific measure of operating performance and operating profit or loss presented on the face of the statement of comprehensive income, and (2) the fact that the measure of operating performance disclosed in the notes is calculated based on the Company's own criteria.

(b) Impact of change in accounting policy

The Company retrospectively applied the amendment to K-IFRS No. 1001, for which the impact is as follows:

<i>(in millions of Won)</i>	2012	2011
Operating profit before adoption of the amendment	₩ 2,525,033	4,196,029
Add		
Loss on disposals of property, plant, and equipment	84,990	60,174
Reversal of other bad debt expenses	-	(51)
Impairment loss of property, plant, and equipment	-	24,816
Loss on disposals of other long-term assets	131	-
Impairment loss of intangible assets	6,495	-
Loss on disposals of intangible assets	617	320
Donations	62,684	50,787
Idle tangible assets expenses	30,743	16,568
Impairment loss of investment in subsidiaries and associates	1,102	-
Loss on disposals of investment in subsidiaries and associates	17,575	-
Loss on disposals of assets held for sale	9,391	-
Miscellaneous loss	120,573	27,379
	334,301	179,993
Deduct		
Gain on disposals of property, plant, and equipment	(27,688)	(10,840)
Gain on disposals of other long-term assets	(213)	-
Gain on disposals of intangible assets	-	(38)
Gain on disposals of investment in subsidiaries and associates	(8,693)	(719)
Reversal of impairment of property, plant, and equipment	(1,606)	-
Gain on disposals of assets held for sale	(1,150)	-
Miscellaneous income	(30,387)	(34,043)
	(69,737)	(45,640)
Operating profit after adoption of the amendment	₩ 2,789,597	4,330,382

Approval of financial statements

The separate financial statements were approved by the Board of Directors on February 7, 2013.

3. Summary of Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its separate financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for those as disclosed in note 2.

Investments in subsidiaries and associates

These separate financial statements are prepared and presented in accordance with K-IFRS No. 1027 “*Consolidated and Separate Financial Statements*”. The Company applied the cost method to investments in subsidiaries, associates and joint ventures in accordance with K-IFRS No. 1027. Dividends from a subsidiary or associate are recognized in profit or loss when the right to receive the dividend is established.

Foreign currency transactions and translation

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments in highly liquid securities that are readily convertible to known amounts of cash with maturities of three months or less from the acquisition date and which are subject to an insignificant risk of changes in value. Equity investments are excluded from cash and cash equivalents.

Non-derivative financial assets

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

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

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

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

(b) Held-to-maturity financial assets

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

(c) Loans and receivables

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

(d) Available-for-sale financial assets

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

(e) Derecognition of non-derivative financial assets

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

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

(f) Offsetting a financial asset and a financial liability

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

Inventories

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

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

Non-current assets held for sale

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

The Company recognizes an impairment loss for any initial or subsequent write-down of an asset or disposal group to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036 *"Impairment of Assets"*.

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

Investment property

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

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, while an item of property, plant and equipment, except land, which shall be carried at its cost less any accumulated depreciation, any accumulated impairment losses and government grants, land is carried at cost initially measured.

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

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

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

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

Buildings	20-40 years
Structures	20-40 years
Machinery and equipment	15 years
Vehicles	4-9 years
Tools	4 years
Furniture and fixtures	4 years
Lease assets	18 years

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

Borrowing costs

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

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. The Company immediately recognizes other borrowing costs as an expense. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

Intangible assets

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

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

Intellectual property rights	5-10 years
Development cost	4 years
Port facilities usage rights	2-75 years
Other intangible assets	4-20 years

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

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

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

Government grants

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

Government grants which are intended to compensate the Company for expenses incurred are deducted from the related expenses.

Leases

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

(a) Finance leases

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

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

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

the lease term and its useful life.

(b) Operating leases

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

Impairment for financial assets

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

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

- (a) significant financial difficulty of the issuer or obligor
- (b) a breach of contract, such as a default or delinquency in interest or principal payments
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- (d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization
- (e) the disappearance of an active market for that financial asset because of financial difficulties
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

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

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

(a) Financial assets carried at amortized cost

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

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

Impairments for non-financial assets

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

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

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

Any impairment identified at the CGU level is used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Derivative financial instruments

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

(a) Embedded derivatives

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

(b) Other derivatives

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

Non-derivative financial liabilities

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

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

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

(b) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Financial guarantee liabilities are initially measured at their fair values and, if not designated as financial liabilities at fair value through profit or loss, they are subsequently measured at the higher of:

- 1) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and
- 2) the amount initially recognized less, cumulative amortization recognized on a straight-line basis over the guarantee period

At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

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

Employee benefits

(a) Short-term employee benefits

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

(b) Retirement benefits: Defined contribution plans

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

(c) Retirement benefits: Defined benefit plans

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

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

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

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

Provisions

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognized.

Share capital

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

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

Revenue

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

(a) Sale of goods

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

(b) Rental income

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

Finance income and finance costs

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

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

Income tax

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

(a) Current tax

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

(b) Deferred tax

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 is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred tax asset for deductible temporary differences arising from investments in subsidiaries, associates and joint venture, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

Earnings per share

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

New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning after January 1, 2012, and the Company has not early adopted them. Management believes the impact of the amendments on the Company's separate financial statements is not significant.

(a) Amendments to K-IFRS No. 1019 "*Employee Benefits*"

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

(b) 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.

(c) Amendments to K-IFRS No. 1001 "*Presentation of Financial Statements*"

The amendments require presenting in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment is mandatorily effective for annual periods beginning on or after July 1, 2012.

4. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- capital risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these separate financial statements.

(a) Risk management policy

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. In addition, credit risk arises from finance guarantees and unused sales contracts.

The Company implements a credit risk management policy under which the Company only transacts business with counterparties that have a certain level of credit rate evaluated based on financial condition, historical experience, and other factors. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of a nation or an industry in which a customer operates its business does not have a significant influence on credit risk. The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for companies of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. Debt securities are analyzed individually, and an expected loss shall be directly deducted from debt securities.

Credit risk also arises from transactions with financial institutions, and such transactions include transactions of cash and cash equivalents, various deposits, and financial instruments such as derivative contracts. The Company manages its exposure to this credit risk by only entering into transactions with banks that have high international credit ratings. The Company's Treasury Department authorizes, manages, and oversees new transactions with financial institutions with whom the Company has no previous relationship. Furthermore, the Company limits its exposure to credit risk of financial guarantee contracts by strictly evaluating their necessity based on internal decision making processes, such as the approval of the board of directors.

(c) Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's cash flow from business, borrowing or financing is sufficient to meet the cash requirements for the Company's strategic investments. Management believes that the Company is capable of raising funds by borrowing or financing if the Company is not able to generate cash flow requirements from its operations. The Company has committed borrowing facilities with various banks.

(d) Market risk management

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The goal of market risk management is optimization of profit and controlling the exposure to market risk within acceptable limits.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company, Korean Won. The Company's management monitors currency risk regularly for hedging foreign exchange exposure.

2) Interest rate risk

The Company mostly borrows at fixed interest rates. The Company's management monitors interest rate risks regularly.

(e) Management of capital risk

The fundamental goal of capital management is the maximization of shareholders' value by means of the stable dividend policy and the retirement of treasury shares. The capital structure of the Company consists of equity and net debt, deducting cash and cash equivalents and current financial instruments from borrowings. The Company applied the same financial risk management strategy that was applied in the previous period.

The equity attributable to owners as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>	<u>2012</u>	<u>2011</u>
Total borrowings	9,603,774	11,632,396
Less: Cash and cash equivalents	<u>1,752,560</u>	<u>1,137,882</u>
Net borrowings	7,851,214	10,494,514
Total equity	39,164,548	37,598,016
Net borrowings-to-equity ratio	20.05%	27.91%

5. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>	<u>2012</u>	<u>2011</u>
Checking accounts	₩ 660	149,982
Time deposits	1,320,000	810,000
Money market trust	321,400	157,900
Money market funds	110,000	20,000
Money market deposit account	500	-
	<u>₩ 1,752,560</u>	<u>1,137,882</u>

6. Trade Accounts and Notes Receivable

Trade accounts and notes receivable as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Current			
Trade accounts and notes receivable	₩	4,099,006	4,222,187
Less: Allowance for doubtful accounts		<u>(11,976)</u>	<u>(1,945)</u>
		<u>4,087,030</u>	<u>4,220,242</u>
Non-Current			
Trade accounts and notes receivable		502	252
Less: Allowance for doubtful accounts		<u>(228)</u>	<u>(228)</u>
		<u>274</u>	<u>24</u>
	₩	<u><u>4,087,304</u></u>	<u><u>4,220,266</u></u>

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to ₩ 258,680 million and ₩ 342,307 million as of December 31, 2012 and 2011, respectively, and are included in short-term borrowings (note 14).

7. Other Receivables and Financial Assets

(a) Other receivables as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Current			
Other accounts receivable, net	₩	391,263	330,615
Accrued income		12,531	10,585
Allowance account for credit losses		<u>(10,571)</u>	<u>(10,571)</u>
		<u>393,223</u>	<u>330,629</u>
Non-current			
Long-term loans		66,775	68,716
Long-term other accounts receivable		6,410	3,674
Allowance account for credit losses		<u>(14,453)</u>	<u>(14,453)</u>
		<u>58,732</u>	<u>57,937</u>
	₩	<u><u>451,955</u></u>	<u><u>388,566</u></u>

(b) Other short-term financial assets as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012	2011
Financial assets at fair value through profit or loss		
Financial assets held for trading	₩ -	50,132
Available-for-sale financial assets		
Short-term available-for-sale securities (bonds)	100,000	-
Held-to-maturity investments		
Current portion of held-to-maturity securities (bonds)	29,981	-
Loans and other receivables		
Short-term financial instruments (*1)	786,098	982,112
Cash deposits (*2)	12,699	17,175
Other checking accounts	1,538	1,415
	₩ 930,316	1,050,834

(*1) Short-term financial instruments amounting to ₩ 3,400 million and ₩ 1,670 million are secured in relation to long-term borrowings from a forestry association as of December 31, 2012 and 2011, respectively.

(*2) Deposits are restricted in relation to government assigned projects.

(c) Other long-term financial assets as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012	2011
Financial asset at fair value through profit or loss		
Derivative	₩ 6,016	-
Available-for-sale investments		
Long-term available-for-sale securities (bonds)	18,642	15,045
Long-term available-for-sale equity securities	2,942,915	3,716,014
Long-term available-for-sale securities (investment in capital)	500	500
Held-to-maturity investments		
Held-to-maturity securities (bonds)	-	29,903
Loan and other receivable		
Cash deposits (*1)	40	40
Deposits	1,920	13,619
	₩ 2,970,033	3,775,121

(*1) The Company is required to provide deposits to maintain checking accounts and accordingly the withdrawal of these deposits is restricted.

(d) Long-term available-for-sale equity securities as of December 31, 2012 and 2011 are as follows:

(In millions of Won)			2012				2011	
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Net changes in fair value of available-for-sale investments	Accumulated impairment loss	Book value	Book value
Marketable equity securities								
Nippon Steel & Sumitomo Metal Corporation	238,352,000	2.38	₩ 719,622	624,423	(95,199)	-	624,423	679,662
SK Telecom Co., Ltd. (*1,2,3)	2,294,963	2.84	596,152	350,210	61,628	(307,570)	350,210	640,221
KB Financial group Inc. (*3)	11,590,550	3.00	536,517	439,282	(97,235)	-	439,282	560,983
Hyundai Heavy Industries Co., Ltd.	1,477,000	1.94	343,506	357,434	13,928	-	357,434	379,589
Shinhan Financial group Inc.	4,569,881	0.92	228,778	169,770	47,134	(106,142)	169,770	173,703
Hana Financial group Inc. (*3)	2,436,498	1.00	15,633	84,338	68,705	-	84,338	165,797
Others (10 companies) (*4)			153,174	157,284	54,209	(50,059)	157,284	174,883
			2,593,382	2,182,741	53,170	(463,811)	2,182,741	2,774,838
Non-marketable equity securities								
The Siam United Steel (*5)	11,071,000	(2.30)	34,658	50,717	32,584	(22,525)	50,717	61,119
Nacional Minerios S.A. (*5)	30,794,625	6.48	668,635	517,683	(150,952)	-	517,683	695,583
Dongbu Metal Co., Ltd. (*5)	3,000,000	10.00	98,242	96,126	(2,116)	-	96,126	98,817
Treika Fund (*5)	8,372,361,490	3.66	3,372	6,499	(1,873)	-	6,499	3,372
Others (32 companies) (*6)			97,295	89,149	351	(8,397)	89,149	77,285
			907,202	760,174	(116,106)	(30,922)	760,174	941,176
			₩ 3,500,584	2,942,915	(62,936)	(494,733)	2,942,915	3,716,014

- (*1) As of December 31, 2012, 2,294,961 shares equivalent to 20,654,653 American Depository Receipts ("ADRs") of SK Telecom Co., Ltd. have been pledged as collateral for exchangeable bonds issued.
- (*2) The Company recorded impairment loss for investment of SK Telecom Co., Ltd. amounting to ₩ 272,079 million prior to January 1, 2012. During the year ended December 31, 2012, there was a further impairment loss of ₩ 35,491 million recognized in profit or loss.
- (*3) The ownership, number of shares, and book value of the securities were decreased as compared to December 31, 2011 because the Company partially disposed of its shares during the year ended December 31, 2012.
- (*4) The Company recognized ₩14,870 million of impairment loss on marketable equity securities of Seoul Semiconductor Co., Ltd., UNION STEEL and others for the year ended December 31, 2012 due to significant decline in the fair value of those shares during the corresponding period.
- (*5) Fair value is based on an analysis performed by an external professional evaluation agency.
- (*6) These non-marketable equity securities are recorded at cost since fair value cannot be reliably measured.

8. Inventories

Inventories as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>	<u>2012</u>	<u>2011</u>
Finished goods	₩ 870,917	974,585
Semi-finished goods	1,446,058	1,916,411
By-products	11,399	7,610
Raw materials	1,297,926	1,465,347
Fuel and materials	607,908	596,100
Materials-in-transit	1,169,201	2,184,547
Others	621	575
	<u>5,404,030</u>	<u>7,145,175</u>
Allowance for inventories valuation	<u>(370)</u>	<u>(466)</u>
	<u>₩ 5,403,660</u>	<u>7,144,709</u>

The amount of valuation losses of inventories recognized within cost of goods sold during the year ended December 31, 2012 and 2011 were ₩ 370 million and ₩ 466 million, respectively.

9. Other Assets

Other current assets and other long-term assets as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>	<u>2012</u>	<u>2011</u>
Other current assets		
Advance payments	₩ 4,505	4,935
Prepaid expenses	38,177	18,677
	<u>₩ 42,682</u>	<u>23,612</u>
Other long-term assets		
Long-term prepaid expenses	₩ 8,216	9,452
Others (*1)	2,568	262,335
Less : Allowance for doubtful accounts	<u>(13)</u>	<u>(13)</u>
	<u>₩ 10,771</u>	<u>271,774</u>

(*1) The guarantee deposits of ₩257,878 million related to the Australia Roy Hill iron ore mine were transferred to investments in associates during the year ended December 31, 2012.

10. Investments in Subsidiaries and Associates

(a) Investments in subsidiaries and associates as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012	2011
Subsidiaries	₩ 12,163,345	11,621,134
Associates	1,936,708	1,203,642
	₩ 14,100,053	12,824,776

(b) Details of subsidiaries and carrying values as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

[Domestic]	Country	Principal operations	2012				2011	
			Number of shares	Ownership (%)	Acquisition cost	Net asset value	Book value	Book value
Daewoo International Co., Ltd.	Korea	Trading	68,681,566	60.31	₩ 3,371,481	2,122,898	3,371,481	3,371,481
POSCO E&C Co., Ltd.	Korea	Engineering and Construction	32,876,418	89.53	1,510,716	2,886,158	1,510,716	1,510,716
POSCO Energy Corp.	Korea	Generation of Electricity	90,234,508	89.02	658,176	941,120	658,176	649,148
POSCO Specialty Steel Co., Ltd.	Korea	Steel manufacturing and Sales	26,090,000	94.74	628,842	1,012,355	628,842	628,842
POSCO P&S Co., Ltd.	Korea	Steel sales and service	17,155,000	95.31	421,927	628,135	421,927	421,927
POSCO AST Co., Ltd.	Korea	Steel manufacturing and Sales	17,386,952	100.00	176,609	155,218	176,609	138,909
POSCO Coated & Color Steel Co., Ltd.	Korea	Coated steel manufacturing	3,412,000	56.87	108,421	174,192	108,421	108,421
POSCO M-TECH Co., Ltd. (*)1	Korea	Packing materials manufacturing	20,342,460	48.85	107,278	171,726	107,278	107,278
POSCO Chemtec Company Ltd.	Korea	Manufacturing and Sales	3,544,200	60.00	100,535	399,104	100,535	100,535
POSCO ICT Co., Ltd.	Korea	Computer hardware and software distribution	99,403,282	72.54	70,990	375,034	70,990	70,990
POS-HMETAL CO., Ltd.	Korea	Steel manufacturing and Sales	10,023,000	65.00	49,452	20,443	49,452	49,452
POSCO Family Strategy Fund	Korea	Financial investment	400	60.79	40,000	66,390	40,000	40,000
Busan E&E Co., Ltd. (*)2	Korea	Municipal solid waste fuel and power generation	6,029,660	70.00	30,148	41,583	30,148	30,148
Others (15 companies)					343,308	665,536	343,308	312,286
					₩ 7,617,883	9,549,892	7,617,883	7,540,133

POSCO
Notes to the Separate Financial Statements, Continued
As of December 31, 2012

Folio67

(in millions of Won)

[Foreign]	Country	Principal operations	2012					2011	
			Number of shares	Ownership (%)	Acquisition cost	Net asset value	Book value	Book value	
POSCO-Thamox Co., Ltd.	Thailand	Stainless steel manufacturing	6,620,532,219	84.93	₩ 551,807	319,212	551,807	616,783	
PT. KRAKA TAU STEEL POSCO	Indonesia	Steel manufacturing and Sales	637,828	70.00	704,522	942,718	732,503	537,371	
POSCO Australia Pty. Ltd.	Australia	Steel Sales and mine development	761,775	100.00	330,623	717,503	330,623	330,623	
Zhangjiagang Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing	-	88.60	283,845	472,769	285,201	285,664	
POSCO WA Pty. Ltd.	Australia	Mine development	286,481,386	100.00	312,851	235,173	312,851	238,821	
POSCO China Holding Corp.	China	Investment management	-	100.00	223,436	254,411	223,436	223,436	
POSCO Maharashtra Steel Pvt. Ltd.	India	Steel manufacturing and Sales	122,210,099	100.00	299,401	188,191	302,053	252,217	
POSCO-India Private Ltd.	India	Steel manufacturing and Sales	764,999,999	99.99	184,815	131,103	184,815	184,815	
Guangdong Pohang Coated Steel Co., Ltd.	China	Plate steel manufacturing	-	87.04	31,299	39,310	31,299	163,271	
POSCO-Vietnam Co., Ltd.	Vietnam	Steel manufacturing	-	85.00	154,691	13,027	155,428	157,031	
POSCO VST Co., Ltd.	Vietnam	Stainless steel manufacturing	-	95.65	144,573	52,824	145,462	145,649	
POSCO America Corp.	USA	Trading-Steel	391,042	99.45	140,381	177,145	140,381	140,381	
POSCO Investment Co., Ltd.	Hong Kong	Finance	4,999,999	99.99	85,521	96,810	86,223	88,797	
POSCO-Mexico Co., Ltd.	Mexico	Plate steel manufacturing	2,686,705,272	94.84	180,069	233,611	182,048	56,163	
POSCO-JAPAN Co., Ltd.	Japan	Trading-Steel	90,438	100.00	68,436	116,822	68,436	68,436	
Qingdao Pohang Stainless Steel Co., Ltd.	China	Stainless steel manufacturing	-	70.00	65,982	89,188	65,982	65,982	
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	China	Steel manufacturing and Sales	-	90.00	62,494	88,362	62,494	62,494	
POSCO ASSANT TST STEEL Industry	Turkey	Steel manufacturing and Sales	144,579,160	60.00	92,809	146,288	96,215	37,201	
POSCO China Dalian Plate Processing Center Co., Ltd.	China	Heavy plate processing and Marketing	-	90.00	32,992	30,733	32,992	32,992	
POSCO Asia Co., Ltd.	Hong Kong	Steel transit trade	9,760,000	100.00	32,189	36,058	32,189	32,189	
POSCO-Malaysia SDN. BHD.	Malaysia	Steel manufacturing and Sales	98,496,000	90.07	31,027	(21,597)	31,027	31,027	
POSCO Electrical Steel India Private Limited	India	Steel manufacturing and Sales	20,325,976	100.00	46,477	38,483	46,058	28,170	
POSCO (Thailand) Co., Ltd.	Thailand	Steel manufacturing and Sales	12,721,734	85.62	25,945	45,777	25,945	25,945	
POSCO Turkey Nuhfer Processing Center Co., Ltd.	Turkey	Steel manufacturing and Sales	242,444	100.00	19,983	10,710	19,983	19,983	
POSCO-URUGUAY S.A.	Uruguay	Wood manufacturing and Sales	507,483,660	98.00	27,724	24,699	27,722	17,715	
Others (29 companies)					369,320	518,358	370,189	207,845	
					4,493,203	5,017,589	4,545,462	4,081,001	
					₩ 12,111,086	14,567,481	12,163,345	11,621,134	

(*1) As of December 31, 2012, this was classified as an investment in a subsidiary as the Company has control over of more than half of the voting rights by virtue of an agreement with Postech, which has 4.72% of ownership in POSCO M-TECH Co., Ltd.

(*2) As of December 31, 2012, this investment is collateral for the Company's guarantee provided to certain borrowings of its subsidiary from banks.

(c) Details of associates and carrying values as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

			2012				2011	
[Domestic]	Country	Principal operations	Number of shares	Ownership (%)	Acquisition cost (*2)	Net asset value	Book value	Book value
Sungjin Geotec Co., Ltd.	Korea	Industrial machinery manufacturing	12,345,110	33.71	₩ 159,878	130,582	159,878	159,878
SNIC Co., Ltd.	Korea	Material manufacturing	18,130,000	49.00	100,655	315,493	100,655	100,655
Posco ESM	Korea	Secondary battery manufacturing	1,000,000	50.00	43,000	53,220	43,000	-
POSMATE Co., Ltd.	Korea	Business facilities maintenance	411,503	45.15	33,295	103,497	33,295	12,270
Others (4 companies)					9,811	17,461	9,811	11,408
					346,639	620,253	346,639	284,211
[Foreign]								
ROY HILL HOLDINGS PTY LTD. (*1)	Australia	Mine development	10,179,167	10.00	537,369	1,298,996	537,369	-
POSCO-NPS Niobium LLC	USA	Mine development	325,050,000	50.00	364,609	697,291	364,609	364,609
NMC	New Caledonia	Raw material manufacturing and Sales	3,234,698	49.00	189,197	354,078	189,197	189,197
COMPANHIA SIDERURGICA DO PECÉM (CSP)	Brazil	Steel manufacturing	413,729,274	30.00	365,740	1,071,554	365,740	132,891
KGBRASCO	Brazil	Facilities lease	2,010,719,185	50.00	98,962	227,694	98,962	98,962
BX Steel POSCO Cold Rolled Sheet Co., Ltd.	China	Steel manufacturing and Sales	-	25.00	63,865	343,791	63,901	63,983
Others (13 companies)					70,181	200,644	70,291	69,789
					1,589,923	4,194,048	1,590,069	919,431
					₩ 1,936,562	4,814,301	1,936,708	1,203,642

(*1) Although the Company holds less than 20% ownership, the Company classifies its investment in Roy Hill Holdings Pty Ltd. within investments in associates, as the Company has significant influence over the operating and financial policies over the entity.

(*2) Representing 100% of the associates' amount.

(d) As of December 31, 2012, there are no restrictions on the ability of subsidiaries and associates to transfer funds to the controlling company, such as in the form of cash dividends, repayment of loans or payment of advances.

11. Investment Property, Net

(a) Investment property as of December 31, 2012 and 2011 are as follows:

		2012			2011		
		Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩	41,811	-	41,811	43,258	-	43,258
Buildings		110,927	(47,230)	63,697	114,768	(45,992)	68,776
Structures		8,136	(3,118)	5,018	8,418	(3,034)	5,384
Total	₩	<u>160,874</u>	<u>(50,348)</u>	<u>110,526</u>	<u>166,444</u>	<u>(49,026)</u>	<u>117,418</u>

The fair value of investment property as of December 31, 2012 is ₩ 310,000 million.

(b) The changes in carrying value in investment property for the years ended December 31, 2012 and 2011 were as follows:

1) For the year ended December 31, 2012

(in millions of Won)

		Beginning	Acquisition	Disposal	Depreciation (*1)	Others (*2)	Ending
Land	₩	43,258	-	-	-	(1,447)	41,811
Buildings		68,776	-	-	(2,905)	(2,174)	63,697
Structures		5,384	-	-	(194)	(172)	5,018
Total	₩	117,418	-	-	(3,099)	(3,793)	110,526

(*1) The useful life and depreciation method of investment property are identical to those of property, plant and equipment.

(*2) Mainly includes assets transferred from property, plant and equipment in relation to change in rental ratio and the purpose of use.

2) For the year ended December 31, 2011

(in millions of Won)

		Beginning	Acquisition	Disposal	Depreciation (*1)	Others (*2)	Ending
Land	₩	41,877	-	-	-	1,381	43,258
Buildings		48,514	86	(153)	(2,955)	23,284	68,776
Structures		1,882	-	-	(195)	3,697	5,384
Total	₩	92,273	86	(153)	(3,150)	28,362	117,418

(*1) The useful life and depreciation method of investment property are identical to those of property, plant and equipment.

(*2) Mainly includes assets transferred from property, plant and equipment in relation to change in rental ratio and the purpose of use.

12. Property, Plant and Equipment, Net

(a) Property, plant and equipment as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

		2012				2011			
		Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Land	₩	1,367,822	-	-	1,367,822	1,275,564	-	-	1,275,564
Buildings		5,287,226	(2,552,379)	(8)	2,734,839	5,148,036	(2,316,164)	(115)	2,831,757
Structures		3,742,988	(1,629,238)	-	2,113,750	3,544,936	(1,483,548)	(40)	2,061,348
Machinery and equipment		30,838,413	(17,949,647)	(152)	12,888,614	29,688,623	(16,771,327)	(967)	12,916,329
Vehicles		184,858	(171,819)	-	13,039	184,219	(164,878)	-	19,341
Tools		180,045	(150,352)	-	29,693	177,811	(139,787)	(2)	38,022
Furniture and fixtures		253,742	(186,306)	(5)	67,431	234,456	(162,117)	(5)	72,334
Lease assets		11,466	(3,822)	-	7,644	11,466	(3,185)	-	8,281
Construction-in-progress		2,943,903	-	-	2,943,903	2,310,159	-	-	2,310,159
Total	₩	44,810,463	(22,643,563)	(165)	22,166,735	42,575,270	(21,041,006)	(1,129)	21,533,135

(b) The changes in carrying value of property, plant and equipment for the years ended December 31, 2012 and 2011 were as follows:

1) For the year ended December 31, 2012

<i>(in millions of Won)</i>	<u>Beginning</u>	<u>Acquisitions (*1)</u>	<u>Disposals</u>	<u>Depreciation</u>	<u>Others (*2)</u>	<u>Ending</u>
Land	₩ 1,275,564	101,053	(10,242)	-	1,447	1,367,822
Buildings	2,831,757	138,843	(5,269)	(237,038)	6,546	2,734,839
Structures	2,061,348	243,236	(21,146)	(165,632)	(4,056)	2,113,750
Machinery and equipment	12,916,329	1,398,443	(49,789)	(1,382,901)	6,532	12,888,614
Vehicles	19,341	1,413	(22)	(7,893)	200	13,039
Tools	38,022	6,796	(2)	(15,123)	-	29,693
Furniture and fixtures	72,334	23,737	(156)	(28,484)	-	67,431
Lease assets	8,281	-	-	(637)	-	7,644
Construction-in-progress	2,310,159	2,561,233	-	-	(1,927,489)	2,943,903
Total	<u>₩ 21,533,135</u>	<u>4,474,754</u>	<u>(86,626)</u>	<u>(1,837,708)</u>	<u>(1,916,820)</u>	<u>22,166,735</u>

(*1) Includes the acquisition cost of ₩1,913,521 million for items transferred from construction-in-progress in relation to the expansion of raw materials processing facilities, establishment of 3FINEX facilities and others.

(*2) Represents assets transferred from construction-in-progress to intangible assets and other property, plant and equipment as well as assets transferred from investment property and assets held for sale.

2) For the year ended December 31, 2011

<i>(in millions of Won)</i>	<u>Beginning</u>	<u>Acquisitions (*1)</u>	<u>Disposals</u>	<u>Depreciation</u>	<u>Impairment (*2)</u>	<u>Others(*2,3)</u>	<u>Ending</u>
Land	₩ 1,068,294	209,599	(948)	-	-	(1,381)	1,275,564
Buildings	2,502,213	584,977	(3,194)	(228,836)	(273)	(23,130)	2,831,757
Structures	1,942,405	291,663	(10,229)	(155,965)	(142)	(6,384)	2,061,348
Machinery and equipment	11,736,629	2,556,617	(36,318)	(1,301,849)	(24,394)	(14,356)	12,916,329
Vehicles	22,753	5,407	(22)	(8,797)	-	-	19,341
Tools	27,807	24,307	(13)	(14,077)	(2)	-	38,022
Furniture and fixtures	66,345	31,153	(4)	(25,155)	(5)	-	72,334
Lease assets	8,918	-	-	(637)	-	-	8,281
Construction-in-progress	2,635,746	3,393,445	-	-	-	(3,719,032)	2,310,159
Total	<u>₩ 20,011,110</u>	<u>7,097,168</u>	<u>(50,728)</u>	<u>(1,735,316)</u>	<u>(24,816)</u>	<u>(3,764,283)</u>	<u>21,533,135</u>

(*1) Includes the acquisition cost of ₩3,703,723 million for items transferred from construction-in-progress in relation to the expansion of Gwangyang sintering plates and coke establishment plants and others.

(*2) The Company plans to dispose of certain equipment at an existing steel manufacturing plant due to the completion and expected use of a new plant. Impairment losses amounting to ₩24,816 million are recognized since the fair value less cost to sell exceeds the carrying amount. The remaining book value of this equipment is expected to be sold by the first half of 2012, for ₩16,887 million, and were reclassified to assets held for sale.

(*3) Includes assets transferred from construction-in-progress to intangible assets, other property, plant and equipment and investment property.

- (c) Borrowing costs capitalized and the capitalized interest rate for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		2012	2011
		₩	₩
Weighted average expenditure		1,469,474	472,258
Borrowing costs capitalized		66,371	21,823
Capitalisation rate		4.52%	4.62%

13. Intangible Assets, Net

- (a) Intangible assets as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

		2012				2011			
		Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Acquisition cost	Accumulated depreciation	Book value	
Intellectual property rights	₩	12,490	(3,586)	-	8,904	9,040	(2,664)	6,376	
Membership		55,775	-	(6,215)	49,560	44,523	-	44,523	
Development expense		79,982	(49,890)	-	30,092	62,167	(32,985)	29,182	
Port facilities usage rights		414,884	(326,901)	-	87,983	414,884	(315,331)	99,553	
Other intangible assets		434,526	(317,224)	-	117,302	350,825	(307,563)	43,262	
Total	₩	997,657	(697,601)	(6,215)	293,841	881,439	(658,543)	222,896	

- (b) Changes in carrying values of intangible assets for the years ended December 31, 2012 and 2011 were as follows:

- 1) For the year ended December 31, 2012:

(in millions of Won)		Increase			Decrease			Ending	
		Beginning	Acquisition (*2)	Development	Transfer (*3)	Disposal	Depreciation		Impairment (*4)
Intellectual property rights	₩	6,376	4,075	-	-	(494)	(1,053)	-	8,904
Membership (*1)		44,523	767	-	11,757	(992)	-	(6,495)	49,560
Development expense		29,182	-	17,815	-	-	(16,905)	-	30,092
Port facilities usage rights		99,553	-	-	-	-	(11,570)	-	87,983
Other intangible assets		43,262	84,898	-	-	-	(10,858)	-	117,302
	₩	222,896	89,740	17,815	11,757	(1,486)	(40,326)	(6,495)	293,841

(*1) Economic useful life of membership is indefinite.

(*2) Includes acquisition cost transferred from construction-in-progress amounting to ₩14,788 million.

(*3) Memberships which expire after a specific period are reclassified as financial instruments. However, memberships are reclassified from financial instruments to intangible asset as the estimate for the possibility of renewal is probable.

(*4) Since the carrying amount exceeded recoverable amount, impairment loss on memberships was recognized.

2) For the year ended December 31, 2011

(in millions of Won)		Increase			Decrease			
		Beginning	Acquisition (*2)	Development	Disposal	Depreciation	Reclassification (*3)	Ending
Intellectual property rights	₩	4,919	2,533	-	(319)	(757)	-	6,376
Membership (*1)		56,494	-	-	(214)	-	(11,757)	44,523
Development expense		32,308	-	11,152	-	(14,278)	-	29,182
Port facilities usage rights		112,683	-	-	-	(13,130)	-	99,553
Other intangible assets		22,733	27,122	-	(1)	(6,592)	-	43,262
	₩	229,137	29,655	11,152	(534)	(34,757)	(11,757)	222,896

(*1) Economic useful life of membership is indefinite.

(*2) Includes acquisition cost transferred from construction-in-progress amounting to ₩15,309 million.

(*3) Memberships entitled to be returned after a specific period were reclassified to financial deposit.

14. Borrowings

(a) Borrowings as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012	2011
Short-term borrowings		
Short-term borrowings	₩ 796,662	1,786,590
Current portion of long-term borrowings	34,769	7,571
Current portion of loans from foreign financial institutions	901	951
Current portion of debentures	1,283,742	500,000
Less : Current portion of discount on debentures issued	(1,953)	(732)
Add : Current portion of premium on debentures redemption	2,419	-
	<u>2,116,540</u>	<u>2,294,380</u>
Long-term borrowings		
Long-term borrowings	843,014	892,296
Foreign loan	2,009	3,071
Debentures	6,680,192	8,502,852
Less : Discount on debentures issued	(53,616)	(81,696)
Add : Premium on debentures redemption	15,635	21,493
	<u>7,487,234</u>	<u>9,338,016</u>
	<u>₩ 9,603,774</u>	<u>11,632,396</u>

(b) Short-term borrowings as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>						
Bank	Issuance date	Maturity date	Annual interest rate (%)		2012	2011
BOA	2012-09-26	2013-06-03	0.91~1.20	₩	114,093	100,458
JP Morgan	2012-07-03	2013-01-03	1.43		75,282	228,996
DEUTSCHE	2012-09-17	2013-06-11	0.91~1.25		133,833	142,420
DBS	2012-07-05	2013-03-22	1.20~1.44		121,544	272,026
RBS	2012-09-27	2013-06-12	0.91~1.19		93,230	106,837
CA and others					-	593,546
Others (discount on accounts receivable)					258,680	342,307
				₩	<u>796,662</u>	<u>1,786,590</u>

(c) Current portion of long-term borrowings as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>						
	Borrowers	Issuance date	Maturity date	Annual interest rate (%)	2012	2011
Borrowings	Korea Resources Corporation	2006.10.31	2021.09.15	0.75	₩ 3,000	3,000
Borrowings	Korea Resources Corporation	2006.12.28	2021.12.15	0.75	1,510	1,510
Borrowings	Woori Bank	2009.06.11	2017.03.15	1.75	2,654	1,990
Borrowings	Woori Bank	2009.11.26	2017.03.15	1.75	880	660
Borrowings	Woori Bank	2009.12.31	2017.03.15	1.75	547	411
Borrowings	Woori Bank	2010.06.10	2018.03.15	1.75	2,262	-
Borrowings	Woori Bank	2011.02.24	2018.03.15	1.75	1,383	-
Borrowings	Woori Bank	2010.02.18	2017.02.18	4.50	22,533	-
Loans from foreign financial institutions	NATIXIS (*1)	1984.06.30~ 1986.03.31	2014.12.30~ 2017.03.31	2.00	901	951
Debentures	Domestic debentures 288	2008.08.05	2013.08.05	6.52	499,711	-
Debentures	Domestic debentures 287	2007.05.11	2012.05.11	5.26	-	499,268
Debentures	9th Samurai Private Equity Bonds	2006.06.28	2013.06.28	2.05	623,563	-
Debentures	Exchangeable Bond (2008)	2008.08.19	2013.08.19	0.00	160,934	-
				₩	<u>1,319,878</u>	<u>507,790</u>

(*1) As of December 31, 2012, Korea Development Bank has provided guarantees for loans from foreign financial institutions.

(d) Long-term borrowings excluding current portion, as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	Borrowers	Issuance date	Maturity date	Annual interest rate (%)	2012	2011
Borrowings	Woori Bank(*1)	2006.10.31~ 2012.12.03	2017.03.15~ 2040.12.03	0.75~1.75	₩ 85,519	100,494
Borrowings	Korea National Oil Corporation	2007.12.27~ 2012.12.28	2022.06.25~ 2026.12.29	Government bond -2.25	13,657	10,441
Borrowings	Korea EXIM Bank	2010.02.18~ 2012.12.18	2017.02.18~ 2018.03.23	4.09~4.50	743,839	781,361
Loans from foreign financial institutions	NATIXIS(*2)	1984.06.30~ 1986.03.31	2014.12.30~ 2017.03.31	2.00	2,009	3,071
Debentures	Domestic debentures 301 and others	2009.01.20~ 2011.11.28	2014.01.20~ 2021.11.28	3.78~5.40	3,092,140	3,588,982
Debentures	Exchangeable Bond(*3) and others	2006.08.10~ 2011.12.22	2014.03.26~ 2021.12.22	0~8.75	3,550,070	4,853,667
					₩ 7,487,234	9,338,016

(*1) Short-term financial instruments amounting to ₩ 3,400 million and ₩ 1,670 million, respectively, are collateral for long-term borrowings from a forestry association as of December 31, 2012 and 2011.

(*2) As of December 31, 2012 and 2011, Korea Development Bank has provided guarantees for loans from foreign financial institutions.

(*3) The Company issued exchangeable bonds with SK Telecom Co., Ltd. ADRs through Zeus (Cayman) Ltd., an SPV. The Company accounted for these exchangeable bonds as long-term borrowings. The Company provides guarantees for Zeus (Cayman) Ltd.

15. Other Payables and Other Financial Liabilities

(a) Other Payables as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

		<u>2012</u>	<u>2011</u>
Current			
Accounts payable	₩	826,075	806,913
Accrued expenses (*1)		427,314	248,597
		<u>1,253,389</u>	<u>1,055,510</u>
Non-Current			
Long-term accounts payable		88,938	86,871
Accrued expenses		24,664	19,618
		<u>113,602</u>	<u>106,489</u>
	₩	<u>1,366,991</u>	<u>1,161,999</u>

(*1) During the year ended December 31, 2012, a fine of ₩ 98,326 million was imposed for price-fixing galvanized steel sheets as a result of the Korea Fair Trade Commission's investigation.

(b) Other short-term financial liabilities as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

		<u>2012</u>	<u>2011</u>
Financial guarantee liabilities	₩	7,393	6,336
Dividends payable		6,493	6,050
Finance lease liabilities		1,088	1,108
Withholdings		9,070	9,396
Derivative instruments liabilities		9,499	10,898
	₩	<u>33,543</u>	<u>33,788</u>

(c) Other long-term financial liabilities as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

		<u>2012</u>	<u>2011</u>
Financial guarantee liabilities	₩	41,664	11,163
Derivatives liabilities		31,256	12,771
Finance lease liabilities		6,246	7,824
Long-term withholdings		8,964	9,052
	₩	<u>88,130</u>	<u>40,810</u>

16. Provisions

The changes in provisions for the years ended December 31, 2012 and 2011 were as follows:

1) For the year ended December 31, 2012

<i>(in millions of Won)</i>	<u>Beginning</u>	<u>Increase</u>	<u>Utilization</u>	<u>Ending</u>
Estimated allowance at the end of period (*1) ₩	4,451	241,498	(239,710)	6,239

(*1) Represents the provision for bonuses.

2) For the year ended December 31, 2011

<i>(in millions of Won)</i>	<u>Beginning</u>	<u>Increase</u>	<u>Utilization</u>	<u>Ending</u>
Estimated allowance at the end of period ₩	9,582	304,869	(310,000)	4,451

17. Employee Benefits

The Company introduced a retirement pension program for all employees in June 2011. The employees and directors employed with the Company had an option to choose whether they would join the defined contribution plan or the defined benefit pension plan. The pension plan benefit is based on each employee's accrued length of service, including their length of service under the previous severance plan.

(a) Defined contribution plans

The Company operates a defined contribution plan for participating employees. Though the Company pays fixed contributions into a separate fund, employee benefits relating to employee service in the future is based on the contributions to the funds and the investment earnings on it. Plan assets are managed by a trustee within a fund separate from the Company's assets.

The expense related to post-employment benefit plans under defined contribution plans for the year ended December 31, 2012 and 2011 was as follows:

<i>(in millions of Won)</i>	<u>2012</u>	<u>2011</u>
Expense related to post-employment benefit plans under defined contribution plans ₩	13,032	6,807

(b) Defined benefit plans

The Company also operates a defined benefit pension plan for employees. The employees who chose a defined benefit pension plan will receive a defined payment upon termination of their employment if they fulfill the condition to qualify as a recipient. Before the termination of employment, the Company recognizes the pension liability related to defined benefit plans at the end of the reporting period, and measures it at the present value of the defined benefit obligation less the fair value of the plan assets. The Company uses the projected unit credit method in the actuarial valuation of plan assets and the defined benefit obligation.

(c) The amounts recognized in relation to defined benefit obligations in the statements of financial position as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012	2011
Present value of funded obligations	₩ 817,618	690,321
Fair value of plan assets	(677,362)	(513,673)
Net defined benefit obligations	₩ 140,256	176,648

(d) The changes in present value of defined benefit obligations for the years ended December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012	2011
Defined benefit obligation at the beginning of period	₩ 690,321	1,013,165
Current service costs	99,066	108,879
Interest costs	31,156	47,607
Actuarial losses	63,184	6,157
Benefits paid	(66,109)	(485,487)
Defined benefit obligation at the end of period	₩ 817,618	690,321

(e) The changes in the fair value of plan assets for the years ended December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012	2011
Plan assets at the beginning of period	₩ 513,673	689,162
Expected return on plan assets	23,115	26,886
Actuarial gains (losses)	2,732	(460)
Contributions of participants (*1)	180,000	95,080
Benefits paid	(42,158)	(296,995)
Plan assets at the end of period	₩ 677,362	513,673

(*1) The Company expects to make a contribution of ₩180,000 million to the defined benefit plan assets in 2013.

(f) The fair value of plan assets as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>	<u>2012</u>	<u>2011</u>
Deposits	₩ 677,296	513,607
Others	66	66
Total	<u>₩ 677,362</u>	<u>513,673</u>

(g) The amounts recognized in the statements of comprehensive income for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>	<u>2012</u>	<u>2011</u>
Current service costs	₩ 99,066	108,879
Interest costs	31,156	47,607
Expected return on plan assets (*1)	(23,115)	(26,886)
Total	<u>₩ 107,107</u>	<u>129,600</u>

(*1) The actual return on plan assets amounted to ₩ 25,847 million and ₩ 26,426 million for the years ended December 31, 2012 and 2011, respectively.

The above expenses by function were as follows:

<i>(in millions of Won)</i>	<u>2012</u>	<u>2011</u>
Cost of sales	₩ 85,298	98,275
Selling and administrative expenses	20,897	23,853
Others	912	7,472
Total	<u>₩ 107,107</u>	<u>129,600</u>

(h) Actuarial gains (losses), net of tax recognized in other comprehensive income for the year ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>	<u>2012</u>	<u>2011</u>
Beginning	₩ (103,947)	(101,802)
Current actuarial losses	(60,452)	(6,617)
Effect on change of tax rate	14,628	4,472
Ending	<u>₩ (149,771)</u>	<u>(103,947)</u>

(i) The principal actuarial assumptions as of December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Discount rate (*1)	3.47%	4.32%
Expected return on plan assets (*2)	4.32%	3.95%
Expected future increases in salaries (*3)	3.30%	2.30%

(*1) Discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of our benefits obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(*2) The overall expected rate of return on plan assets is a weighted average of the expected returns of the various categories of plan assets held. The management's assessment of the expected returns is based on historical return trends and predictions of the market for the asset over the life of the related obligation.

(*3) The expected future increases in salaries are based on the average salary increase rate for past three years.

All assumptions are reviewed at the end of the reporting period. Additionally, the total estimated defined benefit obligation includes actuarial assumptions associated with the long-term characteristics of the defined benefit plan.

18. Other Liabilities

(a) Other current liabilities as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	<u>2012</u>	<u>2011</u>
Other current liabilities		
Advances received	₩ 44,488	21,149
Withholding	20,962	25,534
Unearned revenue	5,415	1,772
	<u>₩ 70,865</u>	<u>48,455</u>

(b) Other long-term liabilities as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	<u>2012</u>	<u>2011</u>
Other long-term liabilities		
Unearned revenue	₩ 842	1,200
Others	3,000	3,000
	<u>₩ 3,842</u>	<u>4,200</u>

19. Financial Instruments

(a) Classification of financial instruments

1) Financial assets as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012	2011
Financial assets at fair value through profit or loss		
Financial assets held for trading	₩ -	50,132
Derivatives assets	6,016	-
Available-for-sale financial assets	3,062,057	3,731,559
Held-to-maturity investments	29,981	29,903
Loans and receivables	6,833,586	6,592,644
	₩ 9,931,640	10,404,238

2) Financial liabilities as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012	2011
Financial liabilities at fair value through profit or loss:		
Derivatives liabilities held for trading	₩ 40,755	23,669
Financial liabilities evaluated as amortized cost:		
Trade accounts payable	978,581	1,395,846
Borrowings	9,603,774	11,632,396
Financial guarantee liabilities (*1)	49,057	17,499
Others	1,300,526	1,195,429
	11,931,938	14,241,170
	₩ 11,972,693	14,264,839

(*1) Financial guarantee contracts recognized in financial guarantee liabilities as of December 31, 2012 are as follows:

(in millions of Won)

Guarantee beneficiary	Financial institution	Foreign currency		Won equivalent
Guangdong Pohang Car Steel Co., Ltd.	ANZ	USD	10,000,000	10,711
	BOA	USD	30,000,000	32,133
	BTMU	USD	24,000,000	25,706
	ING	USD	23,600,000	25,278
	SMBC	USD	35,000,000	37,489
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Construction Bank	CNY	112,500,000	19,337
	Construction Bank	USD	880,000	943
	China Bank	CNY	7,100,000	1,220
	China Bank	USD	21,100,000	22,600
Zhangjiagang Pohang Stainless Steel Co., Ltd.	BTMU	USD	30,000,000	32,133
	Credit Agricole	USD	50,000,000	53,555
	MIZUHO	USD	80,000,000	85,688
POSCO Maharashtra Steel Pvt. Ltd.	Export-Import Bank of Korea	USD	193,000,000	206,722
	Citi	USD	60,000,000	64,266
	DBS	USD	100,000,000	107,110
	HSBC	USD	80,000,000	85,688
	ING	USD	30,000,000	32,133
	SC	USD	40,000,000	42,844
	SCB	USD	33,000,000	35,346
	KDB	USD	30,000,000	32,133
	SMBC and others	USD	188,392,500	201,787
	ING and others	USD	84,000,000	89,972
POSCO ASSAN TST STEEL Industry POSCO Electrical Steel India Private Limited POSCO Investment Co., Ltd.	KDB	USD	70,000,000	74,977
	BOA	USD	40,000,000	42,844
	BOC	CNY	350,000,000	60,158
	BTMU	USD	30,000,000	32,133
	HSBC	MYR	240,000,000	83,952
	HSBC	USD	100,000,000	107,110
	ING	USD	40,000,000	42,844
	SCB	USD	45,000,000	48,200
	SMBC	USD	25,000,000	26,778
	BOA	USD	40,000,000	42,844
POSCO-Mexico S.A. DE C.V.	HSBC	USD	40,000,000	42,844
	KDB	USD	50,000,000	53,555
	MIZUHO	USD	45,000,000	48,200
	SMBC	USD	69,725,000	74,682
	Export-Import Bank of Korea	USD	200,000,000	214,220
POSCO-Vietnam Co., Ltd. POSCO-VST Co., Ltd.	ANZ	USD	25,000,000	26,778
	HSBC	USD	20,000,000	21,422
	MIZUHO	USD	20,000,000	21,422
	Shinhan Bank	USD	18,000,000	19,280
POSUK Titanium LLP PT. KRAKATAU POSCO	Export-Import Bank of Korea	USD	490,000,000	524,839
	ANZ	USD	87,500,000	93,721
	BTMU	USD	119,000,000	127,461
	Credit Suisse AG	USD	91,000,000	97,470
	HSBC	USD	91,000,000	97,470
	The Tokyo Star Bank, Ltd	USD	21,000,000	22,493
	MIZUHO	USD	105,000,000	112,466
	SCB	USD	86,800,000	92,971
	SMBC	USD	119,000,000	127,461
	Shinhan Bank	USD	24,500,000	26,242
United Spiral Pipe, LLC		USD	3,255,497,500	3,486,964
		CNY	469,600,000	80,715
		MYR	240,000,000	83,952

3) Finance income and costs by category of financial instrument for the year ended December 31, 2012 and 2011 were as follows:

① December 31, 2012

(in millions of Won)

		Finance income and costs						Other comprehensive loss
		Interest income (cost)	Dividend income (*1)	Gain and loss on foreign currency transactions	Gain and loss on foreign currency translations	Gain and loss on disposal	Others (*2)	
Financial assets at fair value through profit or loss	₩	-	-	-	-	(1,684)	6,616	4,932
Available-for-sale financial assets		970	110,897	-	-	72,028	(63,466)	120,429
Held-to-maturity investments		1,580	-	-	-	-	-	1,580
Loans and receivables		(111,263)	-	(62,991)	(24,476)	(182)	(569)	23,135
Financial liabilities at fair value through profit or loss		-	-	-	-	-	(27,984)	(27,984)
Financial liabilities are evaluated as amortized cost		(391,767)	-	126,193	628,822	-	(606)	362,642
	₩	(277,954)	110,897	63,292	604,346	70,762	(86,609)	484,734
								(153,345)

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries and associates of ₩ 112,514 million for the year ended December 31, 2012.

(*2) Others related to available-for-sale financial assets mainly represent impairment losses.

② December 31, 2011

(in millions of Won)

		Finance income and costs						Other comprehensive loss
		Interest income (cost)	Dividend income (*1)	Gain and loss on foreign currency transactions	Gain and loss on foreign currency translations	Gain and loss on disposal	Others (*2)	
Financial assets at fair value through profit or loss	₩	-	-	-	-	(3,358)	132	(3,226)
Available-for-sale financial assets		-	132,911	-	-	331,063	(107,377)	356,537
Held-to-maturity investments		1,611	-	-	-	-	-	1,611
Loans and receivables		(92,409)	-	(14,116)	7,953	(545)	(1,799)	93,902
Financial liabilities at fair value through profit or loss		-	-	-	-	-	(6,745)	(6,745)
Financial liabilities are evaluated as amortized cost		(420,538)	-	(95,505)	(173,266)	-	(17,497)	(706,806)
	₩	(316,518)	132,911	(109,621)	(165,313)	327,100	(133,286)	(264,727)
								(922,331)

(*1) Finance income in the statement of comprehensive income includes the dividends from subsidiaries and associates of ₩ 134,418 million for the year ended December 31, 2011.

(*2) Others related to available-for-sale financial assets mainly represent impairment losses.

(b) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Company's maximum exposure to credit risk. The maximum exposures to credit risk as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

		<u>2012</u>	<u>2011</u>
Cash and cash equivalents	₩	1,752,560	1,137,882
Financial assets at fair value through profit or loss		6,016	50,132
Available-for-sale financial assets		119,142	15,545
Held-to-maturity investments		29,981	29,903
Loans and other receivables		993,722	1,234,497
Trade accounts and notes receivable		4,087,030	4,220,242
Long-term trade accounts and notes receivable		274	24
	₩	<u>6,988,725</u>	<u>6,688,225</u>

The Company provided financial guarantees for the repayment of loans of subsidiaries and associates. As of December 31, 2012 and 2011, the maximum exposure to credit risk amounted to ₩ 3,651,631 million and ₩ 1,500,058 million, respectively.

2) Impairment losses on financial assets

① Allowance for doubtful accounts as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

		<u>2012</u>	<u>2011</u>
Accounts receivable	₩	12,204	2,173
Other accounts receivable		10,571	10,571
Long-term loans		14,453	14,453
Other assets		13	13
	₩	<u>37,241</u>	<u>27,210</u>

② Impairment losses on financial assets for the years ended December 31, 2012 and 2011 were as follows:

(in millions of Won)

		<u>2012</u>	<u>2011</u>
(Reversal of) bad debt expenses	₩	10,613	(2,753)
Reversal of other bad debt expenses		-	(51)
	₩	<u>10,613</u>	<u>(2,804)</u>

- ③ The aging schedule and the impaired losses of trade accounts and notes receivable as of December 31, 2012 and 2011 are as follows:

(in millions of Won)	2012		2011	
	Trade accounts and notes receivable	Impairment	Trade accounts and notes	Impairment
Not due	₩ 3,758,894	-	3,890,405	-
Over due less than 1 month	120,848	11	210,630	-
1 month - 3 months	103,407	584	69,962	-
3 months - 12 months	102,255	9,458	40,521	-
Over 12 months	14,104	2,151	10,921	2,173
	₩ 4,099,508	12,204	4,222,439	2,173

- ④ Changes in the allowance for doubtful accounts for the years ended December 31, 2012 and 2011 were as follows:

(in millions of Won)	2012	2011
Beginning	₩ 27,212	30,013
(Reversal of) bad debt expenses	10,613	(2,804)
Others	(584)	3
Ending	₩ 37,241	27,212

(c) Liquidity risk

(in millions of Won)	Book value	Contractual cash flow (*3)	Within 3 months	3 months - 6 months	6 months - 1 year	1 year - 5 years	Later than 5 years
Non-derivative financial liabilities							
Trade accounts payable	₩ 978,581	978,581	978,581	-	-	-	-
Borrowings (*1)	9,603,774	11,086,963	696,583	928,738	872,417	6,242,098	2,347,127
Financial guarantee liabilities (*2)	49,057	3,651,631	3,651,631	-	-	-	-
Other financial liabilities	1,300,526	1,307,158	1,161,823	270	9,620	134,080	1,365
	₩ 11,931,938	17,024,333	6,488,618	929,098	882,037	6,376,178	2,348,492

(*1) Includes cash flows of embedded derivatives instruments in relation to exchangeable bonds (exchange right).

(*2) For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

(*3) Includes estimated interest.

(d) Currency risk

- 1) The Company has exposure to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The exposure to currency risk as of December 31, 2012 and 2011 is as follows:

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
EUR	₩ 25,127	5,554	23,790	11,449
USD	876,780	4,599,558	888,896	5,842,319
JPY	62,602	1,863,516	83,627	2,129,999
Others	46,306	149	1,363	18,590
	₩ 1,010,815	6,468,777	997,676	8,002,357

- 2) As of December 31, 2012 and 2011, provided that functional currency against foreign currencies other than functional currency hypothetically strengthens or weakens by 10%, the changes in gain or loss during the years ended December 31, 2012 and 2011 are as follows:

	2012		2011	
	10% increase	10% decrease	10% increase	10% decrease
EUR	₩ 1,957	(1,957)	1,234	(1,234)
USD	(372,278)	372,278	(495,342)	495,342
JPY	(180,091)	180,091	(204,637)	204,637

(e) Interest rate risk

- 1) The book value of interest-bearing financial instruments as of December 31, 2012 and 2011 are as follows:

	2012		2011	
Fixed rate				
Financial assets	₩	2,752,342		2,286,554
Financial liabilities		(9,508,984)		(11,525,827)
	₩	(6,756,642)		(9,239,273)
Variable rate				
Financial liabilities	₩	(94,790)		(106,569)

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

The Company does not account for derivative instruments such as interest swaps as hedges in fair value hedging accounting. Therefore, fluctuations in interest rates do not affect gain or loss.

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

As of December 31, 2012 and 2011, provided that other factors remain the same and the interest rate of borrowings with floating rates increases or decreases by 1%, the changes in interest expense during year ended December 31, 2012 and 2011 are as follows:

(in millions of Won)	2012		2011	
	1% increase	1% decrease	1% increase	1% decrease
Variable rate financial instruments	(948)	948	(1,066)	1,066

(f) Fair value

1) Fair value and book value

The carrying amount and the fair value of financial instruments as of December 31, 2012 and 2011 are as follows:

(in millions of Won)	2012		2011	
	Book value	Fair value	Book value	Fair value
Assets measured at fair value				
Financial assets held for trading	₩ -	-	50,132	50,132
Available-for-sale financial assets (*1)	2,853,766	2,853,766	3,630,357	3,630,357
Derivatives assets (*2)	6,016	6,016	-	-
	<u>2,859,782</u>	<u>2,859,782</u>	<u>3,680,489</u>	<u>3,680,489</u>
Assets measured amortised cost (*3)				
Cash and cash equivalents	1,752,560	1,752,560	1,137,882	1,137,882
Trade accounts and note receivable	4,087,304	4,087,304	4,220,266	4,220,266
Loans and other receivables	993,722	993,722	1,234,497	1,234,497
Held-to-maturity investments	29,981	29,981	29,903	29,903
	<u>6,863,567</u>	<u>6,863,567</u>	<u>6,622,548</u>	<u>6,622,548</u>
Liabilities measured fair value				
Derivatives liabilities (*2)	40,755	40,755	23,669	23,669
Liabilities measured amortised cost (*3)				
Trade accounts payable	978,581	978,581	1,395,846	1,395,846
Borrowings	9,603,774	10,145,751	11,632,396	12,048,152
Financial guarantee liabilities	49,057	49,057	17,499	17,499
Others	1,300,526	1,300,526	1,195,429	1,195,429
₩	<u>11,931,938</u>	<u>12,473,915</u>	<u>14,241,170</u>	<u>14,656,926</u>

(*1) The fair value of available-for-sale financial assets publicly traded is measured at the closing bid price quoted at the end of the reporting period. Meanwhile, the fair value of unquoted available-for-sale financial assets is calculated using the valuation results from an external pricing service in which weighted average borrowing rates of interest of evaluated companies are used as a discount rate.

(*2) The fair value of derivatives is measured using valuation models such as Black-scholes model and others in which the market yields on government bonds are used as a discount rate.

- (*3) The fair value of financial assets and liabilities measured at amortized cost is determined at the present value of estimated future cash flows discounted at the current market interest rate. The fair value is calculated for the disclosures in the notes. On the other hand, the Company has not performed fair value measurement for the financial assets and liabilities measured at amortized cost except borrowings since the fair value is close to their carrying amounts.

2) Interest rate for determining fair value

Interest rates to discount the estimated cash flows as of December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Borrowings	1.47 ~ 4.50	1.80 ~ 4.62

3) The fair value hierarchy

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

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

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

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

- ② The fair value measurements classified by fair value hierarchy as of December 31, 2012 and 2011 are as follows:

a. December 31, 2012

<i>(in millions of Won)</i>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets					
Available-for-sale financial assets	₩	2,182,741	-	671,025	2,853,766
Derivatives assets		-	6,016	-	6,016
	₩	2,182,741	6,016	671,025	2,859,782
Financial Liabilities					
Derivatives liabilities held for trading	₩	-	40,755	-	40,755

b. December 31, 2011

<i>(in millions of Won)</i>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets					
Financial assets held for trading	₩	-	50,132	-	50,132
Available-for-sale financial assets		2,774,838	-	855,519	3,630,357
	₩	2,774,838	50,132	855,519	3,680,489
Financial Liabilities					
Derivatives liabilities held for trading	₩	-	23,669	-	23,669

- ③ Changes in financial assets classified as level 3 for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Beginning	₩	855,519	603,747
Change to level 3		8,372	98,242
Other comprehensive income		(192,866)	153,530
Ending	₩	<u>671,025</u>	<u>855,519</u>

20. Share Capital and Capital Surplus

- (a) Share capital as of December 31, 2012 and 2011 are as follows:

<i>(share, Won)</i>		<u>2012</u>	<u>2011</u>
Authorized shares		200,000,000	200,000,000
Par value		5,000	5,000
Issued shares (*1)		87,186,835	87,186,835
Shared capital (*2)	₩	482,403,125,000	482,403,125,000

(*1) As of December 31, 2012, total shares of ADRs of 52,294,944 are equivalent to 13,823,736 of common stock.

(*2) As of December 31, 2012, the difference between the ending balance of common stock and the par value of issued common stock is ₩46,469 million due to retirement of 9,293,790 treasury stocks.

- (b) The changes in issued common stock for the years ended December 31, 2012 and 2011 are as follows:

<i>(share)</i>	<u>2012</u>			<u>2011</u>		
	<u>Issued shares</u>	<u>Treasury shares</u>	<u>Number of outstanding shares</u>	<u>Issued shares</u>	<u>Treasury shares</u>	<u>Number of outstanding shares</u>
Beginning	87,186,835	(9,942,391)	77,244,444	87,186,835	(10,153,957)	77,032,878
Acquisition of treasury shares	-	-	-	-	(131,389)	(131,389)
Disposal of treasury shares	-	-	-	-	342,955	342,955
Ending	87,186,835	(9,942,391)	77,244,444	87,186,835	(9,942,391)	77,244,444

(c) Capital surplus as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	<u>2012</u>	<u>2011</u>
Share premium	₩ 463,825	463,825
Gain on disposal of treasury shares	763,867	763,867
	<u>₩ 1,227,692</u>	<u>1,227,692</u>

21. Accumulated Other Comprehensive Income

(a) Accumulated other comprehensive income as of December 31, 2012 and 2011 is comprised of the following:

(in millions of Won)

	<u>2012</u>	<u>2011</u>
Accumulated changes in the unrealized fair value of available-for-sale investments, net of tax	₩ 3,362	156,707

(b) The changes in the accumulated unrealized fair value of available-for-sale investments for the years ended December 31, 2012 and 2011 were as follows:

(in millions of Won)

	<u>2012</u>	<u>2011</u>
Beginning balance	₩ 156,707	1,079,038
Changes in the unrealized fair value of available-for-sale investments	(206,555)	(769,627)
Reclassification to profit or loss upon disposal	(75,518)	(331,977)
Impairment of available-for-sale securities	63,466	(75,480)
Tax effects	65,262	254,753
Ending balance	<u>₩ 3,362</u>	<u>156,707</u>

22. Treasury Shares

Based on the Board of Director's resolution, the Company holds treasury shares for the business purposes including price stabilization. The changes in treasury shares for the years ended December 31, 2012 and 2011 are as follows:

<i>(share, in millions of Won)</i>	2012		2011	
	Number of shares	Amount	Number of shares	Amount
Beginning	9,942,391	₩ 2,391,406	10,153,957	₩ 2,403,263
Acquisition of treasury shares	-	-	131,389	61,296
Disposal of treasury shares	-	-	(342,955)	(73,153)
Ending	9,942,391	₩ 2,391,406	9,942,391	₩ 2,391,406

23. Retained Earnings

(a) Retained earnings as of December 31, 2012 and 2011 are summarized as follows:

<i>(in millions of Won)</i>	2012	2011
Legal reserve	₩ 241,202	241,202
Reserve for business rationalization	918,300	918,300
Reserve for research and manpower development	1,530,000	1,333,333
Appropriated retained earnings for business expansion	32,710,500	26,507,500
Appropriated retained earnings for dividends	1,858,726	1,626,993
Unappropriated retained earnings	2,583,769	7,495,292
	₩ 39,842,497	38,122,620

- (b) Statements of appropriation of retained earnings as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>	<u>2012</u>	<u>2011</u>
Retained earnings before appropriation		
Unappropriated retained earnings carried over from prior year ₩	284,559	4,501,703
Actuarial losses	(45,824)	(2,145)
Interim dividends	(154,489)	(193,111)
Dividends (ratio) per share		
₩2,000 (40%) in 2012		
₩2,500 (50%) in 2011		
Profit for the period	<u>2,499,523</u>	<u>3,188,845</u>
	2,583,769	7,495,292
Transfer from discretionary reserve		
Reserve for research and human resource development	<u>266,667</u>	<u>133,333</u>
Appropriation of retained earnings		
Cash dividends	(463,467)	(579,333)
Dividends (ratio) per share		
₩6,000 (120%) in 2012		
₩7,500 (150%) in 2011		
Reserve for research and human development	(310,000)	(330,000)
Appropriated retained earnings for business expansion	(1,600,000)	(6,203,000)
Appropriated retained earnings for dividends	<u>(185,387)</u>	<u>(231,733)</u>
	(2,558,854)	(7,344,066)
Unappropriated retained earnings carried forward to subsequent year	<u>₩ 291,582</u>	<u>284,559</u>

The date of appropriation for 2012 is expected to be March 22, 2013 and the date of appropriation for 2011 was March 16, 2012.

24. Revenue

Details of revenue for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>	<u>2012</u>	<u>2011</u>
Revenues		
Goods ₩	35,552,319	39,083,842
Others	112,614	87,861
	<u>₩ 35,664,933</u>	<u>39,171,703</u>

25. Selling and Administrative Expenses

(a) Administrative expenses

Administrative expenses for the year ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Wages and salaries	₩	182,393	159,201
Expenses related to defined benefit plan		21,006	26,254
Other employee benefits		60,682	67,211
Travel		15,666	20,349
Depreciation		24,733	22,571
Amortization		18,214	16,050
Rental		41,332	37,513
Repairs		14,090	17,988
Advertising		102,744	94,958
Research & development		136,537	146,745
Service fees		154,363	163,596
Supplies		4,943	5,598
Vehicles maintenance		7,153	7,220
Industry association fee		7,364	6,778
Training		12,007	20,301
Conference		5,178	6,569
(Reversal of) bad debt expenses		10,613	(2,753)
Others		34,890	30,183
	₩	<u>853,908</u>	<u>846,332</u>

(b) Selling expenses

Selling expenses for the year ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Freight and custody expenses	₩	873,482	826,147
Operating expenses for distribution center		8,955	7,804
Sales commissions		75,207	63,463
Sales advertising		4,168	920
Sales promotion		6,206	5,148
Sample		1,932	2,611
Sales insurance premium		9,578	11,089
	₩	<u>979,528</u>	<u>917,182</u>

26. Research and Development Expenditures Recognized as Expense

Research and development expenditures recognized as expense for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>	2012	2011
Selling and administrative expenses	₩ 136,537	146,745
Cost of sales	376,650	362,765
	₩ 513,187	509,510

27. Adjusted Operating Profit

Adjusted operating profits which include the other profits or losses excluded in operating profit but reflect the results of the Company's operations for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>	2012	2011
Operating profit on the statement of comprehensive income	₩ 2,789,597	4,330,382
Add		
Gain on disposals of property, plant, and equipment	27,688	10,840
Gain on disposals of other long-term assets	213	-
Gain on disposals of intangible assets	-	38
Gain on disposals of investment in subsidiaries and associates	8,693	719
Reversal of impairment of property, plant, and equipment	1,606	-
Gain on disposals of assets held for sale	1,150	-
Miscellaneous income	30,387	34,043
	69,737	45,640
Deduct		
Loss on disposals of property, plant, and equipment	(84,990)	(60,174)
Reversal of other bad debt expenses	-	51
Impairment loss of property, plant, and equipment	-	(24,816)
Loss on disposals of other long-term assets	(131)	-
Impairment loss of intangible assets	(6,495)	-
Loss on disposals of intangible assets	(617)	(320)
Donations	(62,684)	(50,787)
Idle tangible assets expenses	(30,743)	(16,568)
Impairment loss of investment in subsidiaries and associates	(1,102)	-
Loss on disposals of investment in subsidiaries and associates	(17,575)	-
Loss on disposals of assets held for sale	(9,391)	-
Miscellaneous loss	(120,573)	(27,379)
	(334,301)	(179,993)
Adjusted operating profit	₩ 2,525,033	4,196,029

28. Finance Income and Costs

Details of finance income and costs for the year ended December 31, 2012 and 2011 were as follows:

(in millions of Won)

	<u>2012</u>	<u>2011</u>
Finance income		
Interest income	₩ 113,813	104,020
Dividend income	223,411	267,329
Gains on disposal of financial assets held for trading	556	2,030
Gains on derivative transactions	-	69
Gains on foreign currency transactions	276,642	495,251
Gains on foreign currency translations	639,565	35,456
Gains on disposal of available-for-sale securities	96,441	331,919
Others	6,111	4,285
	<u>1,356,539</u>	<u>1,240,359</u>
Finance costs		
Interest expenses	391,767	420,538
Losses on foreign currency transactions	213,350	604,872
Losses on foreign currency translations	35,219	200,769
Impairment of available-for-sale securities	63,466	107,377
Others	55,489	37,112
	<u>₩ 759,291</u>	<u>1,370,668</u>

29. Other Non-Operating Income and Expenses**(a) Other non-operating income**

Details of other non-operating income for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Gain on disposals of property, plant and equipment	₩	27,688	10,840
Gain on disposals of other long-term assets		213	-
Gain on disposals of intangible assets		-	38
Gain on disposals of investment in subsidiaries and associates		8,693	719
Reversal of impairment of property, plant, and equipment		1,606	-
Gain on disposals of assets held for sale		1,150	-
Miscellaneous income (*1)		30,387	34,043
	₩	<u>69,737</u>	<u>45,640</u>

(*1) Miscellaneous income mainly includes income from technology sales, management service fee and gain on disposals of wastes.

(b) Other non-operating expenses

Details of non-other operating expenses for the years ended December 31, 2012 and 2011 are as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Loss on disposals of property, plant, and equipment	₩	84,990	60,174
Reversal of other bad debt expenses		-	(51)
Impairment loss of property, plant, and equipment		-	24,816
Loss on disposals of other long-term assets		131	-
Impairment loss of intangible assets		6,495	-
Loss on disposals of intangible assets		617	320
Donations		62,684	50,787
Idle tangible assets expenses		30,743	16,568
Impairment loss of investment in subsidiaries and associates		1,102	-
Loss on disposals of investment in subsidiaries and associates		17,575	-
Loss on disposals of assets held for sale		9,391	-
Miscellaneous loss (*1)		120,573	27,379
	₩	<u>334,301</u>	<u>179,993</u>

(*1) During the year ended December 31, 2012, a fine of ₩ 98,326 million was imposed for price-fixing galvanized steel sheets as a result of the Korea Fair Trade Commission's investigation.

30. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling, general and administrative expenses and other expenses in the statements of income for the years ended December 31, 2012 and 2011 were as follows (excluding finance costs and income tax expense):

<i>(in millions of Won)</i>	2012	2011
Changes in inventories (*1)	₩ 570,136	(753,844)
Raw materials and consumables used	24,090,512	27,336,030
Employee benefits expenses (*3)	1,335,949	1,233,462
Outsourced processing cost	1,996,707	1,943,507
Depreciation (*2)	1,840,807	1,738,466
Amortization	40,386	34,757
Ordinary research & development expenses	513,187	509,510
Electricity and water expenses	634,045	602,806
Service fees	218,019	231,404
Advertising expenses	102,744	94,958
Freight and custody expenses	873,482	826,147
Commission paid	75,207	63,463
Loss on disposal of property, plant, and equipment	84,990	60,174
Other expenses	833,466	1,100,475
	<u>₩ 33,209,637</u>	<u>35,021,315</u>

(*1) Changes in inventories are the changes in product, semi-finished products and by-product.

(*2) Includes depreciation of investment property.

(*3) The details of employee benefits expenses for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>	2012	2011
Wages and salaries	₩ 1,215,810	1,097,055
Expense related to defined benefit plan	120,139	136,407
	<u>₩ 1,335,949</u>	<u>1,233,462</u>

31. Income Taxes

(a) Income tax expense for the years ended December 31, 2012 and 2011 was as follows:

<i>(in millions of Won)</i>	2012	2011
Current income taxes (*1)	₩ 212,107	525,374
Deferred income taxes	330,760	114,353
Less: Items credited directly in shareholders' equity	79,891	237,148
Income tax expense	<u>₩ 622,758</u>	<u>876,875</u>

(*1) Additional tax payments arising from finalized tax assessment are added or deducted in current income taxes.

- (b) The expected amount of income tax expense based on statutory rates compared to the actual amount of taxes recorded by the Company for the years ended December 31, 2012 and 2011 was as follows:

<i>(in millions of Won)</i>	2012	2011
Profit before income tax expense	₩ 3,122,281	4,065,720
Income tax expense computed at statutory rate	755,592	983,878
Adjustments:	(132,834)	(107,003)
Tax credits	(160,139)	(174,057)
Additional payment of income taxes	3,328	1,088
Effect of tax rate change	-	53,459
Tax effects due to permanent differences	29,722	6,898
Others	(5,745)	5,609
Income tax expense	₩ 622,758	876,875
Effective tax rate (%)	19.9%	21.6%

- (c) The income taxes credited (charged) directly to equity for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>	2012	2011
Net changes in the unrealized fair value of available-for-sale securities	₩ 65,262	254,753
Defined benefit plan actuarial losses	14,629	4,473
Gain on disposal of treasury shares	-	(22,078)
	₩ 79,891	237,148

(d) The movements in deferred tax assets (liabilities) for the years ended December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012			2011		
	Dec.31, 2011	Inc(Dec)	Dec.31, 2012	Dec.31, 2010	Inc(Dec)	Dec.31, 2011
Deferred income tax due to temporary differences						
Reserve for special repairs	₩ (29,659)	646	(29,013)	(27,776)	(1,883)	(29,659)
Reserve for technology developments	(358,160)	(10,487)	(368,647)	(264,000)	(94,160)	(358,160)
Depreciation	(63,228)	6,834	(56,394)	(65,129)	1,901	(63,228)
Prepaid expenses	21,879	7,902	29,781	18,851	3,028	21,879
Revaluation of property, plant and equipment	(553,205)	(235,851)	(789,056)	(345,058)	(208,147)	(553,205)
Loss on foreign currency translation	93,911	(146,419)	(52,508)	81,066	12,845	93,911
Defined benefit obligations	102,738	54,821	157,559	130,271	(27,533)	102,738
Plan assets	(124,536)	(36,616)	(161,152)	(151,406)	26,870	(124,536)
Accrued revenue	(2,314)	(261)	(2,575)	(6,600)	4,286	(2,314)
Others	283,880	(121,211)	162,669	332,126	(48,246)	283,880
	<u>(628,694)</u>	<u>(480,642)</u>	<u>(1,109,336)</u>	<u>(297,655)</u>	<u>(331,039)</u>	<u>(628,694)</u>
Deferred tax from tax credit						
Tax credit carryforward	196,986	69,991	266,977	239,526	(42,540)	196,986
	<u>196,986</u>	<u>69,991</u>	<u>266,977</u>	<u>239,526</u>	<u>(42,540)</u>	<u>196,986</u>
Deferred income taxes recognized directly to equity						
Loss (gain) on valuation of available-for-sale securities	(50,030)	65,262	15,232	(304,783)	254,753	(50,030)
Defined benefit plan actuarial losses	33,186	14,629	47,815	28,713	4,473	33,186
	<u>(16,844)</u>	<u>79,891</u>	<u>63,047</u>	<u>(276,070)</u>	<u>259,226</u>	<u>(16,844)</u>
	<u>₩ (448,552)</u>	<u>(330,760)</u>	<u>(779,312)</u>	<u>(334,199)</u>	<u>(114,353)</u>	<u>(448,552)</u>

(e) Deferred tax assets (liabilities) as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	2012			2011		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred income tax due to temporary differences						
Reserve for special repairs	₩ -	29,013	(29,013)	-	29,659	(29,659)
Reserve for technology developments	-	368,647	(368,647)	-	358,160	(358,160)
Depreciation	13,373	69,767	(56,394)	15,661	78,889	(63,228)
Prepaid expenses	29,781	-	29,781	21,879	-	21,879
Revaluation of property, plant and equipment	-	789,056	(789,056)	-	553,205	(553,205)
Loss on foreign currency translation	150,083	202,591	(52,508)	173,776	79,865	93,911
Defined benefit obligations	157,559	-	157,559	102,738	-	102,738
Plan assets	-	161,152	(161,152)	-	124,536	(124,536)
Accrued revenue	-	2,575	(2,575)	-	2,314	(2,314)
Others	569,505	406,836	162,669	583,540	299,660	283,880
	<u>920,301</u>	<u>2,029,637</u>	<u>(1,109,336)</u>	<u>897,594</u>	<u>1,526,288</u>	<u>(628,694)</u>
Deferred tax from tax credit						
Tax credit carryforward	266,977	-	266,977	196,986	-	196,986
	<u>266,977</u>	<u>-</u>	<u>266,977</u>	<u>196,986</u>	<u>-</u>	<u>196,986</u>
Deferred income taxes recognized directly to equity						
Loss (gain) on valuation of available-for-sale securities	87,249	72,017	15,232	-	50,030	(50,030)
Defined benefit plan actuarial losses	47,815	-	47,815	33,186	-	33,186
	<u>135,064</u>	<u>72,017</u>	<u>63,047</u>	<u>33,186</u>	<u>50,030</u>	<u>(16,844)</u>
	<u>₩ 1,322,342</u>	<u>2,101,654</u>	<u>(779,312)</u>	<u>1,127,766</u>	<u>1,576,318</u>	<u>(448,552)</u>

32. Earnings per Share

(a) Basic and diluted earnings per share for the years ended December 31, 2012 and 2011 were as follows:

(in millions of Won

except per share information)

	<u>2012</u>	<u>2011</u>
Profit for the period	₩ 2,499,523	3,188,845
Weighted-average number of common shares outstanding (*1)	<u>77,244,444</u>	<u>77,251,818</u>
Basic and diluted earnings per share	<u>32,359</u>	<u>41,279</u>

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

(share)

	<u>2012</u>	<u>2011</u>
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury stock	<u>(9,942,391)</u>	<u>(9,935,017)</u>
Weighted-average number of common stock outstanding	<u>77,244,444</u>	<u>77,251,818</u>

33. Related Party Transactions

(a) Significant transactions with related companies for the year ended December 31, 2012 and 2011 are as follows:

(in millions of Won)

	Sales and others (*1)		Purchase and others (*2)	
	2012	2011	2012	2011
Subsidiaries (*3)				
POSCO E&C Co., Ltd.	₩ 28,110	26,536	₩ 1,451,086	1,687,665
POSCO Processing & Service Co., Ltd.	897,051	1,181,088	1,395,891	1,406,245
POSCO Coated & Color Steel Co., Ltd.	489,545	593,656	6,496	1,890
POSCO ICT Co., Ltd.	1,547	1,537	468,915	507,883
POSCO Chemtech Company Ltd.	511,917	423,643	798,150	755,515
POSCO Mtech Company Ltd.	27,906	19,355	318,548	211,832
POSCO TMC Co., Ltd.	230,235	168,314	1,032	884
POSCO AST Co., Ltd.	278,463	319,258	58,647	58,475
Daewoo International Corp.	4,271,450	3,896,857	15,731	5,599
POSCO NST Co., Ltd.	212,536	186,809	3,618	4,734
POSCO America Corporation	726,450	353,904	733	1
POSCO Canada Ltd.			205,129	289,047
POSCO Asia Co., Ltd.	1,929,508	2,029,781	107,313	178,395
POSCO-Japan Co., Ltd.	1,439,580	1,628,069	28,710	34,860
POSCO-IPPC Pvt. Ltd.	164,483	148,343	15	-
POSCO-Mexico Co., Ltd.	338,645	347,915	492	176
Daewoo International Singapore Pte. Ltd.	-	-	73,471	149,029
POSCO Maharashtra Steel Pvt. Ltd.	155,642	2,340	-	-
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	128,974	99,778	-	-
POSCO-Thailand Bangkok Processing Center Co., Ltd.	119,278	96,288	182	63
Others	749,758	709,834	954,105	986,196
	12,701,078	12,233,305	5,888,264	6,278,489
Associates (*3)				
Posmate Co., Ltd.	22,044	1,038	46,058	53,357
SNNC Co., Ltd.	2,511	4,787	379,050	447,130
SUNGJIN GEOTEC CO.,LTD.	27,697	44,451	-	-
DONG BANG METAL IND.CO.,LTD.	89,094	84,748	-	-
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd.	26,280	23,974	-	-
USS-POSCO Industries (UPI)	85	342,594	101	29
Poschrome(Proprietary) Ltd.	58	-	68,079	72,502
Others	37,700	59,021	14,311	6,087
	205,469	560,613	507,599	579,105
	₩ 12,906,547	12,793,918	₩ 6,395,863	6,857,594

(*1) Sales and others include sales and insignificant other non-operating income. Sales are mainly sales of steel products and these are priced on an arm's length basis.

(*2) Purchases and others include purchases and overhead costs. Purchases and others are mainly related to purchases of construction services and purchases of raw materials to manufacture steel products. These are priced on an arm's length basis.

(*3) As of December 31, 2012, the Company provided guarantees to related parties (note 19).

(b) The related account balances of significant transactions with related companies as of December 31, 2012 and 2011 are as follows:

(in millions of Won)

	Receivables (*1)		Payables (*1)	
	2012	2011	2012	2011
Subsidiaries				
POSCO E&C Co., Ltd.	₩ 7,977	647	₩ 403,630	241,918
POSCO Processing & Service Co., Ltd.	64,564	88,838	32,672	1,512
POSCO Plantec Co., Ltd.	267	65	32,297	42,534
POSCO ICT Co., Ltd.	287	30	91,297	62,583
POSCO Coated & Color Steel Co., Ltd.	108,505	116,252	2,618	335
POSCO Chemtech Company Ltd.	47,074	37,808	84,538	82,048
POSCO TMC Co., Ltd.	64,862	21,601	145	134
POSCO AST Co., Ltd.	65,575	33,266	7,800	7,090
Daewoo International Corp.	358,824	284,125	730	1,589
POSCO NST Co., Ltd.	-	64,012	-	676
POSCO America Corporation	63,545	32,346	-	-
POSCO Asia Co., Ltd.	102,849	227,476	2,244	1,407
POSCO-TBPC Co., Ltd.	17,986	27,381	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	8,710	6,713	-	-
POSCO-Vietnam Co., Ltd.	291	422	-	-
POSCO-Japan Co., Ltd.	35,400	52,362	673	1,546
POSCO-IPPC Pvt. Ltd.	-	3,484	-	-
POSCO-Mexico Co., Ltd.	131,669	171,908	-	-
Others	127,626	81,255	115,817	83,201
	1,206,011	1,249,991	774,461	526,573
Associates				
Posmate Co., Ltd.	78	-	6,315	7,198
SNNC Co., Ltd.	229	223	37,145	23,187
DONG BANG METAL IND.CO.,LTD.	-	17,038	-	-
SUNGJIN GEOTEC CO.,LTD.	4,849	4,122	-	-
Poschrome Pty. Ltd.	-	-	2,273	-
Others	453	-	804	809
	5,609	21,383	46,537	31,194
	₩ 1,211,620	1,271,374	₩ 820,998	557,767

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

(c) For the years ended December 31, 2012 and 2011, details of compensation to key management officers are as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Short-term benefits	₩	34,471	29,371
Other long-term benefits		14,934	21,905
Retirement benefits		6,644	7,428
	₩	<u>56,049</u>	<u>58,704</u>

Key management officers include directors (including non-standing directors), executive officials and fellow officials who have significant influence and responsibilities in the Company's business and operations. In addition to the compensation described above, the Company provided stock appreciation rights to its executive officers and recorded stock compensation expenses amounted to ₩ 436 million and reversal of stock compensation expenses amounted to ₩ 4,223 million for the years ended December 31, 2012 and 2011, respectively.

34. Commitments and Contingencies

(a) Contingent liabilities

Contingent liabilities may develop in a way not initially expected. Therefore, management continuously assesses contingent liabilities to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

Management makes estimates and assumptions that affect disclosures of commitments and contingencies. All estimates and assumptions are based on the evaluation of current circumstances and appraisals with the supports of internal specialists or external consultants.

Management regularly analyzes current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss.

(b) Commitment

The Company entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of December 31, 2012, 217 million tons of iron ore and 27 million tons of coal remained to be purchased under such long-term contracts.

The Company entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, based on changes of the monthly standard oil price (JCC) and with a price ceiling.

As of December 31, 2012, the Company entered into commitments with Korea National Oil Corporation for long-term foreign currency borrowings, which are limited up to the amount of USD 6.86 million, USD 3.54 million and USD 4.12 million. The borrowings are related to the exploration of gas hydrates in Aral Sea, Uzbekistan, the exploration of gas hydrates in Namangan-Chust and the exploration of gas hydrates in Western Fergana-Chenavard, respectively. The repayment of the borrowings depends on the success of the projects. The Company is not liable for the repayment of full or part of the money borrowed if the respective projects fail. The Company has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements.

As of December 31, 2012, the Company has provided two blank promissory notes and a blank check to Korea Resources Corporation as collateral for long-term domestic borrowings, and has provided six blank promissory notes and three blank checks to Korea National Oil Corporation as collateral for long-term foreign currency borrowings.

(c) Litigation in progress

1) Civil lawsuits with Nippon Steel & Sumitomo Metal Corporation

During the year ended December 31, 2012, Nippon Steel & Sumitomo Metal Corporation had filed civil lawsuits against POSCO and POSCO Japan Co., Ltd., a subsidiary of POSCO, relating to claims of prohibiting production and sales of grain oriented electrical steel sheets used improper acquiring trade secrets and of seeking compensation worth ₩ 1,230 billion in Tokyo District Court, Japan. Through first and second trials in October and December 2012, the Company submitted its answer to claim that Japan court didn't have a jurisdiction on this lawsuit as it should be judged by Korean law and the Company developed a grain oriented electrical steel sheets by the Company's own technologies. As of December 31, 2012, Japan court hasn't made any judgment.

In addition, Nippon Steel & Sumitomo Metal Corporation had filed civil lawsuits against POSCO and POSCO America Co., Ltd., a subsidiary of POSCO, relating to claims of infringement of intellectual property rights related to production of grain oriented electrical steel sheets in New Jersey federal court, the United States. As of December 31, 2012, the Company is under discovery proceeding prior to the official defend.

Due to the early stage of the litigations, the Company is not able to reliably estimate the amount of compensation, if any, that might be awarded to Nippon Steel & Sumitomo Metal Corporation. Consequently, it is not possible for the Company to make an estimate of the expected financial effect that will result from the ultimate resolution of the civil lawsuits. The Company has not recorded any provision for those lawsuits as of December 31, 2012 because management believes the possibility of unfavorable outcome is not probable. In the opinion of management, the foregoing lawsuits and claims will not have a material adverse effect on the Company's financial position, operating results or cash flows.

2) Other lawsuits and claims

The Company is involved in 14 other lawsuits and claims for alleged damages aggregating to ₩ 55.2 billion as of December 31, 2012 which arose in the ordinary course of business. The Company is unable to predict the possible outcome of the above claims. However, in the opinion of management, the foregoing lawsuits and claims will not have a material adverse effect on the Company's financial position, operating results or cash flows. No provision is recorded in connection with the above lawsuits and claims as of December 31, 2012.

35. Cash Flows from Operating Activities

Changes in operating assets and liabilities for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>	<u>2012</u>	<u>2011</u>
Financial assets held for trading	₩ 50,132	132,208
Trade accounts and notes receivable	107,670	(663,827)
Other accounts receivable	(25,074)	(156,186)
Accrued income	601	-
Advance payments	307	15
Prepaid expenses	(18,273)	(3,793)
Inventories	1,740,679	(1,146,630)
Long-term guarantee deposits	(85)	339
Other long-term assets	(348)	-
Trade accounts payable	(415,787)	86,164
Dividends Payable	-	482
Other accounts payable	19,072	74,146
Accrued expenses	192,539	10,445
Advances received	23,339	(12,093)
Withholdings	(4,572)	1,147
Unearned revenue	3,284	(2,486)
Other long-term liabilities	907	(5,617)
Derivatives liabilities held for trading	-	10,898
Payment severance benefits	(66,109)	(485,487)
Plan assets	(137,842)	201,914
	<u>₩ 1,470,440</u>	<u>(1,958,361)</u>

36. Non- Cash Transactions

Significant non-cash transactions for the years ended December 31, 2012 and 2011 were as follows:

<i>(in millions of Won)</i>		<u>2012</u>	<u>2011</u>
Other non-current asset transferred to investments in associates	₩	257,878	-
Construction-in-progress transferred to other accounts		1,927,489	3,719,032
Financial guarantee liabilities		45,442	9,484

Independent Auditors' Review Report on Internal Accounting Control System

English Translation of a Report Originally Issued in Korean

To the President of
POSCO:

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ("IACS") of POSCO (the "Company") as of December 31, 2012. 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, 2012, in all material respects, in accordance with the IACS Framework 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. We have not performed an audit and, accordingly, we do not express an audit opinion.

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 conformity with Korean International Financial Reporting Standards. 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, 2012 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, 2012. We did not review the Company's IACS subsequent to December 31, 2012. 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.

Seoul, Korea
February xx, 2013

Notice to Readers

This report is annexed in relation to the audit of the separate financial statements as of December 31, 2012 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Joint-stock Companies of the Republic of Korea.

Report on the Operations of Internal Accounting Control SystemEnglish Translation of a Report Originally Issued in Korean

To the Board of Directors and Audit Committee of
POSCO:

I, as the Internal Accounting Control Officer (“IACO”) of POSCO (the “Company”), have assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2012.

The Company’s management including IACO is responsible for the design and operations of its IACS. I, as the IACO, have assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS Framework for the assessment of design and operations of the IACS.

Based on the assessment of the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2012, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee.

Chief Executive Officer or President

Internal Accounting Control Officer

February xx, 2013

Appendix A-8

Table of Income Statements

POSCO

Hot Rolled Plate Seel

INCOME STATEMENT [INDEXED]

Accounts	Investigation period: 1 January - 31 December 2012	
	All products	The goods
Net sales (1)	10,000	10,000
Cost of sales (2)	8,704	8,291
Gross profit (3=1-2)	1,296	1,709
Administrative Expenses (4)	- 239	- 239
Selling Expenses (5)	- 275	- 275
Other operating income (6)	20	20
Other operating expenses (7)	- 94	- 94
Oeprating profit (8=3+4+5+6+7)	708	1,121
Financial income (9)	380	380
Financial costs (10)	- 213	- 213
Profit before tax (11=8+9+10)	875	1,288
Tax (12)	175	175
Net profit (13=11-12)	701	1,114

Appendix A-9

Company's Turnover Table

POSCO

PUBLIC RECORD**POSCO**

Hot Rolled Plate Steel

SALES SUMMARY (INDEXED)

	Investigation period: 1 January - 31 December 2012	
	Volume (MT)	Value (Thousand KRW)
Total company turnover (all products)		100.0
domestic market		59.9
exports to Australia		0.1
exports to other countries		40.0
Turnover of the sector including the goods		100.0
domestic market		72.4
exports to Australia		0.1
exports to other countries		27.4
Turnover of the goods		100.0
domestic market		72.4
exports to Australia		0.1
exports to other countries		27.4

Appendix A-10

Flowchart of Production Process

Appendix A-11

Production Information

Production Information (INDEXED)

	Previous financial year (1 January - 31 December 2011)	Investigation period (1 January - 31 December 2012)
A – Production capacity (MT)		
B – Actual production in volume (MT)		
C – Capacity utilisation (%)	[75% ~ 85%]	[70% ~ 80%]

Appendix B-1

Customer Information for Export Sales to Australia

POSCO's Customer Information for Export Sales to Australia

Customer Name	Address	Contact Name	Phone Number	Fax Number	Trade Level
[Company A]					Trading Company
[Company B]					Trading Company
[Company C]					Trading Company
[Company D]					Trading Company

[Company A]'s Customer Information in Australia

Customer Name	Address	Contact Name	Phone Number	Fax Number	Trade Level
[Company X]					Trading Company
[Company Y]					Trading Company

[Company B]'s Customer Information in Australia

Customer Name	Address	Contact Name	Phone Number	Fax Number	Trade Level
[Company P]					Trading Company
[Company Q]					Trading Company

Appendix B-5

Sample Documentation for Two Export Sales to Australia

POSCO

PUBLIC RECORD

Sample Documentation for Export Sale to Australia

- (1) Serial Number (SN): 6
- (2) Invoice Number: []
- (3) Invoice Date: 20120405
- (4) Quantity : [] (MT)
- (5) Customer Name: []

POSCO

PUBLIC RECORD

Sample Documentation for Export Sale to Australia

- (1) Serial Number (SN): 238
- (2) Invoice Number: []
- (3) Invoice Date: 20121003
- (4) Quantity : [] (MT)
- (5) Customer Name: []

Appendix C-1

Product Code List

PUBLIC RECORD

[illegible][illegible]

POSCO's Product Group / Name**(1) Product Group/Name Code for Finished Products**

Classification	Product Group		Name	Code
	Group	Code		
Carbon Steel				1K
				2A
				2B
				2D
				2E
				2F
				6B
				6C
				AB
				AC
				AJ
				AK
				AM
				AN
				BQ
				BD
				BE
				BJ
				BK
				BP
				CE
				CF
				CJ
				CK
				CP
				CQ
				DA
				DB
				EJ
				EK
				FB
				FC
				FE
				FF
				FK
				FL
				FN
				FP
				FU
				FV
				FX
				FY
				GB
				GC
				GJ
				GK
				GM
				GN
				GU
				HD
				HE
				HF
				HG
				HH
				HJ
				HK
				HL
				HN
				HS
				HT
				HV
				LA
				LB
				LJ
				LK
				LM
				LN

Classification	Product Group		Name	Code
	Group	Code		
				MH
				MJ
				NB
				NC
				NA
				ND
				NE
				PK
				PL
				PJ
				SE
				SF
				SG
				VB
				WA
				WB
				ZG
				ZH
				ZJ
				ZK
				ZL
				ZM
				ZN
				ZP
				ZQ
				ZR
				ZS
				ZT
STS Steel				ZV
				52
				5K
				5L
				5M
				QD
				QE
				QH
				QL
				QP
				RK
				RL
				RM
				RX
				RY
				RZ
Titanium				R2
				UC
				UD
				XC
				XD
				YA
				KR
				KS
TWB				KT
				OF
				YE
				4C
				4H
				4R
				4P
				7J
				7A
				7B
				7C
				7D
				7E
				7F
				7G
				7H
				89
				8I
				8A
				8B

Classification	Product Group		Name	Code
	Group	Code		
Common				8C
				8D
				8E
				8F
				8G
				8H
				8J
				8K
				8L
				8M
				8N
				8P
				8Q
				8R
				8S
				8T
				8U
				8V
				8W
				8X
				8Y
				8Z
				9B
				9F

(2) Product Group/Name Code for Semi-finished Products

Classification	Product Group		Name	Code
	Group	Code		
				1S
				1A
				1B
				1C
				1D
				1E
				1F
				1G
				1H
				1J
				1K
				1L
				1M
				1N
				2A
				2B
				2C
				2D
				2E
				2F
				2G
				2H
				3A
				3B
				3C
				3D
				6A
				6B
				6C
				AA
				AB
				AC
				AH
				AJ
				AK
				AL
				AM
				AN
				BD
				BE
				BG
				BH
				BJ

Classification	Product Group		Name	Code
	Group	Code		
				BK
				BL
				BM
				BN
				BP
				BQ
				BA
				BB
				BC
				CA
				CB
				CC
				CD
				CE
				CF
				CG
				CH
				CJ
				CK
				CL
				CM
				CN
				CP
				CQ
				CT
				DA
				DB
				DC
				DD
				DE
				EA
				EB
				EC
				ED
				EE
				EF
				EG
				EH
				EJ
				EK
				FA
				FB
				FC
				FD
				FE
				FF
				FG
				FH
				FJ
				FK
				FL
				FM
				FN
				FP
				FR
				FS
				FT
				FU
				FV
				FW
				FX
				FY
				GA
				GB
				GC
				GH
				GJ
				GK
				GL
				GM
				GN
				GU

Classification	Product Group		Name	Code
	Group	Code		
				GV
				HA
				HB
				HC
				HD
				HE
				HF
				HG
				HH
				HJ
				HK
				HL
				HM
				HN
				HP
				HQ
				HS
				HT
				HU
				HV
				JA
				JB
				JC
				JD
				JE
				JF
				JG
				JH
				LA
				LB
				LJ
				LK
				LM
				LN
				LP
				LQ
				LR
				MA
				MB
				MC
				MD
				ME
				MF
				MG
				MH
				MJ
				NA
				NB
				NC
				ND
				NE
				PK
				PL
				PA
				PB
				PC
				PD
				PE
				PJ
				SA
				SB
				SC
				SD
				SE
				SF
				SG
				SH
				SJ
				SK
				VA
				VB
				WA

Classification	Product Group		Name	Code
	Group	Code		
				WB
				ZC
				ZD
				ZE
				ZF
				ZG
				ZH
				ZJ
				ZK
				ZL
				ZM
				ZN
				ZO
				ZP
				ZQ
				ZR
				ZS
				ZT
				ZA
				ZB
				ZU
				ZV
				51
				52
				5Q
				5G
				5H
				5A
				5D
				5J
				5K
				5L
				5M
				5P
				KA
				KB
				QA
				QB
				QC
				QD
				QE
				QF
				QG
				QH
				QJ
				QR
				QK
				QL
				QM
				QN
				QP
				QQ
				R2
				R3
				R1
				RA
				RB
				RC
				RD
				RE
				RF
				RG
				RH
				RJ
				RK
				RL
				RM
				RN
				RQ
				RR
				RS
				RT
				RU

Classification	Product Group		Name	Code
	Group	Code		
				RV
				RW
				RX
				RY
				RZ
				TA
				UA
				UC
				UD
				XA
				XB
				XC
				XD
				YA
				KC
				KD
				KE
				KF
				KG
				KH
				KP
				KR
				KS
				KT
				JP
				JQ
				JR
				OA
				OC
				OF
				YB
				YC
				YD
				YE
				4H
				4F
				4Q
				4R
				4M
				4N
				4P
				8U
				8R
				9A
				9B
				9C
				9D
				9E