

POSCO and Subsidiaries

**Consolidated Interim Financial Statements
(Unaudited)
September 30, 2011**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
POSCO:

Reviewed financial statements

We have reviewed the accompanying consolidated statements of financial position of POSCO and subsidiaries (the "Company") as of September 30, 2011, December 31, 2010, January 1, 2010, the consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2011 and 2010, changes in equity and cash flows for the nine-month periods ended September 30, 2011 and 2010 and notes, comprising a summary of significant accounting policies and other explanatory information ("the consolidated interim financial information").

Management's responsibility

Management is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with Korean International Financial Reporting Standards ("K-IFRS") 1034 *Interim Financial Reporting*, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

Our responsibility is to issue a report on these consolidated interim financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information referred to above is not presented fairly, in all material respects, in accordance with K-IFRS 1034 *Interim Financial Reporting*.

Highlights

The following matters may be helpful to the readers in their understanding of the consolidated interim financial statements:

As discussed in note 3, the Company prepared the consolidated interim financial information in accordance with accounting policies effective at the reporting date, which it plans to apply for its first annual financial statements as of and for the year ending December 31, 2011. However, the Group may change its accounting policies when preparing its first annual financial statements, as permitted by K-IFRS.

Seoul, Korea
November 25, 2011

This report is effective as of November 25, 2011, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial information. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

POSCO
Consolidated Statements of Financial Position
As of September 30, 2011, December 31, 2010 and January 1, 2010
(Unaudited)

<i>(in millions of Won)</i>	<u>Notes</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Assets				
Cash and cash equivalents	4,5,20	₩ 5,006,916	3,521,045	2,273,059
Trade accounts and notes receivable, net	6,20,25,34	11,025,643	9,219,011	5,300,233
Other short-term financial assets	7,20,34	3,307,751	4,383,302	7,211,023
Inventories	8	12,204,033	9,559,206	4,918,413
Current income tax assets	31	29,033	17,654	11,980
Assets held for sale	9	318,529	-	24,961
Other current assets	14	1,483,571	972,159	690,186
Total current assets		33,375,476	27,672,377	20,429,855
Long-term trade accounts and notes receivable, net	6,20	194,095	273,622	522,775
Other long-term financial assets	7,20	5,711,588	6,417,038	5,308,660
Investments in associates	10	3,693,668	3,306,425	950,449
Investment property, net	11	545,918	493,365	558,207
Property, plant and equipment, net	12	27,759,918	25,437,740	22,342,747
Intangible assets, net	13	5,190,303	4,619,169	754,231
Deferred tax assets	31	675,940	538,876	409,748
Other long-term assets	14	787,798	659,814	250,475
Total non-current assets		44,559,228	41,746,049	31,097,292
Total assets	37	₩ 77,934,704	69,418,426	51,527,147

See accompanying notes to consolidated interim financial statements (unaudited).

POSCO
Consolidated Statements of Financial Position, Continued
As of September 30, 2011, December 31, 2010 and January 1, 2010
(Unaudited)

<i>(in millions of Won)</i>	Notes	September 30, 2011	December 31, 2010	January 1, 2010
Liabilities				
Trade accounts and notes payable	20,34	₩ 4,241,808	3,980,701	2,392,317
Short-term borrowings	4,15,20	12,622,304	10,476,300	3,958,099
Other short-term financial liabilities	16,20,34	1,825,284	1,520,877	1,054,714
Current income tax liabilities	31	287,370	779,018	389,675
Liabilities related assets held for sale	9	235,135	-	80
Provisions	17	93,989	63,809	63,305
Other current liabilities	19,25	1,755,131	1,456,072	1,155,441
Total current liabilities		21,061,021	18,276,777	9,013,631
Long-term trade accounts and notes payable	20,34	900	378	-
Long-term borrowings	4,15,20	14,747,296	10,663,941	8,241,386
Other long-term financial liabilities	16,20	349,557	175,774	205,096
Employee benefits	18	417,753	503,126	315,418
Deferred tax liabilities	31	979,915	1,028,728	377,539
Long-term provisions	17	104,620	152,149	12,005
Other long-term liabilities	19	65,973	80,386	28,391
Total non-current liabilities		16,666,014	12,604,482	9,179,835
Total liabilities	37	₩ 37,727,035	30,881,259	18,193,466
Shareholders' equity				
Equity attributable to owners of the Controlling Company				
Share capital	21	482,403	482,403	482,403
Capital surplus	21	1,179,521	1,101,561	1,199,666
Reserves	22	773,924	1,439,807	766,325
Treasury shares	23	(2,391,406)	(2,403,263)	(2,403,263)
Retained earnings		37,762,655	35,955,177	32,634,833
Controlling interests		37,807,097	36,575,685	32,679,964
Non-controlling interests		2,400,572	1,961,482	653,717
Total shareholders' equity		40,207,669	38,537,167	33,333,681
Total liabilities and shareholders' equity		₩ 77,934,704	69,418,426	51,527,147

See accompanying notes to consolidated interim financial statements (unaudited).

POSCO

Consolidated Statements of Comprehensive Income

For the three-month and nine-month periods ended September 30, 2011 and 2010 (Unaudited)

	Notes	For the three-month periods ended September 30		For the nine-month periods ended September 30	
		2011	2010	2011	2010
<i>(in millions of Won, except per share information)</i>					
Revenue	26,37	₩ 16,953,442	11,186,424	50,250,759	31,751,640
Cost of sales	29	(14,674,749)	(9,324,142)	(43,129,088)	(25,313,767)
Gross profit		2,278,693	1,862,282	7,121,671	6,437,873
Selling and administrative expenses	27,29				
Administrative expenses		(475,914)	(347,009)	(1,462,537)	(957,512)
Selling expenses		(415,963)	(253,592)	(1,172,602)	(737,660)
		(891,877)	(600,601)	(2,635,139)	(1,695,172)
Other operating income	28	60,607	21,500	176,311	147,725
Other operating expenses	28,29	(159,702)	(50,131)	(272,800)	(132,564)
Operating profit	33	1,287,721	1,233,050	4,390,043	4,757,862
Non-operating income and expenses					
Share of profit of equity-accounted investees	37	15,054	47,963	28,478	114,094
Finance income	20,30	958,901	422,143	2,406,780	1,157,750
Finance costs	20,30	(2,006,521)	(269,342)	(3,309,233)	(1,353,353)
Profit before income tax expense		255,155	1,433,814	3,516,068	4,676,353
Income tax expense	31,37	(26,370)	(350,829)	(822,237)	(1,097,894)
Profit for the period	37	228,785	1,082,985	2,693,831	3,578,459
Other comprehensive income (loss), net of tax					
Capital adjustment arising from investments in equity-method investees		60,951	2,349	23,886	(31,415)
Net changes in fair value of available-for-sale investments		(420,915)	208,359	(947,750)	47,582
Foreign currency translation differences		262,828	40,217	134,894	125,563
Defined benefit plan actuarial losses		(53,825)	(108,638)	(40,910)	(145,377)
Total comprehensive income for the period, net of tax		₩ 77,824	1,225,272	1,863,951	3,574,812
Profit attributable to:					
Owners of the Controlling Company		₩ 226,975	1,066,887	2,640,554	3,534,996
Non-controlling interests		1,810	16,098	53,277	43,463
Profit for the period		₩ 228,785	1,082,985	2,693,831	3,578,459
Total comprehensive income attributable to:					
Owners of the Controlling Company		₩ 36,409	1,176,832	1,934,963	3,484,029
Non-controlling interests		41,415	48,440	(71,012)	90,783
Total comprehensive income for the period		₩ 77,824	1,225,272	1,863,951	3,574,812
Earnings per share	32	₩ 2,938	13,850	34,180	45,889

See accompanying notes to consolidated interim financial statements (unaudited).

POSCO
Consolidated Statements of Changes in Equity
For the nine-month periods ended September 30, 2011 and 2010
(Unaudited)

<i>(in millions of Won)</i>	Owners of the Controlling Company						Non-Controlling Interests	Total
	Share Capital	Capital Surplus	Reserves	Treasury Shares	Retained Earnings	Sub Total		
Balance as of January 1, 2010	₩ 482,403	1,199,666	766,325	(2,403,263)	32,634,833	32,679,964	653,717	33,333,681
Comprehensive income:								
Profit for the period	-	-	-	-	3,534,996	3,534,996	43,463	3,578,459
Net changes in accumulated comprehensive income (loss) of investments in associates, net of tax	-	-	(33,635)	-	-	(33,635)	2,220	(31,415)
Net changes in fair value of available-for-sale investments, net of tax	-	-	34,925	-	-	34,925	12,657	47,582
Foreign currency translation differences, net of tax	-	-	85,722	-	-	85,722	39,841	125,563
Defined benefit plan actuarial losses, net of tax	-	-	-	-	(137,979)	(137,979)	(7,398)	(145,377)
Total comprehensive income	-	-	87,012	-	3,397,017	3,484,029	90,783	3,574,812
Transactions with owners of the Company, recognized directly in equity:								
Year-end dividends	-	-	-	-	(500,714)	(500,714)	(16,376)	(517,090)
Interim dividends	-	-	-	-	(192,582)	(192,582)	-	(192,582)
Acquisition of subsidiaries	-	-	-	-	-	-	1,072,182	1,072,182
Changes in ownership interests in subsidiaries	-	(83,194)	-	-	-	(83,194)	44,688	(38,506)
Paid in capital increase of subsidiaries	-	-	-	-	-	-	20,014	20,014
Others	-	1,850	(1,412)	-	71,546	71,984	(26,016)	45,968
Total transactions with owners of the Company	-	(81,344)	(1,412)	-	(621,750)	(704,506)	1,094,492	389,986
Balance as of September 30, 2010	₩ 482,403	1,118,322	851,925	(2,403,263)	35,410,100	35,459,487	1,838,992	37,298,479

See accompanying notes to consolidated interim financial statements (unaudited).

POSCO
Consolidated Statements of Changes in Equity, Continued
For the nine-month periods ended September 30, 2011 and 2010
(Unaudited)

<i>(in millions of Won)</i>	Owners of the Controlling Company					Sub Total	Non- Controlling Interests	Total
	Share Capital	Capital Surplus	Reserves	Treasury Shares	Retained Earnings			
Balance as of January 1, 2011	₩ 482,403	1,101,561	1,439,807	(2,403,263)	35,955,177	36,575,685	1,961,482	38,537,167
Comprehensive income:								
Profit for the period	-	-	-	-	2,640,554	2,640,554	53,277	2,693,831
Net changes in accumulated comprehensive income (loss) of investments in associates, net of tax	-	-	23,154	-	-	23,154	732	23,886
Net changes in fair value of available-for-sale investments, net of tax	-	-	(941,384)	-	-	(941,384)	(6,366)	(947,750)
Foreign currency translation differences, net of tax	-	-	246,854	-	-	246,854	(111,960)	134,894
Defined benefit plan actuarial losses, net of tax	-	-	-	-	(34,215)	(34,215)	(6,695)	(40,910)
Total comprehensive income	-	-	(671,376)	-	2,606,339	1,934,963	(71,012)	1,863,951
Transactions with owners of the Company, recognized directly in equity:								
Year-end dividends	-	-	-	-	(577,747)	(577,747)	(16,808)	(594,555)
Interim dividends	-	-	-	-	(193,111)	(193,111)	(23)	(193,134)
Acquisition of subsidiaries	-	-	-	-	-	-	241,584	241,584
Changes in ownership interests in subsidiaries	-	7,967	-	-	-	7,967	(341)	7,626
Paid in capital increase of subsidiaries	-	-	-	-	-	-	291,944	291,944
Acquisition of treasury shares	-	-	-	(61,296)	-	(61,296)	-	(61,296)
Disposal of treasury shares	-	69,153	-	73,153	-	142,306	-	142,306
Others	-	840	5,493	-	(28,003)	(21,670)	(6,254)	(27,924)
Total transactions with owners of the Company	-	77,960	5,493	11,857	(798,861)	(703,551)	510,102	(193,449)
Balance as of September 30, 2011	₩ 482,403	1,179,521	773,924	(2,391,406)	37,762,655	37,807,097	2,400,572	40,207,669

See accompanying notes to consolidated interim financial statements (unaudited).

POSCO
Consolidated Statements of Cash Flows
For the nine-month periods ended September 30, 2011 and 2010
(Unaudited)

<i>(in millions of Won)</i>	<u>Note</u>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Cash flows from operating activities			
Cash generated from operations		₩ 2,008,051	3,558,693
Profit for the period		2,693,831	3,578,459
Adjustments	36	3,729,102	3,439,688
Changes in operating assets and liabilities	36	(4,414,882)	(3,459,454)
Interest received		158,415	262,574
Interest paid		(570,204)	(365,018)
Dividends received		240,070	119,621
Income taxes paid		(1,168,491)	(663,232)
		<u>₩ 667,841</u>	<u>2,912,638</u>
Cash flows from investing activities			
Disposal of short-term financial instruments		5,328,580	15,934,701
Decrease in loans		591,068	152,086
Disposal of available-for-sale investments		20,354	205,754
Disposal of other investment assets		48	24,630
Disposal of investments of equity-accounted investees		1,764	26,448
Disposal of property, plant and equipment		104,796	216,454
Disposal of intangible assets		8,211	4,702
Proceeds from disposal of business		-	6,747
Acquisition of short-term financial instruments		(3,804,959)	(13,162,718)
Increase in loans		(724,507)	(69,138)
Acquisition of available-for-sale investments		(249,471)	(144,749)
Acquisition of other investment assets		(5,280)	(468,382)
Acquisition of investments of equity-accounted investees		(637,016)	(592,538)
Acquisition of property, plant and equipment		(3,713,123)	(4,139,172)
Acquisition of intangible assets		(416,288)	(35,184)
Payment for acquisition of business, net of cash acquired		(437,464)	(3,083,559)
Other, net		(92,501)	(77,255)
		<u>₩ (4,025,788)</u>	<u>(5,201,173)</u>

See accompanying notes to consolidated interim financial statements (unaudited).

POSCO
Consolidated Statements of Cash Flows, Continued
For the nine-month periods ended September 30, 2011 and 2010
(Unaudited)

<i>(in millions of Won)</i>	<u>Notes</u>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Cash flows from financing activities			
Proceeds from borrowings		5,044,558	2,308,222
Disposal of treasury shares		164,384	-
Proceeds from short-term borrowings		1,589,255	1,309,742
Repayment of borrowings		(1,473,323)	(702,805)
Acquisition of treasury shares		(61,296)	-
Payment of cash dividends		(770,858)	(693,296)
Other, net		174,170	9,153
		<u>₩ 4,666,890</u>	<u>2,231,016</u>
Net cash provided by financing activities			
Effect of exchange rate fluctuation on cash held		31,671	14,674
Net increase in cash and cash equivalents from changes in scope of consolidation		<u>145,257</u>	<u>415,389</u>
Net increase in cash and cash equivalents		1,485,871	372,544
Cash and cash equivalents at beginning of the period		<u>3,521,045</u>	<u>2,273,059</u>
Cash and cash equivalents at end of the period		<u>₩ 5,006,916</u>	<u>2,645,603</u>

See accompanying notes to consolidated interim financial statements (unaudited).

POSCO
Notes to Consolidated Interim Financial Statements
As of September 30, 2011
(Unaudited)

1. General Information

General information about POSCO, its 57 domestic subsidiaries including POSCO Engineering & Construction Co., Ltd., 161 foreign subsidiaries including POSCO America Corporation and its 89 associates are as follows:

(a) The controlling company

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

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

As of September 30, 2011, the shares of POSCO are listed on the Korea Exchange, while its depository receipts are listed on the New York, Tokyo and London Stock Exchanges.

POSCO
Notes to Consolidated Interim Financial Statements, Continued
As of September 30, 2011
(Unaudited)

(b) Consolidated subsidiaries

Details of consolidated subsidiaries as of September 30, 2011 are as follows:

	<u>Principal Operations</u>	<u>Ownership (%)</u>	<u>Region</u>
[Domestic]			
POSCO E&C Co., Ltd.	Engineering and construction	89.53	Pohang
POSCO P&S Co., Ltd.	Steel sales and service	95.31	Seoul
POSCO Coated & Color Steel Co., Ltd.	Coated steel manufacturing	56.87	Pohang
POSCO Plant Engineering Co., Ltd.	Steel work maintenance and machinery installation	100.00	Pohang
POSCO ICT Co., Ltd.	Computer hardware and software distribution	72.54	Seongnam
POSCO Research Institute	Economic research and consulting	100.00	Seoul
Seoung Gwang Co., Ltd.	Athletic facilities operation	100.00	Suncheon
POSCO Architects & Consultants Co., Ltd.	Architecture and consulting	100.00	Seoul
POSCO Specialty Steel Co., Ltd.	Steel manufacturing and Sales	100.00	Changwon
POSTECH Venture Capital Corp.	Investment in venture companies	95.00	Pohang
eNtoB Co., Ltd.	Electronic commerce	62.38	Seoul
POSCO Chemtec Company Ltd.	Manufacturing and sellings	60.00	Pohang
POSCO Terminal Co., Ltd.	Transporting and warehousing	51.00	Gwangyang
POSCO M-TECH Co., Ltd (*1)	Packing materials manufacturing	48.85	Pohang
POSCO Power Corp.	Generation of electricity	100.00	Seoul
Postech 2006 Energy Fund (*2)	Investment in new technologies	22.11	Seoul
PHP Co., Ltd.	Rental houses	100.00	Incheon
POSCO TMC Co., Ltd.	Steel manufacturing and sales	67.76	Cheonan
PNR Co., Ltd.	Steel manufacturing and sales	70.00	Pohang
Megaasset Co., Ltd.	Real estate rental and sales	100.00	Cheonan
POSCO Engineering Company	Construction and engineering service	92.26	Seongnam
Pohang Feul Cell Co. Ltd.	Generation of electricity	100.00	Pohang
Pohang SPFC Co., Ltd.	Steel manufacturing	90.00	Pohang
POSWITH Co., Ltd.	Industrial clean service	100.00	Pohang
BASYS INDUSTRY Co., Ltd.	Panel board, electric and control panel manufacturing	65.00	Seongnam
POSTECH BD Newundertaking fund	Bio diesel Industries	100.00	Pohang
POSBRO Co., Ltd.	Video game manufacturing	97.79	Seongnam
POSCO AST Co., Ltd.	Steel manufacturing and Sales	100.00	Ansan
DaiMyung TMS Co., Ltd.	Cold-rolling of stainless steel, nickel alloy	100.00	Siheung
POS-HiMETAL Co., Ltd.	Steel manufacturing and Sales	65.00	Gwangyang
POSCO E&E Co., Ltd.	Services	100.00	Seoul
POMIC Co., Ltd.	Education services	100.00	Pohang
POSFINE Co., Ltd.	Non metallic minerals manufacturing	69.23	Gwangyang
POS ECO HOUSING Co., Ltd.	Construction	85.25	Pohang
Mapo high broad parking Co., Ltd.	Construction	67.00	Seoul
Dakos Co., Ltd.	Railway equipment manufacturing	81.00	Seongnam
Kwang Yang SPFC Co., Ltd.	Steel manufacturing	65.84	Gwangyang
POSCALCIUM Company, Ltd.	Non metallic minerals manufacturing	70.00	Pohang
Plant Engineering service Technology Co., Ltd.	Engineering service	100.00	Pohang
9Digit Co., Ltd	Steel manufacturing	86.49	Incheon
Postech Early Stage Fund (*2)	Financial investment	10.00	Pohang
Busan E&E Co., Ltd.	Handling & disposal of waste matter	70.00	Busan
POSCO Family Strategy Funds	Financial investment	100.00	Pohang
POREKA Co., Ltd.	Advertising agency	100.00	Seoul
Songdo SE Co., Ltd.	Cleaning service	100.00	Incheon
Posgreen Co., Ltd.	Plastic manufacturing	60.00	Gwangyang
Daewoo International Corporation	Trading, Energy & Resource development	66.56	Seoul
POSCOLED Co., Ltd.	LED lighting	80.03	Seongnam
Gunsan SPFC Co., Ltd.	Steel manufacturing	70.09	Gunsan
POSCO NST Co., Ltd.	Steel manufacturing	100.00	Busan
Pohang Scrap Recycling Center Co., Ltd.	Steel manufacturing	51.00	Pohang
PSC energy global Co., Ltd.	Business service	100.00	Pohang
Suncheon Ecotrans Co., Ltd.	Train manufacturing & management	100.00	Suncheon
Shinan Energy Co., Ltd.	manufacturing & management	100.00	Mokpo

POSCO

Notes to Consolidated Interim Financial Statements, Continued

As of September 30, 2011

(Unaudited)

	Principal Operations	Ownership (%)	Region
[Domestic]			
Reco Metal Co., Ltd.	Steel manufacturing	88.60	Hwasung
NewAltec Co., Ltd.	Aluminum Products manufacturing and sales	60.10	Incheon
PONUTech Co., Ltd.	Nuclear power generation design and repair service	100.00	Ulsan
[Foreign]			
POSCO America Corporation	Steel trading	100.00	USA
POSCO Australia Pty. Ltd.	Iron ore sales & mine development	100.00	Australia
POSCO Canada Pty. Ltd.	Coal sales	100.00	Canada
POSCAN Elkview Coal Ltd.	Coal sales	100.00	Canada
POSCO Asia Co., Ltd.	Steel transit trading	100.00	HongKong
Dalian POSCO Steel Co., Ltd.	Steel manufacturing	85.00	China
POSCO-CTPC Co., Ltd.	Steel manufacturing	100.00	China
POSCO-JKPC Co., Ltd.	Steel manufacturing	95.00	Japan
International Business Center Corporation	Leasing Service	60.00	Vietnam
POSCO E&C Vietnam Co., Ltd.	Steel manufacturing	100.00	Vietnam
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	82.48	China
Guangdong Pohang Coated Steel Co., Ltd.	Plating steel sheet manufacturing	94.55	China
POSCO (Thailand) Company Ltd.	Steel manufacturing	100.00	Thailand
Myanmar POSCO Steel Co., Ltd.	Zinc relief manufacturing	70.00	Myanmar
POSCO-JOPC Co., Ltd.	Steel manufacturing	56.84	Japan
POSCO Investment Co., Ltd.	Financial Service	100.00	HongKong
POSCO-MKPC SDN. BHD.	Steel manufacturing	70.00	Malaysia
Qingdao Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	100.00	China
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	Steel manufacturing	100.00	China
POSCO BioVentures L.P.	Bio tech Industry	100.00	USA
PT. POSNESIA	Steel manufacturing	70.00	Indonesia
POSCO E&C - Hawaii Inc.	Real estate Industry	100.00	USA
POS-Qingdao Coil Center Co., Ltd.	Steel manufacturing	100.00	China
POS-Ore Pty. Ltd.	Iron ore sales & mine development	100.00	Australia
POSCO-China Holding Corp.	A holding company	100.00	China
POSCO-Japan Co., Ltd.	Steel trading	100.00	Japan
POS-CD Pty. Ltd.	Coal sales	100.00	Australia
POS-GC Pty. Ltd.	Coal sales	100.00	Australia
POSCO-India Private Ltd.	Steel manufacturing	100.00	India
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	Steel manufacturing	65.00	India
POSCO-JNPC Co., Ltd.	Steel manufacturing	90.00	Japan
POSCO-Foshan Steel Processing Center Co., Ltd.	Steel manufacturing	100.00	China
POSCO E&C (China) Co., Ltd.	Construction and civil engineering	100.00	China
POSCO MPC S.A. de C.V.	Steel manufacturing	90.00	Mexico
Zhangjiagang Pohang Port Co., Ltd.	Load and unload Industry	100.00	China
Qingdao Pujin Steel Material Co., Ltd.	Steel manufacturing	100.00	China
POSCO-Vietnam Co., Ltd.	Steel manufacturing	85.00	Vietnam
POSCO-Mexico Co., Ltd.	Mobile steel sheet manufacturing	100.00	Mexico
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	Steel manufacturing	76.40	India
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	Steel manufacturing	60.00	Poland
POS-NP Pty. Ltd.	Coal sales	100.00	Australia
POSCO-Vietnam Processing Center Co., Ltd.	Steel manufacturing	89.58	Vietnam
POSCO (Chongqing) Automotive Processing Center Co., Ltd.	Steel manufacturing	100.00	China
Suzhou POS-CORE Technology Co., Ltd.	Component manufacturing	100.00	China
POSCO-JYPC Co., Ltd.	Steel manufacturing	82.37	Japan
POSCO-Malaysia SDN. BHD.	Steel manufacturing	93.41	Malaysia
POS-Minerals Corporation	Mine development & sales	100.00	USA
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	Steel manufacturing	100.00	China
POSCO E&C India Private Ltd.	Construction and engineering	100.00	India
POSCO E&C SMART	Construction and engineering	100.00	Mexico
POSCO-Philippine Manila Processing Center Inc.	Steel manufacturing	100.00	Philippines
Dalian POSCON Dongbang Automatic Co., Ltd.	Electrotical control equipment manufacturing	70.00	China

POSCO

Notes to Consolidated Interim Financial Statements, Continued As of September 30, 2011 (Unaudited)

	Principal Operations	Ownership (%)	Region
[Foreign]			
SANPU TRADING CO.,LTD.	Transit trade	70.04	China
Zhangjiagang BLZ Pohang International Trading Co., Ltd.	Steel transit trading	100.00	China
POSCO Mexico Human Tech.	Service	100.00	Mexico
POSCO Mexico East Steel Distribution Center Co., Ltd	Steel product sales	56.81	Mexico
POSCO Gulf Logistics LLC.	Steel product sales	100.00	UAE
POSCO ICT-China Co., Ltd.	IT service and DVR business	100.00	China
DWEMEX S.A. DE C.V.	Construction	99.00	Mexico
POS MPC Servicios de C.V.	Steel manufacturing	61.00	Mexico
POSCO-URUGUAY S.A.	Lumber manufacturing & sales	98.00	Uruguay
POSCO South East Asia Pty. Ltd.	Steel transit trading	51.00	Singapore
Europe Steel Distribution Center	Steel product sales	70.00	Slovenia
VECTUS Ltd.	PRT test track construction	99.57	England
Zeus(Cayman)	Service	100.00	Cayman Islands
POSCO VST Co., Ltd.	Stainless steel manufacturing	95.65	Vietnam
POSCO Maharashtra Steel Pvt. Ltd.	Steel manufacturing	100.00	India
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	Steel manufacturing	100.00	India
POSCO Turkey Nilufer Processing Center Co., Ltd.	Steel manufacturing	100.00	Turkey
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	Steel manufacturing	70.00	Vietnam
POSCO (Liaoning) Automotive Processing Center Co., Ltd.	Steel manufacturing	100.00	China
POSCO-Indonesia Jakarta Processing Center	Steel manufacturing	85.00	Indonesia
POSCO E&C Venezuela C.A.	Construction and engineering	100.00	Venezuela
PT. MRI	mine development	65.00	Indonesia
POSCOCORE-INDIA	Steel manufacturing	100.00	India
POSCO America Alabama Processing Center Co., Ltd.	Steel manufacturing	100.00	USA
PT DEC Indonesia	Construction	95.00	Indonesia
POSCO (Yantai) Automotive Processing Center Co.,Ltd.	Steel manufacturing	100.00	China
POSCO India Steel Distribution Center Private Ltd.	Steel Logistics	100.00	India
POSCO China Dalian Plate Processing Center Co., Ltd.	Steel manufacturing	90.00	China
POSCO-South Asia Co., Ltd.	Steel product sales	100.00	Thailand
POSCO SS-VINA Co., Ltd.	Steel manufacturing	100.00	Vietnam
POSCO-NCR Coal Ltd.	Coal sales	100.00	Canada
POSCO WA Pty. Ltd.	Iron ore sales & mine development	100.00	Australia
POSCO E&C - UZ	Construction	100.00	Uzbekistan
POSCO Australia GP Limited.	Resource development	100.00	Australia
Daewoo International America Corp.	Trading business	100.00	USA
Daewoo International Deutschland GmbH	Trading business	100.00	Germany
Daewoo International Japan Corp.	Trading business	100.00	Japan
Daewoo International Singapore Pte. Ltd.	Trading business	100.00	Singapore
Daewoo Italia S.R.L.	Trading business	100.00	Italia
Daewoo Cement (Shandong) Co., Ltd.	Cement manufacturing	100.00	China
Daewoo (China) Co., Ltd.	Trading business	100.00	China
PT. RISMAR Daewoo Apparel	Clothing business	100.00	Indonesia
Daewoo Textile Fergana LLC	Textile manufacturing	100.00	Uzbekistan
Daewoo Textile Bukhara LLC	Textile manufacturing	100.00	Uzbekistan
Daewoo International Australia Holdings Pty. Ltd.	Resource Development	100.00	Australia
Daewoo Paper Manufacturing Co., Ltd.	Paper industry	66.70	China
Tianjin Daewoo Paper Manufacturing Co., Ltd.	Paper industry	68.00	China
POSCO Mauritius Ltd.	Mine development & sales	100.00	Mauritius
PT. KRAKATAU STEEL POSCO	Steel manufacturing	70.00	Indonesia
MYANMAR Daewoo LTD.	Trading business	100.00	Myanmar
Daewoo International MEXICO S.A. de C.V.	Trading business	100.00	Mexico
Daewoo International Guangzhou Corp.	Trading business	100.00	China
Daewoo Energy Central Asia	Resource Development	100.00	Uzbekistan
Daewoo STC & Apparel Vietnam Ltd.	Textile manufacturing	100.00	Vietnam
MYANMAR Daewoo International Ltd.	Textile manufacturing	55.00	Myanmar
DAYTEK ELECTRONICS CORP.	Trading business	100.00	Canada
Daewoo (M) SDN. BHD.	Trading business	100.00	Malaysia
Daewoo CANADA LTD.	Trading business	100.00	Canada
Daewoo EL SALVADOR S.A. DE C.V.	Trading business	88.00	El Salvador
GEZIRA TANNERY Co., Ltd.	Leather manufacturing	60.00	Sudan

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Notes to Consolidated Interim Financial Statements, Continued
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[Foreign]	Principal Operations	Ownership (%)	Region
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.	Steel manufacturing	100.00	China
Daewoo International Corporation (M) SDN BHD	Trading business	100.00	Malaysia
Daewoo International Shanghai Co., Ltd.	Trading business	100.00	China
PGSF, LLC	Bio tech Industry	100.00	USA
Xenesys Inc.	Power generation equipment manufacturing	50.93	Japan
Daewoo International INDIAPrivate Ltd.	Trading business	100.00	India
TECHREN Solar, LLC	Electrical Industry	99.97	USA
PT. POSCO E&C Indonesia	Construction	100.00	Indonesia
Hume Coal Pty. Ltd.	Raw material manufacturing	70.00	Australia
Daewoo HANDELS GmbH	Trading business	100.00	Germany
POSCO Foundation	Non-profit charitable organization	100.00	India
EPC EQUITIES LLP	Construction	70.00	England
SANTOS CMI Construction Trading LLP	Construction	99.90	England
SANTOS CMI INC. USA	Construction	100.00	USA
SANTOS CMI ENGENHARIA E CONSTRUCOES LTDA	Construction	99.98	Brazil
SANTOS CMI PERU S.A.	Construction	99.99	Peru
SANTOS CMI COSTA RICA S.A.	Construction	100.00	Coasta Rica
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)	Construction	100.00	Uruguay
GENTECH International INC.	Construction	90.00	Panama
EPC INVESTMENTS C.V.	Construction	99.99	Netherlands
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.	Construction	99.90	Ecuador
ASESORIA Y SERVICIOS EPC S.A CHILE	Construction	99.00	Chile
SANTOS CMI S.A.	Construction	70.00	Ecuador
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	Construction	99.00	Chile
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)	Construction	99.00	Mexico
DV - SANTOS CMI S.A. DE C.V. (*2)	Construction	50.00	Mexico
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.	Construction	90.00	Ecuador
VAUTIDAMERICAS S.A.	Construction	51.00	Ecuador
SANTOS CMI Construction Argentina S.A.	Construction	95.00	Argentina
POSCO E&C Brazil Ltd.	Construction	100.00	Brazil
POSCO Electrical Steel India Private Limited	Electrical Steel Manufacturing	100.00	India
Daewoo International Cameroon PLC	Resource Development	100.00	Cameroon
POSCO ASSAN TST STEEL Industry	Steel manufacturing	70.00	Turkey
HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	Investment	100.00	HongKong
POSCO Klappan Coal Ltd.	Coal sales	100.00	Canada
DAESAN (Cambodia) Co., Ltd.	Investment	100.00	Cambodia
POSCO Brazil Sao Paulo Steel Processing Center Co., Ltd	Steel manufacturing	76.00	Brazil
POSCO(Dalian) IT Center Development Co., Ltd.	Investment	100.00	China
PT.POSCO Resources Indonesia	Mine development	100.00	Indonesia
PT. POSCO ICT Indonesia	IT service and Electric Control Engineering	95.00	Indonesia
PT. POSCO M-Tech Indonesia	Steel manufacturing	100.00	Indonesia
PT. KRAKATAU POSCOPOWER	Coal sales	90.00	Indonesia
POSCO-RUS Co., Ltd.	Trading business	100.00	Russia
POSCO Thainox Co., Ltd.	Steel manufacturing	84.60	Thailand
Thai Stainless Components Company Ltd.	Steel manufacturing	51.00	Thailand
DAEWOO INT'L Shanghai Corp.	merchandising trade	100.00	China
PT. Bio Inti Agrindo	Forest resources Development	85.00	Indonesia
POSCO E&C Australia Pty. Ltd.	Iron ore sales	100.00	Australia
POSCO-TISCO (Jilin) Processing Center Co., Ltd.	Steel manufacturing	60.00	China

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

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

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(c) Details of associates

Details of associates as of September 30, 2011 are as follows:

Investee	Category of Business	Ownership (%)	Region
[Domestic]			
MIDAS Information Technology Co., Ltd.	Engineering	25.46	Seoul
Metapolis Co., Ltd.	Multiplex development	40.05	Hwaseong
Songdo New City Development Inc.	Real estate	29.90	Seoul
POSMATE Co., Ltd.	Services	30.00	Seoul
Gail International Korea Ltd.	Real estate	29.90	Seoul
SNNC Co., Ltd.	Raw material manufacturing and sale	49.00	Gwangyang
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	Real estate	25.10	Chungju
Taegisan Wind Power Corporation	Wind power plant construction and management	50.00	Hoengseong
KOREASOLARPARK Co., Ltd.	Solar power plant construction and management	37.50	Youngam
Garolim Tidal Power Plant Co., Ltd.	Generation of electricity	32.13	Seosan
Cheongna IBT Co., Ltd. (*2)	Multiplex development	18.58	Incheon
PSIB Co., Ltd.	Non-resident building lease	49.00	Seoul
Universal Studios Resort Development Co., Ltd.	Construction	22.10	Hwaseong
Universal Studios Resort Asset Management Corp.	Real estate services	26.16	Seoul
Daewoo national car Gwangju selling Co., Ltd.	Real estate	50.00	Gwanju
Uitrans Co., Ltd.	Transporting	38.19	Seoul
Suwon Green Environment Co., Ltd.	Construction	27.50	Hwaseong
Pajoo & Viro Co., Ltd.	Construction	40.00	Paju
Green Gimpo Co., Ltd.	Construction	31.84	Gimpo
Busan-Gimhae Light Rail Transit Co., Ltd.	Transporting	25.00	Gimhae
Incheon-Gimpo Highway Co., Ltd.	Construction	25.82	Anyang
Green Jangryang Co., Ltd.	Sewerage treatment	25.00	Pohang
Green Tongyeong Enviro Co., Ltd.	Sewerage treatment	20.40	Tongyoung
POSPLATE Co., Ltd.	Services	48.95	Gwangyang
Pure Gimpo.Co., Ltd.	Construction	28.79	Seoul
Pohang Techno Valley AMC Co., Ltd.	Construction	29.50	Pohang
Sungjin Geotec Co., Ltd.	Industrial machinery manufacturing	36.69	Ulsan
Kyobo Life Insurance Co., Ltd.	Life insurance	24.00	Seoul
Dongbang Special Steel Co., Ltd.	Steel processing and sales	35.82	Pohang
Pure Iksan Co., Ltd.	Construction	23.50	Pohang
Gyeonggi CES Co., Ltd.	Facility construction	21.84	Yangju
Sunjin Gonghak Baeumteo Co., Ltd.	Dormitories management	22.38	Gwanju
Inje Autopia Co., Ltd.	Management	28.40	Inje
Innovalloy Co., Ltd.	Real estate development	28.77	Yongin
Applied Science Corp.	Machinery manufacturing	29.30	Paju
SENTECH KOREA Corp.	Manufacturing	20.25	Paju
AROMA POSTECH RENEWABLE ENERGY Co., Ltd.	Other science research	28.57	Seoul
Hyundai Investment Network Private Equity Fund (*1)	Mine investment	50.00	Seoul
Pohang Techno Valley PFV Corporation (*1)	Real estate development	28.65	Pohang
BLUE OCEAN Private Equity Fund (*1)	Private Equity Financial	27.52	Seoul
SUNAM Co., Ltd.	Power Supply manufacturing	23.91	Seoul

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<u>Investee</u>	<u>Category of Business</u>	<u>Ownership (%)</u>	<u>Region</u>
[Foreign]			
VSC POSCO Steel Corporation	Steel manufacturing and Sale	50.00	Vietnam
KOBRASCO	Facility lease	50.00	Brazil
USS-POSCO Industries	Material manufacturing and sale	50.00	USA
Poschrome Pty. Ltd.	Raw material manufacturing and sale	50.00	Republic of South Africa
POS-Hyundai Steel Manufacturing India Private Ltd.	Steel processing and sale	29.50	India
POSVINA Co., Ltd.	Plating steel sheet manufacturing	50.00	Vietnam
PT. POSMI Steel Indonesia	Steel processing and sale	36.69	Indonesia
CAML Resources Pty. Ltd.	Raw material manufacturing and sale	33.34	Australia
Nickel Mining Company SAS	Raw material manufacturing and sale	49.00	New Caledonia
Liaoning Rongyuan Posco Refractories Co., Ltd.	Manufacturing and sale	35.00	China
POSK (PingHu)Processing Center Co.,Ltd	Steel processing and sale	20.00	China
AN KHANH NEW CITY DEVELOPMENT	Highway construction and new town development	50.00	Vietnam
Henan Tsingpu Ferro Alloy Co., Ltd.	Raw material manufacturing and sale	49.00	China
United Spiral Pipe, LLC	Material manufacturing and sale	35.00	USA
Zhongyue POSCO(Qinhuangdau) Tinplate Industrial Co., Ltd.	Plating sheet manufacturing	34.00	China
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Steel processing and sale	25.00	China
POSCO-SAMSUNG-Slovakia Processing Center	Steel processing and sale	30.00	Slovakia
Eureka Moly LLC	Raw material manufacturing and sale	20.00	USA
POSCO SAMSUNG (Suzhou) Processing Center Co., Ltd.	Steel processing and sale	30.00	China
POSCO SeAH Steel Wire(Nantong) Co., Ltd.	Steel processing and sale	25.00	China
POS-GSFC LLC	Steel processing and sale	48.98	UAE
Yingkou Posrec Refractories Co., Ltd.	Refractory manufacturing	25.00	China
Zhangjiagang Pohang Refractories Co., Ltd.	Refractory manufacturing	50.00	China
POSCO Engineering(Thailand) Co., Ltd.	Development and contract	48.90	Thailand
Sebang Steel Co., Ltd.	Scrap sale	49.00	Japan
NCR LLC	Coal sale	20.00	Canada
AMCI (WA) Pty Ltd.	Iron ore sale & mine development	49.00	Australia
POSCO YongXin Rare Earth Metal Co., Ltd.	Energy & Resource development	31.00	China
Shanghai Lansheng Daewoo Coporation	Trading	49.00	China
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd.	Trading	49.00	China
Hanjung Power Pty., Ltd.	Electric power manufacturing and sale	49.00	Papua New Guinea
Myanmar Korea Timber International Ltd.	Plating sheet manufacturing	45.00	Myanmar
General Medicines Company Ltd.	Medicine manufacturing and sale	33.00	Sudan
KOREA LNG Ltd.	Gas production and sale	20.00	England
DMSA, AMSA (*2)	Energy & Resource development	4.00	Madagascar
KG Power(M) SDN. BHD	Energy & Resource development	20.00	Malaysia
Daewoo (Thailand) Co., Ltd.	Trading	49.00	Thailand
N.I. Co., Ltd.	Trading	50.00	North Korea
South-East Asia Gas Pipeline Company Ltd.	Pipeline construction	25.04	Myanmar
GLOBAL KOMSCO Daewoo LLC	Mintage	35.00	Uzbekistan
POSUK TITANIUM B.V	Steel manufacturing	50.00	Netherland
POSCO-NPS Niobium LLC (*1)	Mine development	50.00	USA
POSCO-POGEN AMP (*1)	Steel manufacturing	26.00	India
Klappan Coal Joint Venture	Coal sale	20.00	Canada
AES-VCM Mong Duong Power Company Ltd.	Coal sale	30.00	Vietnam
CSP (Compania Siderurgica do Pecem)	Steel manufacturing and sale	20.00	Brazil
PT.INDONESIA POS CHOSUN Ref	Refractory manufacturing and sale	30.00	Indonesia
NS-Thainox Auto Co., Ltd.	Steel manufacturing and sale	49.00	Thailand

(*1) These investments are newly established or acquired in 2011.

(*2) These investments are accounted under the equity method of accounting even though the Controlling Company's percentage of ownership is below 20%, because it is able to exercise significant influence on the investee.

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Notes to Consolidated Interim Financial Statements, Continued
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(d) Consolidated subsidiaries acquired during the nine-month period September 30, 2011 are as follows:

(in millions of Won)

<u>Company</u>	<u>Date of Acquisition</u>	<u>Ownership (%)</u>	<u>Reason</u>
PSC energy global Co., Ltd.	2011. 02	100.00	new investment
Suncheon Ecotrans Co., Ltd.	2011. 02	100.00	new investment
Shinan Energy Co., Ltd.	2011. 04	100.00	new investment
POSCO M-TECH Co., Ltd.	2011. 05	48.85	delegation of voting rights
9Digit Co., Ltd.	2011. 05	86.49	delegation of voting rights
Reco Metal Co., Ltd.	2011. 06	88.60	acquisition
NewAltec Co., Ltd.	2011. 07	60.10	acquisition
PONUtech Co., Ltd.	2011. 08	100.00	new investment
EPC EQUITIES LLP	2011. 02	70.00	acquisition
SANTOS CMI Construction Trading LLP	2011. 02	99.90	acquisition
SANTOS CMI INC. USA	2011. 02	100.00	acquisition
SANTOS CMI ENGENHARIA E CONSTRUÇOES LTDA	2011. 02	99.98	acquisition
SANTOS CMI PERU S.A.	2011. 02	99.99	acquisition
SANTOS CMI COSTA RICA S.A.	2011. 02	100.00	acquisition
SANTOS CMI CONSTRUCCIONES S.A. (URUGUAY)	2011. 02	100.00	acquisition
GENTECH International INC.	2011. 02	90.00	acquisition
EPC INVESTMENTS C.V.	2011. 02	99.99	acquisition
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.	2011. 02	99.90	acquisition
ASESORIA Y SERVICIOS EPC S.A CHILE	2011. 02	99.00	acquisition
SANTOS CMI S.A.	2011. 02	70.00	acquisition
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	2011. 02	99.00	acquisition
S&K -SANTOS CMI S.A. DE C.V. (MEXICO)	2011. 02	99.00	acquisition
DV - SANTOS CMI S.A. DE C.V.	2011. 02	50.00	acquisition
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.	2011. 02	90.00	acquisition
VAUTIDAMERICAS S.A.	2011. 02	51.00	acquisition
SANTOS CMI Construction Argentina S.A.	2011. 02	95.00	acquisition
HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	2011. 03	100.00	new investment
POSCO ASSAN TST STEEL Industry	2011. 03	70.00	new investment
POSCO E&C Brazil Ltd.	2011. 05	100.00	new investment
POSCO Electrical Steel India Private Limited	2011. 06	100.00	new investment
Daewoo International Cameroon PLC.	2011. 06	100.00	new investment
POSCO Klappan Coal Ltd.	2011. 07	100.00	new investment
DAESAN (Cambodia) Co., Ltd.	2011. 07	100.00	acquisition
POSCO Brazil Sao Paulo Steel Processing Center Co., Ltd.	2011. 08	76.00	new investment
POSCO(Dalian) IT Center Development Co., Ltd.	2011. 08	100.00	new investment
PT.POSCO Resources Indonesia	2011. 08	99.80	new investment
PT. POSCO ICT Indonesia	2011. 09	95.00	new investment
PT. POSCO M-Tech Indonesia	2011. 09	100.00	new investment
PT. KRAKATAU POSCOPower	2011. 09	90.00	new investment
POSCO RUS LLC.	2011. 09	100.00	new investment
POSCO Thainox Co., Ltd.	2011. 09	84.60	acquisition
Thai Stainless Components Company Ltd.	2011. 09	51.00	acquisition
Daewoo International Shanghai Waigaoqiao Co., Ltd.	2011. 09	100.00	new investment
PT. Bio Inti Agrindo	2011. 09	85.00	acquisition
POSCO E&C Australia Pty Ltd.	2011. 09	100.00	new investment
POSCO-TISCO (Jilin) Processing Center Co., Ltd.	2011. 09	60.00	new investment

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Notes to Consolidated Interim Financial Statements, Continued
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(e) Cash outflows caused by acquisition

(in millions of Won)

	<u>Amounts</u>
Consideration paid	₩ 551,732
Less: cash and cash equivalents acquired	<u>(114,268)</u>
Total	<u>₩ 437,464</u>

(f) Business Combinations

The Company has acquired shares in Thainox Stainless Public Company Limited from the previous largest shareholder on September 23, 2011 to strengthen global competitiveness and preoccupy in stainless steel market. As of September 30, 2011, the Company obtained control of Thainox Stainless Public Company Limited since the percentage of shares increased from 15.39% to 75.32%. Goodwill recognised in this business combination is as follows:

(in millions of Won)

	<u>Amount</u>
I. Consideration transferred	
Acquisition cost of existing shares	₩ 42,302
Fair value adjustment of existing shares (*1)	57,080
Cash	<u>390,474</u>
Total	<u>489,856</u>
II. Non-controlling interests (*2)	<u>121,413</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	<u>20,129</u>
Total	<u>675,061</u>
[Liabilities]	
Trade accounts and notes payable and other financial liabilities	147,382
Borrowings	11,803
Other liabilities	<u>23,867</u>
Total	<u>183,052</u>
Total acquired net assets	<u>492,009</u>
VI. Goodwill acquired	<u>₩ 119,260</u>

(*1) Fair value adjustment of ₩57,080 million was calculated by revaluing existing shares to fair value, which was recognised as other operating income.

(*2) Non-controlling interests are measured by their proportion of fair value of net assets identifiable.

As of September 30, 2011, the Company's percentage of ownership was increased to 84.6% through the additional acquisition of 9.28% of shares by the tender offer after acquiring the control. As of October 25, 2011, the Company had acquired 94.93% of outstanding shares of the investee.

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Notes to Consolidated Interim Financial Statements, Continued
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2. Statement of Compliance

Statement of compliance

The consolidated interim 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.

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

These consolidated interim financial statements have been prepared in accordance with K-IFRS 1034 *Interim Financial Reporting* as part of the period covered by its first annual K-IFRS financial statements.

The Company’s date of transition to K-IFRS in accordance with K-IFRS No. 1101 *First-time adoption of K-IFRS*, is January 1, 2010, and the effect of the transition from Korean Generally Accepted Accounting Principles (“K-GAAP”) to K-IFRS on the Group’s reported financial position and financial performance is explained in note 38.

Basis of measurement

The consolidated interim financial statements have been prepared under 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 are measured at fair value
- (b) Financial instruments at fair value through profit or loss (FVTPL) are measured at fair value
- (c) Available-for-sale financial assets are measured at fair value
- (d) The liability for a cash settled stock appreciation rights is measured at fair value
- (e) Employee benefits are measured at the present value of the defined benefit obligation less the fair value of the plan assets

Functional and presentation currency

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

POSCO
Notes to Consolidated Interim Financial Statements, Continued
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Use of estimates and judgements

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

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 interim financial statements is included in the following note:

- Note 13 – Impairment of Goodwill

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

- Note 18 – Employee Benefits
- Note 25 – Construction Contracts

3. Summary of Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its consolidated interim financial statements are included below. The accounting policies applied for the consolidated interim financial statements may be changed by management if considered necessary in the course of preparing its first annual consolidated financial statements in accordance with K-IFRS for the year ending December 31, 2011.

Consolidation policy

(a) Subsidiaries

A subsidiary is an entity, which is controlled by the Company. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. When assessing whether an entity has the power to govern another entity, the existence and effect of potential voting rights which can be exercised or convertible, are also considered. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date on which the Company obtained control of the acquiree until the date when the Company ceases to control the subsidiary.

Wherever differences in accounting policies exist between the Company and its controlled

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subsidiaries for similar transactions under common circumstances, the subsidiary's accounting policy is modified to conform with the standards of the Company.

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

(b) Non-controlling interests

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

(c) Associates

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

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

If an associate uses accounting policies different from those of the Company for like transactions and events in similar circumstances, appropriate adjustments are made to its 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.

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

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fair value in a foreign currency are translated using the exchange rate at the date the fair value was 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, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Non-derivative financial assets

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

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

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

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

(b) Held-to-maturity financial assets

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

(c) Loans and receivables

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

(d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments 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) 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.

(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.

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Inventories

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

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

Investment property

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

Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. In addition, in the preparation of the opening K-IFRS consolidated statement of financial position on the date of transition to K-IFRS, the Company measures certain machinery and equipment at fair value at the date of transition, which is deemed cost, in accordance with K-IFRS 1101.

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

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

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

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

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

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

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

Buildings	10-60 years
Structures	5-50 years
Machinery and equipment	2-25 years
Vehicles	3-10 years
Tools	4-10 years
Furniture and fixtures	3-10 years
Lease assets	3-18 years

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

In order to apply the useful life which corresponds to the available periods of the machinery and equipment's expected utilization, from January 1, 2011 the Company changed the useful life of certain machinery and equipment in its steel operating segment from 8 years to 15 years. During the nine-month period ended September 30, 2011, the depreciation costs decreased by ₩ 919,944 million as a result of this change in the useful life.

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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. 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 indefinite useful lives and not amortized.

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

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

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(a) Goodwill

Goodwill recorded on the acquisition of subsidiaries is included in intangible assets.

The Company retroactively restated amounts related to business combinations that occurred after January 1, 2010, in accordance with K-IFRS. Goodwill related to business combination that occurred before January 1, 2010 is included on the basis of its deemed cost, which represents the amount recognized under K-GAAP as of the date of transition. Goodwill acquired after January 1, 2010 is recognized as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at fair value as of the acquisition date. When the Company's interest in the fair value of the acquiree's net identifiable assets acquired and liabilities assumed exceeds consideration, the difference is immediately recognized in profit or loss for the period. Goodwill is measured at cost less accumulated impairment losses.

The acquisition of additional non-controlling interest while retaining control is accounted for as a shareholder transaction and, as a result, no additional goodwill is recognized.

(b) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is 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.

(c) Subsequent expenditures

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

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.

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

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

For an investment in an equity instrument classified as available-for-sale, in addition to the above events, the Company considers an additional objective evidence of impairment when the fair value of an investment declines below its cost significantly or for a prolonged period.

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.

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(c) Available-for-sale financial assets

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

Impairments for non-financial assets

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

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

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

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

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Non-current assets as 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, disposal group must be available for immediate sale in its present condition and its sale must be highly probable. The disposal group 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. Immediately before the initial classification of disposal group as held for sale, the carrying amounts of all the assets and liabilities in the disposal group are measured in accordance with applicable K-IFRS. 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.

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 1036 Impairment of Assets.

Non-derivative financial liabilities

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

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

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

The Company derecognizes a financial liability 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 the compound financial instruments of bonds and conversion rights, are designated as fair value through profit or loss and measured at fair value as of September 30, 2011.

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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 has 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 as 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.

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 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. The Company reviews whether there are indicators the leased asset may be impaired.

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(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 shall be 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.

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.

Unbilled amount and progress billings

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 deferred income in the consolidated statement of financial position.

Government grants

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

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

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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 and obligation 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) Post-employment benefit: Defined contribution plans

With regard to the defined contribution plan, 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 contribution already paid. If the contribution already paid exceeds 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, for example, a reduction in future payments or a cash refund.

(d) Post-employment benefit: 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.

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

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

Stock Appreciation Rights

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

Provisions

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

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

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

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

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Share capital

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

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

Revenue

Revenue from the sale of goods, services provided, and the use of assets is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

(a) Sale of goods

Revenue is recognized when 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, and there is no continuing management involvement with the goods.

(b) Services rendered

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

(c) Construction contracts

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

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

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(d) Rental income

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

Finance income and finance costs

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

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

Income tax

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

(a) Current tax

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

(b) Deferred tax

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

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

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

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

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

Earnings per Share

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

Operating segments

The Company has classified operating segments whose 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. Management has determined that the CODM of the Company is the CEO. As discussed in Note 37, the Company has four operating segments and an operating segment is a strategic component of the Company. Each Strategic operating segment provides different goods and services and is required for different technology and marketing strategies. So, strategic operating segments are operated separately.

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.

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4. Financial risk management

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

- credit risk
- liquidity risk
- market risk
- operational risk.

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

(a) Risk management policy

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

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

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of a nation or an industry in which a customer operates its business does not have a significant influence on credit risk. The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness.

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

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(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. The Company believes that it is capable of raising funds by borrowing or financing if the Company is not able to generate cash flow requirements from its operations. The Company has committed borrowing facilities with various banks.

(d) Market risk management

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

1) Currency risk

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

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

2) Interest rate risk

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

(e) Management of capital risk

The fundamental goal of capital management is the maximization of shareholders' value by means of the stable dividend policy and the retirement of treasury shares. The capital structure of the Company consists of equity and net debt, deducting cash and cash equivalents and current financial instruments from borrowings. The Company applied the same financial risk management strategy that was applied in the previous period. The equity attributable to owners as of September 30, 2011, December 31, 2010 and January 1, 2010 is as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Total borrowings	27,369,600	21,140,241	12,199,485
Less: Cash and cash equivalents	5,006,916	3,521,045	2,273,059
Net borrowings	22,362,684	17,619,196	9,926,426
Total shareholders' equity	40,207,669	38,537,167	33,333,681
Net borrowings-to-equity ratio	55.62%	45.72%	29.78%

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5. Cash and Cash Equivalents

Cash and cash equivalents as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Cash	₩ 17,570	4,931	339,240
Demand deposit and checking accounts	2,582,463	1,426,715	735,759
Financial instruments cash equivalents	2,255,298	1,816,853	1,166,609
Securities investment cash equivalents	151,585	272,546	31,451
	<u>₩ 5,006,916</u>	<u>3,521,045</u>	<u>2,273,059</u>

Cash and cash equivalents of ₩ 409,442 million, ₩ 194,443 million and ₩ 211,214 are restricted for the use in expansion of facility only as of September 31, 2011, December 31, 2010 and January 1, 2010, respectively.

6. Trade Accounts and Notes Receivable

(a) Trade accounts and notes receivable as of September 30, 2011 and December 31, 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Current			
Trade accounts and notes receivable	₩ 9,964,045	8,415,973	4,740,600
Capital lease receivables	116,967	57,374	59,686
Due from customers for contract work	1,211,685	974,631	699,293
Less: Allowance for doubtful accounts	(267,054)	(228,967)	(199,346)
	<u>11,025,643</u>	<u>9,219,011</u>	<u>5,300,233</u>
Non-current			
Trade accounts and notes receivable	43,181	28,792	24,391
Capital lease receivables	160,511	258,664	504,633
Less: Allowance for doubtful accounts	(9,597)	(13,834)	(6,249)
	<u>194,095</u>	<u>273,622</u>	<u>522,775</u>
	<u>₩ 11,219,738</u>	<u>9,492,633</u>	<u>5,823,008</u>

Borrowings include the trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounting to ₩ 577,950 million, ₩ 358,676 million and ₩ 30,600 million as of September 30, 2011, December 31, 2010 and January 1, 2010, respectively.

(b) Capital lease receivables are as follows:

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(in millions of Won)

<u>Customer</u>	<u>Contents</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Korea Electric Power Corporation	Combined Thermal Power Cycle 1~4	₩ 212,620	253,055	307,191
Tenant of EXPO Apartment	Lease contract of EXPO Apartment	64,858	62,983	257,128
		<u>₩ 277,478</u>	<u>316,038</u>	<u>564,319</u>

(c) Present value of gross lease investment and minimum lease payments as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Less than 1 year	₩ 143,790	82,927	89,244
1 year - 5 years	181,123	283,566	532,044
Greater than 5 year	31,273	51,534	83,812
Unrealized interest income	(78,708)	(101,989)	(140,781)
Present value of minimum lease payment	<u>₩ 277,478</u>	<u>316,038</u>	<u>564,319</u>

7. Other Financial Assets

(a) Other short-term financial assets as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Financial assets at fair value through profit or loss			
Financial assets held for trading	₩ 30,744	182,208	795,811
Derivatives assets held for trading	309,897	133,731	26,641
Available-for-sale financial assets			
Short-term available-for-sale securities (bonds)	37,396	42,831	35,643
Held-to-maturity investments			
Current portion of held-to-maturity securities (bonds)	1,797	3,657	20,717
Loans and other receivables			
Short-term financial instruments	1,434,141	2,803,492	5,491,352
Special purpose deposits	13,483	42,966	49,810
Short-term loans	261,734	258,260	196,925
Other accounts receivable	899,269	704,246	439,521
Accrued income	41,569	47,592	57,987
Deposits	33,156	21,001	21,343
Other checking accounts	244,565	143,318	75,273
	<u>₩ 3,307,751</u>	<u>4,383,302</u>	<u>7,211,023</u>

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(b) Other long-term financial assets as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Financial assets at fair value through profit or loss			
Derivatives asstes held for trading	₩ 32,241	6,300	60,422
Available-for-sale financial assets			
Long-term available-for-sale securities (equity instruments)	4,925,597	6,022,945	4,786,401
Long-term available-for-sale securities (bonds)	10,982	7,827	120,812
Long-term available-for-sale securities (others)	46,032	53,323	91,381
Held-to-maturity investments			
Held-to-maturity securities (bonds)	35,837	36,156	91,844
Loan and other receivables			
Long-term financial instruments	28,712	4,154	140
Cash deposits	186	89	340
Long-term loans	475,534	143,505	102,264
Long-term other accounts receivable	47,821	50,258	3,686
Accrued income	940	3,100	2,245
Deposits	107,706	89,381	49,125
	<u>₩ 5,711,588</u>	<u>6,417,038</u>	<u>5,308,660</u>

8. Inventories

Inventories as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Finished goods	₩ 1,585,027	1,093,446	616,803
Merchandise	1,283,462	854,624	171,586
Semi-finished goods	2,182,482	1,695,522	1,034,206
By-products	2,917,504	2,516,167	1,118,235
Raw materials	724,642	670,218	556,545
Fuel and materials	677,236	478,973	402,361
Materials-in-transit	2,811,566	2,252,136	1,018,461
Others	159,489	86,015	45,263
	<u>12,341,408</u>	<u>9,647,101</u>	<u>4,963,460</u>
Less: allowance for inventory valuation	(137,375)	(87,895)	(45,047)
	<u>₩ 12,204,033</u>	<u>9,559,206</u>	<u>4,918,413</u>

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9. Non-current Assets Held for Sale

Daewoo International Corporation, one of the Controlling Company's subsidiaries, determined to dispose of Daewoo Cement (Shandong) Co., Ltd. in order to close down its non-core business and collect long-term receivables and investments, with the board of director's resolution on July 28, 2011. Daewoo International Corporation made commitments for the sale with China United Cement Group Co., Ltd. on August 9, 2011 and requested approval from the Ministry of Commerce of the People's Republic of China on September 30, 2011. This transaction is expected to close in 2011. Non-current assets and liabilities held for sale as of September 30, 2011 are as follows:

(in millions of Won)

	<u>Amount</u>
Assets	
Trade accounts and notes receivable and other financial assets	₩ 64,990
Inventories	19,825
Property, plant and equipment	176,946
Intangible asset	7,535
Other assets	49,233
	<u>318,529</u>
Liabilities	
Trade accounts and notes payable and other financial liabilities	27,810
Borrowings	151,158
Other liabilities	56,167
	<u>235,135</u>
Net assets	<u>₩ 83,394</u>

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10. Investment in Associates

(a) Details of investment in associates as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

Company	September 30, 2011	December 31, 2010	January 1, 2010
[Domestic]			
Kyobo Life Insurance Co., Ltd.	₩ 1,343,238	1,314,808	-
Sungjin Geotec Co., Ltd.	207,476	227,245	-
SNNC Co., Ltd.	135,412	145,466	94,520
Busan-Gimhae Light Rail Transit Co., Ltd.	40,881	42,151	42,715
Cheongna IBT Co., Ltd.	36,462	39,607	2,067
Blue ocean PEF	35,602	-	-
METAPOLIS Co., Ltd.	23,519	32,666	38,490
POSMATE Co., Ltd.	22,345	20,989	13,059
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd	20,042	21,317	13,527
Others	87,591	156,712	91,442
	1,952,568	2,000,961	295,820
[Foreign]			
POSCO-NPS Niobium LLC	383,431	-	-
AMCI (WA) Pty Ltd.	175,983	213,446	-
Nickel Mining Company SAS	172,602	180,671	190,149
KOBRASCO	122,565	141,939	98,943
KOREA LNG Ltd.	133,125	133,793	-
Eureka Moly LLC	112,266	109,177	113,105
DMSA, AMSA	116,304	100,536	-
BX STEEL POSCO Cold RolledSheet Co.,	98,924	89,313	63,667
CAML Resources Pty. Ltd.	79,457	67,401	41,496
South-East Asia Gas Pipeline Company Ltd.	93,485	56,636	-
POSCHROME	24,807	29,201	11,441
USS-POSCO Industries	23,655	40,000	45,961
NCR LLC	24,227	23,931	-
Others	180,269	119,420	89,867
	1,741,100	1,305,464	654,629
	₩ 3,693,668	3,306,425	950,449

(b) The fair value of investments of equity-accounted investees for which there are published price quotations as of September 30, 2011 are as follows:

(in millions of Won)

Company	Fair value
Sungjin Geotec Co., Ltd.	₩ 178,813

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(c) Summarized financial information of associates as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

1) September 30, 2011

(in millions of Won)

<u>Company</u>		<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Sales</u>	<u>Net income (loss)</u>
[Domestic]						
Kyobo Life Insurance Co., Ltd.	₩	59,623,256	54,753,083	4,870,173	5,501,584	375,502
Sungjin Geotec Co., Ltd.		712,895	578,885	134,010	516,625	(32,207)
SNNC Co., Ltd.		584,593	269,755	314,838	321,191	55,214
Busan-Gimhae Light Rail Transit Co., Ltd.		827,175	663,212	163,963	566	(4,642)
Cheongna IBT Co., Ltd.		435,784	261,021	174,763	177	(15,693)
Blue ocean PEF		383,717	254,353	129,364	60,244	4,029
METAPOLIS Co., Ltd.		579,481	514,096	65,385	14,292	(15,942)
POSMATE Co., Ltd.		89,229	14,389	74,840	83,149	6,194
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd		296,020	255,033	40,987	32,878	(3,316)
[Foreign]						
POSCO-NPS Niobium LLC		766,861	-	766,861	-	11,273
Nickel Mining Company SAS		542,282	101,668	440,614	91,510	(3,196)
KOBRASCO		307,016	61,885	245,131	76,455	52,106
KOREA LNG Ltd.		14,018	73	13,945	67,869	64,919
DMSA, AMSA		5,790,088	4,070,164	1,719,924	-	(2,806)
BX STEEL POSCO Cold RolledSheet Co.,		1,142,062	774,763	367,299	1,034,489	15,721
CAML Resources Pty. Ltd.		278,235	91,865	186,370	194,560	41,826
South-East Asia Gas Pipeline Company Ltd.		389,431	16,091	373,340	-	(51)
POSCHROME Pty. Ltd.		64,101	6,187	57,914	64,887	(1,460)
USS-POSCO Industries		459,839	405,461	54,378	814,915	(30,745)

2) September 30, 2010

(in millions of Won)

<u>Company</u>		<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Sales</u>	<u>Net income (loss)</u>
[Domestic]						
Kyobo Life Insurance Co., Ltd.	₩	57,563,928	52,926,182	4,637,746	3,443,403	232,968
Sungjin Geotec Co., Ltd.		600,667	460,621	140,046	401,551	(9,939)
SNNC Co., Ltd.		648,884	305,839	343,045	533,291	149,377
Busan-Gimhae Light Rail Transit Co., Ltd.		677,502	508,896	168,606	105	(2,252)
Cheongna IBT Co., Ltd.		457,438	266,020	191,418	666	(23,413)
METAPOLIS Co., Ltd.		600,290	518,914	81,376	176,511	(14,542)
POSMATE Co., Ltd.		94,030	23,770	70,260	130,418	27,707
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd		254,216	212,279	41,937	80,772	20,586
[Foreign]						
Nickel Mining Company SAS		528,637	95,166	433,471	186,149	27,233
KOBRASCO		348,954	65,076	283,878	136,860	87,957
KOREA LNG Ltd.		13,850	87	13,763	17,691	16,925
DMSA, AMSA		5,301,319	3,930,064	1,371,255	-	(987)
BX STEEL POSCO Cold RolledSheet Co.,		1,003,494	675,931	327,563	1,421,734	97,645
CAML Resources Pty. Ltd.		210,319	65,298	145,021	265,256	46,969
South-East Asia Gas Pipeline Company Ltd.		227,499	17,966	209,533	-	-
POSCHROME Pty. Ltd.		76,611	7,693	68,918	71,316	6,305
USS-POSCO Industries		459,290	369,082	90,208	1,020,538	(15,710)

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3) January 1, 2010

(in millions of Won)

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

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11. Investment Property, Net

(a) Investment property as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

		<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Cost	₩	773,675	701,005	629,357
Less: Accumulated depreciation and accumulated impairment loss		<u>(227,757)</u>	<u>(207,640)</u>	<u>(71,150)</u>
Carrying value	₩	<u>545,918</u>	<u>493,365</u>	<u>558,207</u>

(b) The changes of carrying value in investment property for the nine-month period ended September 30, 2011 and for the year ended December 31, 2010 are as follows:

1) For the nine-month period ended September 30, 2011

(in millions of Won)		<u>Beginning</u>	<u>Acquisition</u>	<u>Business combination</u>	<u>Disposal</u>	<u>Depreciation (*1)</u>	<u>Others (*2)</u>	<u>Ending</u>
Land	₩	211,464	38,632	98	(34,638)	(94)	10,031	225,493
Buildings		278,361	111,749	-	(44,003)	(10,795)	(21,604)	313,708
Structures		3,540	6,072	-	-	(240)	(2,655)	6,717
Total	₩	<u>493,365</u>	<u>156,453</u>	<u>98</u>	<u>(78,641)</u>	<u>(11,129)</u>	<u>(14,228)</u>	<u>545,918</u>

(*1) Impairment losses of investment property ₩ 431 million are included.

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

2) For the year ended December 31, 2010

(in millions of Won)		<u>Beginning</u>	<u>Acquisition</u>	<u>Business combination</u>	<u>Disposal</u>	<u>Depreciation (*1)</u>	<u>Others (*2)</u>	<u>Ending</u>
Land	₩	238,682	87,114	7,923	(65,759)	(60,463)	3,967	211,464
Buildings		317,495	47,088	20,548	(47,124)	(84,656)	25,010	278,361
Structures		2,030	-	1,945	-	(809)	374	3,540
Total	₩	<u>558,207</u>	<u>134,202</u>	<u>30,416</u>	<u>(112,883)</u>	<u>(145,928)</u>	<u>29,351</u>	<u>493,365</u>

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

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

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12. Property, Plant and Equipment, Net

(a) Property, plant and equipment as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		September 30, 2011	December 31, 2010	January 1, 2010
Cost	₩	50,598,692	46,992,804	41,210,602
Less : Accumulated depreciation		(22,789,791)	(21,523,736)	(18,866,625)
Less : Government grants		(48,983)	(31,328)	(1,230)
Book value	₩	<u>27,759,918</u>	<u>25,437,740</u>	<u>22,342,747</u>

(b) The changes in carrying value of property, plant and equipment as for the nine-month period ended September 30, 2011 and for the year ended December 31, 2010 are as follows:

1) For the nine-month period ended September 30, 2011

<i>(in millions of Won)</i>		Beginning	Acquisition (*1)	Business combination	Disposal	Depreciation	Others (*2)	Ending
Land	₩	2,011,851	477,596	84,804	(45,855)	-	49,465	2,577,861
Buildings		3,551,163	605,641	44,606	(33,780)	(204,692)	(18,864)	3,944,074
Structures		2,070,189	191,593	3,050	(11,091)	(119,628)	73,704	2,207,817
Machinery and equipment		13,777,382	2,555,453	237,248	(40,255)	(1,146,805)	799,338	16,182,361
Vehicles		64,173	12,518	1,429	(697)	(11,964)	(1,802)	63,657
Tools		75,437	29,870	2,838	(465)	(28,933)	1,504	80,251
Furniture and fixtures		124,677	37,923	2,423	(599)	(13,272)	802	151,954
Capital Lease Assets		43,106	7,491	421	(162)	(10,997)	1,571	41,430
Construction-in-progress (*3)		3,719,762	3,289,735	10,118	-	-	(4,509,102)	2,510,513
Total	₩	<u>25,437,740</u>	<u>7,207,820</u>	<u>386,937</u>	<u>(132,904)</u>	<u>(1,536,291)</u>	<u>(3,603,384)</u>	<u>27,759,918</u>

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

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

(*3) Includes capitalized interest amounting to ₩ 42,034 million.

2) For the year ended December 31, 2010

<i>(in millions of Won)</i>		Beginning	Acquisition (*1)	Business combination	Disposal	Depreciation	Others (*2)	Ending
Land	₩	1,767,579	169,090	94,126	(26,396)	-	7,452	2,011,851
Buildings		2,754,487	442,607	278,812	(68,791)	(217,835)	361,883	3,551,163
Structures		1,579,212	592,421	12,059	(9,410)	(131,556)	27,463	2,070,189
Machinery and equipment		11,735,492	4,170,812	247,224	(54,912)	(2,480,608)	159,374	13,777,382
Vehicles		52,113	39,444	11,221	(3,524)	(27,359)	(7,722)	64,173
Tools		67,107	43,480	1,520	(26,324)	(20,479)	10,133	75,437
Furniture and fixtures		84,232	67,128	2,559	(7,063)	(52,601)	30,422	124,677
Capital Lease Assets		23,060	20,948	88	(556)	(11,699)	11,265	43,106
Construction-in-progress		4,279,465	5,493,240	72,485	(24,796)	-	(6,100,632)	3,719,762
Total	₩	<u>22,342,747</u>	<u>11,039,170</u>	<u>720,094</u>	<u>(221,772)</u>	<u>(2,942,137)</u>	<u>(5,500,362)</u>	<u>25,437,740</u>

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

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

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(c) Pledged as collateral assets

<i>(in millions of Won)</i>	<u>Collateral right holder</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Land	Korean Development Bank and others	₩ 172,010	235,486	220,732
Buildings and structures	Korean Development Bank and others	124,110	165,251	105,465
Machinery and equipment	The Export-Import Bank of Korea and others	224,244	231,521	387,828
		<u>₩ 520,364</u>	<u>632,258</u>	<u>714,025</u>

13. Goodwill and other intangible assets

(a) Goodwill and other intangible assets as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Cost	₩ 5,370,384	4,697,429	928,520
Less : Accumulated amortization and	(177,906)	(77,634)	(173,895)
Less : Government grants	(2,175)	(626)	(394)
Book value	<u>₩ 5,190,303</u>	<u>4,619,169</u>	<u>754,231</u>

(b) The changes in carrying value of goodwill and other intangible assets for the nine-month periods ended September 30, 2011 and 2010 are as follows:

1) For the nine-month period ended September 30, 2011

<i>(in millions of Won)</i>	<u>Beginning</u>	<u>Increase</u>			<u>Decrease</u>			<u>Ending</u>
		<u>Acquisition</u>	<u>Development</u>	<u>Business combination</u>	<u>Disposal</u>	<u>Amortization</u>	<u>Others (*4)</u>	
Goodwill (*1)	₩ 1,447,743	-	-	209,058	-	-	-	1,656,801
Intellectual property rights	119,100	173,685	-	-	(348)	(8,283)	7,877	292,031
Premium in rental (*2)	159,761	14,022	-	-	(3,951)	(6,248)	(11,572)	152,012
Development expense	49,275	10,116	209	1,302	(288)	(14,363)	414	46,665
Port facilities usage rights	108,161	-	-	-	-	(9,871)	(271)	98,019
Other intangible assets (*3)	2,735,129	218,256	-	67,771	(5,333)	(56,915)	(14,133)	2,944,775
	<u>₩ 4,619,169</u>	<u>416,079</u>	<u>209</u>	<u>278,131</u>	<u>(9,920)</u>	<u>(95,680)</u>	<u>(17,685)</u>	<u>5,190,303</u>

(*1) Acquisition in 2011 includes goodwill amounting to ₩ 119,260 million related to the acquisition of POSCO Thainox Co., Ltd.

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

(*3) The balance as of September 30, 2011 includes ₩ 2,344,491 million related to customer relationships, resource exploration investments and exploration and evaluation assets upon acquisition of Deawoo International Corporation in 2010.

(*4) Includes translation differences and other adjustments.

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<i>(in millions of Won)</i>	<u>Beginning</u>	<u>Increase</u>			<u>Decrease</u>		<u>Others (*3)</u>	<u>Ending</u>
		<u>Acquisition</u>	<u>Development</u>	<u>Business combination</u>	<u>Disposal</u>	<u>Amortization</u>		
Goodwill	₩ 268,080	-	-	1,179,663	-	-	-	1,447,743
Intellectual property rights	50,365	7,863	-	58,245	(12)	(1,142)	3,781	119,100
Premium in rental (*1)	168,701	39,309	-	34	(6,015)	(788)	(41,480)	159,761
Development expense	47,648	21,417	28	4,338	(7,522)	(14,611)	(2,023)	49,275
Port facilities usage rights	99,552	28,024	-	-	-	(19,415)	-	108,161
Other intangible assets (*2)	119,885	714,717	-	1,959,672	(12,424)	(39,388)	(7,333)	2,735,129
	<u>₩ 754,231</u>	<u>811,330</u>	<u>28</u>	<u>3,201,952</u>	<u>(25,973)</u>	<u>(75,344)</u>	<u>(47,055)</u>	<u>4,619,169</u>

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

(*2) The balance as of December 31, 2010 includes ₩ 2,397,801 million related to customer relationships, resources exploration investment and exploration and evaluation assets upon acquisition of Daewoo International Corporation in 2010.

(*3) Includes translation differences and other adjustments.

(c) Research and development costs amounting to ₩ 407,613 million and ₩ 386,911 million were classified to expenses for the nine-month periods ended September 30, 2011 and 2010, respectively.

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14. Other Assets

(a) Other current assets as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Other current assets			
Advance payment	₩ 1,203,425	899,006	650,496
Prepaid expenses	277,099	72,180	35,408
Others	3,047	973	4,282
	<u>₩ 1,483,571</u>	<u>972,159</u>	<u>690,186</u>

(b) Other long-term assets as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

(in millions of Won)

	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Other non-current assets			
Long-term advance payment	₩ 1,995	141,726	79,444
Long-term prepaid expenses	298,403	109,835	115,447
Others (*1)	487,400	408,253	55,584
	<u>₩ 787,798</u>	<u>659,814</u>	<u>250,475</u>

(*1) Includes guarantee deposits of ₩ 257,878 million as of September 30, 2011 and December 31, 2010 in relation to exploration of Australia Roy Hill iron ore mine.

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15. Borrowings

(a) Short-term borrowings as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>			September 30,	December 31,	January 1,
	Bank	Interest Rate(%)	2011	2010	2010
Short-term borrowings					
Bank overdrafts	BOA, others	0.2~5.0	₩ 175,885	200,389	106,069
Short-term borrowings	Shinhan Bank, others	0.1~17.0	10,274,534	6,888,796	3,067,103
			<u>10,450,419</u>	<u>7,089,185</u>	<u>3,173,172</u>
Current portion of long-term liabilities					
Current portion of long-term borrowings	Korean Development Bank, others	0.8~11.0	456,430	394,227	468,996
Current portion of foreign loan	NATIXIS	2.0	1,019	963	1,065
Current portion of debentures	KB Investment&Securities, others	2.1~7.0	1,715,627	2,548,418	315,085
Less : Current portion of discount on debentures issued			(1,191)	(3,801)	(219)
Current portion of convertible debenture	Nomura Securities Co., Ltd, others	-	-	447,308	-
			<u>2,171,885</u>	<u>3,387,115</u>	<u>784,927</u>
			<u>₩ 12,622,304</u>	<u>10,476,300</u>	<u>3,958,099</u>

(b) Long-term borrowings as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>			September 30,	December 31,	January 1,
	Bank	Interest Rate (%)	2011	2010	2010
Long-term borrowings	Korean Development Bank, others	0.1~13.0	₩ 4,797,876	3,431,521	1,380,902
Less : Present value discount			(306,661)	(81,610)	-
Foreign loan	NATIXIS	2.0	3,550	4,074	5,572
Bonds (*1),(*2)	Korean Development Bank, others	1.6~8.8	10,318,190	7,357,310	6,915,294
Less : Discount on debentures issued			(90,067)	(64,649)	(70,449)
Add : Premium on debentures redemption			22,237	11,138	10,067
Add : Premium on debentures issued			2,171	6,157	-
			<u>₩ 14,747,296</u>	<u>10,663,941</u>	<u>8,241,386</u>

(*1) One of the Controlling Company's subsidiaries, Daewoo International Corporation, issued convertible bonds with a face value of USD 300 million at 100% of face value on July 6, 2009. The convertible bonds can be converted into common shares at the option of the holders from July 6, 2010 to June 23, 2014. They are classified at fair value through profit or loss and measured at fair value (₩ 333,187 million) as of September 30, 2011.

(*2) The Company redeemed JPY 39,970,000,000 (75.7% of total face value) exchangeable bonds in August 2011. The Company issued exchangeable bonds with SK Telecom Co., Ltd. ADRs through Zeus (Cayman) II Ltd. in August 2011. The Company accounted for these exchangeable bonds as long-term debts under K-IFRS. The exchangeable bonds may be redeemed at 105.11% at the end of the third year from the issuance date at the option of the bondholders. Also, the Company provides guarantees for Zeus (Cayman) II Ltd.

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16. Other Financial Liabilities

(a) Other short-term financial liabilities as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Short-term financial liabilities			
Accounts payable	₩ 1,086,902	874,629	650,767
Accrued expenses	302,868	415,657	352,060
Dividends payable	5,246	6,176	10,194
Derivative liabilities held for trading	264,332	88,447	34,880
Finance lease liabilities	16,259	14,073	6,813
Financial guarantee liabilities	9,685	8,919	-
Withholding	139,992	112,976	-
	<u>₩ 1,825,284</u>	<u>1,520,877</u>	<u>1,054,714</u>

(b) Other long-term financial liabilities as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Long-term financial liabilities			
Accounts payable	₩ 151,106	2,438	4,027
Accrued expenses	17,400	22,348	74,482
Derivative liabilities held for trading	83,560	11,925	8,831
Finance lease liabilities	11,213	27,039	17,074
Financial guarantee liabilities	25,866	19,046	6,295
Long-term withholding	60,412	92,978	94,387
	<u>₩ 349,557</u>	<u>175,774</u>	<u>205,096</u>

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17. Provisions

(a) Provisions as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	September 30, 2011		December 31, 2010		January 1, 2010	
	Current	Non-current	Current	Non-current	Current	Non-current
Provision for bonus payments	₩ 63,468	-	37,978	-	20,861	-
Provision for construction warranties	28,393	21,830	25,804	23,264	38,594	9,035
Provision for contingency (*1)	-	79,047	-	126,626	-	-
Provision for product warranties	-	400	-	99	-	169
Others	2,128	3,343	27	2,160	3,850	2,801
	<u>₩ 93,989</u>	<u>104,620</u>	<u>63,809</u>	<u>152,149</u>	<u>63,305</u>	<u>12,005</u>

(*1) As of September 30, 2011 and December 31, 2010, includes a provision of ₩79,047 million and ₩75,817 million, respectively, for a potential claim in connection to the spin-off of the trading division of Daewoo International Corporation in 2000. (note 35)

(b) Changes in provisions for the nine-month period ended September 30, 2011 are as follows:

<i>(in millions of Won)</i>	Beginning	Increase	Decrease	Others (*1)	Ending
Provision for bonus payments	₩ 37,978	48,024	(23,444)	910	63,468
Provision for construction warranties	49,068	-	-	1,155	50,223
Provision for contingency	126,626	1,710	-	(49,289)	79,047
Provision for product warranties	99	350	(51)	2	400
Others	2,187	3,677	(396)	3	5,471
	<u>₩ 215,958</u>	<u>53,761</u>	<u>(23,891)</u>	<u>(47,219)</u>	<u>198,609</u>

(*1) Includes adjustments of foreign currency translation difference and transfer to non-current liability held for sale.

(c) Changes in provisions for the year ended December 31, 2010 are as follows:

<i>(in millions of Won)</i>	Beginning	Increase	Decrease	Others (*1)	Ending
Provision for bonus payments	₩ 20,861	373,335	(356,134)	(84)	37,978
Provision for construction warranties	47,629	-	-	1,439	49,068
Provision for contingency	-	-	-	126,626	126,626
Provision for product warranties	169	-	(168)	98	99
Others	6,651	6,486	(14,675)	3,725	2,187
	<u>₩ 75,310</u>	<u>379,821</u>	<u>(370,977)</u>	<u>131,804</u>	<u>215,958</u>

(*1) Includes adjustments of foreign currency translation difference and increase due to business combination.

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18. Employee Benefits

(a) Defined Contribution Plans

The Company partially operates a defined contribution plan for participating employees. Though the Company pays fixed contributions into a separate fund, employee benefits relating to employee service in the future is based on the contributions to the funds and the investment earnings on it. Plan assets are managed by a trustee as a separate fund from the Company's assets. The expense related to post-employment benefit plans under defined contribution plans during the nine-month period ended September 30, 2011 is ₩ 1,577 million, which is included in expenses related to defined benefit plan.

(b) Defined Benefit Plan

The Company partially operates a defined benefit pension plan for employees and uses the projected unit credit method in the actuarial valuation of plan assets and the defined benefit obligation.

(c) The amounts recognized in relation to defined benefit obligations in the statements of financial position as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Present value of funded obligations	₩ 1,139,999	1,443,954	1,098,475
Fair value of plan assets	(757,473)	(964,727)	(790,509)
Present value of non-funded obligations	35,227	23,899	7,452
Net defined benefit obligations	<u>₩ 417,753</u>	<u>503,126</u>	<u>315,418</u>

(d) The changes in present value of defined benefit obligations for the nine-month period ended September 30, 2011 and the year ended December 31, 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Defined benefit obligation at the beginning of period	₩ 1,467,853	1,105,927
Current service costs	159,124	156,308
Interest costs	50,285	57,473
Actuarial gains and losses	61,928	189,501
Business combination	-	52,641
Benefits paid	(577,038)	(102,837)
Others	13,074	8,840
Defined benefit obligation at the end of period	<u>₩ 1,175,226</u>	<u>1,467,853</u>

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(e) The changes in fair value of plan assets for the nine-month period ended September 30, 2011 and the year ended December 31, 2010 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2011</u>	<u>December 31, 2010</u>
Fair value of plan assets at the beginning of period	₩	964,727	790,509
Expected return on plan assets		26,886	39,810
Actuarial gains		9,479	22,390
Contributions of participants		88,418	148,354
Business combination		-	38,805
Others		4,873	3,473
Benefits paid		(336,910)	(78,614)
Fair value of plan assets at the end of period	₩	<u>757,473</u>	<u>964,727</u>

(f) The fair value of plan assets as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Equity instruments	₩	2,153	512,850	455,563
Debt instruments		92,862	289,907	288,282
Deposits		498,728	-	-
Others		163,730	161,970	46,664
	₩	<u>757,473</u>	<u>964,727</u>	<u>790,509</u>

(g) The amounts recognized in profit or loss for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2011</u>	<u>September 30, 2010</u>
Current service costs	₩	159,124	113,870
Interest costs		50,285	44,379
Expected return on plan assets		(26,886)	(29,023)
	₩	<u>182,523</u>	<u>129,226</u>

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

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Cost of sales	₩ 135,401	104,161
Selling and administrative expenses	47,122	25,065
	<u>₩ 182,523</u>	<u>129,226</u>

(i) Accumulated actuarial gains and losses recognized in other comprehensive income for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Beginning	₩ (152,125)	-
Current actuarial gains and losses	(40,910)	(145,377)
Ending	<u>₩ (193,035)</u>	<u>(145,377)</u>

(j) The principal actuarial assumptions as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(%)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Discount rate	3.99~5.66	3.22~5.66	3.22~5.66
Expected return on plan assets	2.00~5.77	3.38~6.19	3.38~6.19
Expected future increases in salaries	1.00~6.00	1.00~5.90	1.00~5.90

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19. Other Liabilities

(a) Other current liabilities as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Due to customers for contract work	₩	558,352	703,900	516,611
Advances received		814,972	484,155	320,825
Unearned revenue		29,017	26,338	8,497
Withholding accounts		160,658	105,079	194,856
Deferred revenue		389	378	225
Others		191,743	136,222	114,427
	₩	<u>1,755,131</u>	<u>1,456,072</u>	<u>1,155,441</u>

(b) Other long-term liabilities as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Advances received	₩	2,087	3,583	40
Unearned revenue		628	1,539	2,364
Others		63,258	75,264	25,987
	₩	<u>65,973</u>	<u>80,386</u>	<u>28,391</u>

20. Financial Instruments

(a) Classification of financial instruments

1) Financial assets as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Financial assets at fair value through profit or loss				
Financial assets held for trading	₩	30,744	182,208	795,811
Derivatives assets held for trading		342,138	140,031	87,063
		<u>372,882</u>	<u>322,239</u>	<u>882,874</u>
Available-for-sale financial assets		5,020,007	6,126,926	5,034,237
Held-to-maturity investments		37,634	39,813	112,561
Loans and receivables		19,815,470	17,325,040	14,586,078
	₩	<u>25,245,993</u>	<u>23,814,018</u>	<u>20,615,750</u>

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2) Financial liabilities as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Financial liabilities at fair value through profit or loss			
Derivatives liabilities held for trading	₩ 347,892	100,372	43,711
Designated as financial liabilities at fair value through profit or loss	333,187	447,308	-
	<u>681,079</u>	<u>547,680</u>	<u>43,711</u>
Financial liabilities evaluated as amortised cost			
Trade accounts and notes payable	4,242,708	3,981,079	2,392,317
Borrowings	27,036,413	20,692,933	12,199,485
Financial guarantee liabilities	35,551	27,965	6,295
Others	1,791,398	1,568,314	1,209,803
	<u>33,106,070</u>	<u>26,270,291</u>	<u>15,807,900</u>
	<u>₩ 33,787,149</u>	<u>26,817,971</u>	<u>15,851,611</u>

3) Financial profit and loss by category of financial instrument for the nine-month period ended September 30, 2011 and the nine-month period ended September 30, 2010 is as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>			<u>September 30, 2010</u>		
	Financial income	Financial expenses	Financial income and expenses	Financial income	Financial expenses	Financial income and expenses
Financial assets at fair value through profit or loss	₩ 663,226	(6,372)	656,854	123,055	(323)	122,732
Available-for-sale financial assets	214,035	(4,648)	209,387	98,987	(47,957)	51,030
Held-to-maturity investments	1,229	-	1,229	2,970	-	2,970
Loans and receivables	1,040,958	(476,469)	564,489	495,002	(106,934)	388,068
Financial liabilities at fair value through profit or loss	530	(626,072)	(625,542)	-	(53,489)	(53,489)
Financial liabilities evaluated at amortised cost	486,802	(2,195,672)	(1,708,870)	437,736	(1,144,650)	(706,914)
	<u>₩ 2,406,780</u>	<u>(3,309,233)</u>	<u>(902,453)</u>	<u>1,157,750</u>	<u>(1,353,353)</u>	<u>(195,603)</u>

(b) Credit risk

1) Credit risk exposure

The carrying amount of financial assets is maximum exposure to credit risk. The maximum exposure to credit risk as of September 30, 2011, December 31, 2010 and January 1, 2010 is as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Cash and cash equivalents	₩ 5,006,916	3,521,045	2,273,059
Financial assets at fair value through profit or loss	372,882	322,239	882,874
Available-for-sale financial assets	5,020,007	6,126,926	5,034,237
Held-to-maturity investments	37,634	39,813	112,561
Loans and other receivables	3,588,816	4,311,362	6,490,011
Trade accounts and notes receivable	11,025,643	9,219,011	5,300,233
Long-term trade accounts and notes receivable	194,095	273,622	522,775
	<u>₩ 25,245,993</u>	<u>23,814,018</u>	<u>20,615,750</u>

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2) Impairment losses on financial assets

- ① Allowance for doubtful accounts as of September 30, 2011, December 31, 2010 and January 1, 2010 is as follows:

<i>(in millions of Won)</i>		<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Trade accounts and notes receivable	₩	276,651	242,801	205,595
Other accounts receivable		44,954	58,934	25,443
Long-term loans		142,172	51,244	23,595
Other assets		8,667	51,326	33,349
	₩	<u>472,444</u>	<u>404,305</u>	<u>287,982</u>

- ② Impairment losses on financial assets for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2011</u>	<u>September 30, 2010</u>
Bad debt expenses	₩	59,337	13,111
Impairment of available-for-sale financial assets		4,428	47,602
Other bad debt expenses		92,577	10,533
Less: Reversal of allowance for doubtful accounts		(41,661)	(2,630)
Less: Impairment of available-for-sale financial assets		-	(38)
	₩	<u>114,681</u>	<u>68,578</u>

- ③ The aging schedule and the impaired losses of trade accounts and notes receivables as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>			<u>December 31, 2010</u>			<u>January 1, 2010</u>		
	Trade accounts and notes receivable	Impairment		Trade accounts and notes receivable	Impairment		Trade accounts and notes receivable	Impairment	
Not due	₩	5,424,799	1,743	5,105,514	-		4,754,288	-	
Over due less than 1 month		5,077,487	775	3,749,035	5,964		445,823	129	
1 month - 3 months		201,803	805	191,386	2,018		75,132	497	
3 months - 12 months		442,306	35,124	465,134	15,597		292,699	25,291	
over 12 months		349,994	238,204	224,365	219,222		460,661	179,678	
	₩	<u>11,496,389</u>	<u>276,651</u>	<u>9,735,434</u>	<u>242,801</u>		<u>6,028,603</u>	<u>205,595</u>	

- ④ Changes in allowance for doubtful accounts for the nine-month period ended September 30, 2011 and the year ended December 31, 2010 were as follows:

<i>(in millions of Won)</i>		<u>September 30, 2011</u>	<u>December 31, 2010</u>
Beginning	₩	404,305	287,982
Bad debt expenses		59,337	51,185
Other bad debt expenses		92,577	12,877
Reversal of allowance for doubtful accounts		(41,661)	(3,796)
Other increase (decrease)		(42,114)	56,057
Ending	₩	<u>472,444</u>	<u>404,305</u>

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(c) Liquidity risk

1) The maturity analysis of non-derivative financial liabilities

<i>(in millions of Won)</i>	Over due less than 1 year	1 year - 5 years	later than 5 years	Total
Current non-derivative financial liabilities				
Trade accounts payable	₩ 4,241,808	900	-	4,242,708
Financial guarantee liabilities	9,685	23,578	2,288	35,551
Other financial liabilities	1,551,267	234,699	5,432	1,791,398
Borrowings	12,622,304	6,950,193	7,797,103	27,369,600
	<u>₩ 18,425,064</u>	<u>7,209,370</u>	<u>7,804,823</u>	<u>33,439,257</u>

Schedule of cash flows relation to interest payment is not included in the table above.

2) The maturity analysis of derivative financial liabilities

<i>(in millions of Won)</i>	Over due less than 1 year	1 year - 5 years	later than 5 years	Total
Derivative financial liabilities				
Currency forward	₩ 249,121	347	-	249,468
Currency futures	174	-	-	174
Currency swaps	56	61,931	675	62,662
Others	14,981	20,607	-	35,588
	<u>₩ 264,332</u>	<u>82,885</u>	<u>675</u>	<u>347,892</u>

(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 September 30, 2011, December 31, 2010 and January 1, 2010 is as follows:

<i>(in millions of Won)</i>	September 30, 2011		December 31, 2010		January 1, 2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
USD	₩ 3,343,615	13,432,939	3,485,974	8,440,832	1,114,116	2,911,218
EUR	338,369	842,645	382,573	518,244	61,989	90,200
JPY	297,415	2,719,548	188,060	2,642,725	67,496	2,268,593
Others	266,216	272,946	60,066	41,011	59,923	30,754

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- 2) As of September 30, 2011 and December 31, 2010, provided that functional currency against foreign currencies other than functional currency hypothetically strengthens or weakens by 10%, the changes in gain or loss during the nine-month periods end September 30, 2011 and for the year ended December 31, 2010 are as follows:

<i>(in millions of Won)</i>	September 30, 2011		December 31, 2010	
	<u>10% increase</u>	<u>10% decrease</u>	<u>10% increase</u>	<u>10% decrease</u>
USD	₩ (1,008,932)	1,008,932	(495,486)	495,486
EUR	(50,428)	50,428	(13,567)	13,567
JPY	(242,213)	(242,213)	(245,467)	245,467

(e) Interest rate risk

- 1) The carrying amount of interest-bearing financial instruments as of September 30, 2011, December 31, 2010 and January 1, 2010 is as follows:

<i>(in millions of Won)</i>	September 30, 2011	December 31, 2010	January 1, 2010
Fixed rate			
Financial assets	₩ 7,286,779	7,008,969	8,839,475
Financial liabilities	(25,001,128)	(19,495,665)	(11,475,986)
	(17,714,349)	(12,486,696)	(2,636,511)
Variable rate			
Financial liabilities	₩ (2,368,473)	(1,644,576)	(723,499)

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

As of September 30, 2011 and December 31, 2010, provided that other factors remain the same and the interest rate of borrowings with floating rates increases or decreases by 1%, the changes in gain or loss during the nine-month periods end September 30, 2011 and for the year ended December 31, 2010 are as follows:

<i>(in millions of Won)</i>	September 30, 2011		December 31, 2010	
	<u>1% increase</u>	<u>1% decrease</u>	<u>1% increase</u>	<u>1% decrease</u>
Variable rate financial instruments	(17,764)	17,764	(16,446)	16,446

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(f) Fair value

1) Fair value and book value

The carrying amount and the fair value of financial instruments as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows

<i>(in millions of Won)</i>	September 30, 2011		December 31, 2010		January 1, 2010	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Assets measured fair value						
Financial assets held for trading	₩ 30,744	30,744	182,208	182,208	795,811	795,811
Available-for-sale financial assets	4,731,436	4,731,436	5,766,998	5,766,998	4,612,580	4,612,580
Derivatives assets held for trading	342,138	342,138	140,031	140,031	87,063	87,063
	<u>5,104,318</u>	<u>5,104,318</u>	<u>6,089,237</u>	<u>6,089,237</u>	<u>5,495,454</u>	<u>5,495,454</u>
Assets measured amortised cost						
Cash and cash equivalents	5,006,916	5,006,916	3,521,045	3,521,045	2,273,059	2,273,059
Trade accounts and notes receivable	11,219,738	11,219,738	9,492,633	9,492,633	5,823,008	5,823,008
Loans and other receivables	3,588,816	3,588,816	4,311,362	4,311,362	6,490,011	6,490,011
Held-to-maturity investments	37,634	37,634	39,813	39,813	112,561	112,561
	<u>19,853,104</u>	<u>19,853,104</u>	<u>17,364,853</u>	<u>17,364,853</u>	<u>14,698,639</u>	<u>14,698,639</u>
Liabilities measured fair value						
Derivatives liabilities held for trading	347,892	347,892	100,372	100,372	43,711	43,711
Convertible bonds	333,187	333,187	447,308	447,308	-	-
	<u>681,079</u>	<u>681,079</u>	<u>547,680</u>	<u>547,680</u>	<u>43,711</u>	<u>43,711</u>
Liabilities measured amortised cost						
Trade accounts and notes payable	4,242,708	4,242,708	3,981,079	3,981,079	2,392,317	2,392,317
Borrowings	27,036,413	27,104,981	20,692,933	20,549,483	12,199,485	12,210,969
Financial guarantee liabilities	35,551	35,551	27,965	27,965	6,295	6,295
Others	1,791,398	1,791,398	1,568,314	1,568,314	1,209,803	1,209,803
	<u>₩ 33,106,070</u>	<u>33,174,638</u>	<u>26,270,291</u>	<u>26,126,841</u>	<u>15,807,900</u>	<u>15,819,384</u>

2) 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).

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② The fair value measurements classified by fair value hierarchy as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

a. September 30, 2011

<i>(in millions of Won)</i>	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets held for trading	₩ 279	30,465	-	30,744
Available-for-sale financial assets	4,004,962	14,547	711,927	4,731,436
Derivatives assets held for trading	-	342,138	-	342,138
	<u>4,005,241</u>	<u>387,150</u>	<u>711,927</u>	<u>5,104,318</u>
Financial Liabilities				
Derivatives liabilities held for trading	-	347,892	-	347,892
Convertible bonds	333,187	-	-	333,187
	<u>₩ 333,187</u>	<u>347,892</u>	<u>-</u>	<u>681,079</u>

b. December 31, 2010

<i>(in millions of Won)</i>	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets held for trading	₩ -	182,208	-	182,208
Available-for-sale financial assets	4,944,644	17,194	805,160	5,766,998
Derivatives assets held for trading	-	140,031	-	140,031
	<u>4,944,644</u>	<u>339,433</u>	<u>805,160</u>	<u>6,089,237</u>
Financial Liabilities				
Derivatives liabilities held for trading	-	100,372	-	100,372
Convertible bonds	447,308	-	-	447,308
	<u>₩ 447,308</u>	<u>100,372</u>	<u>-</u>	<u>547,680</u>

c. January 1, 2010

<i>(in millions of Won)</i>	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets held for trading	₩ -	795,811	-	795,811
Available-for-sale financial assets	3,967,463	6,714	638,403	4,612,580
Derivatives assets held for trading	-	87,063	-	87,063
	<u>3,967,463</u>	<u>889,588</u>	<u>638,403</u>	<u>5,495,454</u>
Financial Liabilities				
Derivatives liabilities held for trading	₩ -	43,711	-	43,711

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21. Share Capital and Contributed Surplus

(a) Share capital

Under the Articles of Incorporation, the Company is authorized to issue 200 million shares of capital stock with par value of ₩5,000 per share. As of September 30, 2011, exclusive of retired stock, 87,186,835 shares of common stock have been issued.

The Company is authorized, with the Board of Directors' approval, to retire treasury stock in accordance with applicable laws up to the maximum amount of certain undistributed earnings. The 9,293,790 shares of common stock were retired with the Board of Directors' approval.

As of September 30, 2011, total shares of ADRs are 52,997,880 equivalents to 13,249,470 of common shares.

As of September 30, 2011, ending balance of capital stock amounts to ₩482,403 million; however, it is different from par value of issued common stock, which amounted to ₩435,934 million, due to retirement of treasury stock.

(b) Capital surplus

Capital surplus as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Share premium	₩ 463,825	463,825	463,825
Gains on sale of treasury stock	763,867	694,714	694,714
Capital surplus	(48,171)	(56,978)	41,127
	<u>₩ 1,179,521</u>	<u>1,101,561</u>	<u>1,199,666</u>

22. Reserves

Reserves as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Accumulated comprehensive income (loss) of investments in associates, net of tax	₩ 19,244	(3,910)	33,747
Fair value of available-for-sale financial investments, net of tax	372,802	1,314,185	737,235
Currency translation differences, net of tax	383,524	136,670	-
Others	(1,646)	(7,138)	(4,657)
	<u>₩ 773,924</u>	<u>1,439,807</u>	<u>766,325</u>

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23. Treasury Shares

In January 2011, the Company sold 342,955 shares of treasury stock for ₩ 164,384 million and recognized ₩ 69,153 million as a gain on sale of treasury stock in capital surplus. Also, the Company acquired 131,389 shares of treasury stock for ₩ 61,296 million in 2011. As of September 30, 2011, the Company holds 9,942,391 shares of treasury stock for price stabilization in accordance with the Board of Director's resolution.

24. Stock Appreciation Rights

(a) The Company granted stock appreciation rights to its executive officers in accordance with the stock appreciation rights plan approved by the Board of Directors. The details of the stock appreciation rights granted are as follows:

1) Class of shares: registered common stock

2) The number of shares, Exercise price per share, Exercise period

(per share, won)

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

(b) Expenses related to stock appreciation rights granted to executives incurred for the nine-month period ended September 30, 2011 and the year ended December 31, 2010 are as follows:

<i>(in millions of Won)</i>	<u>4th Grant</u>	<u>5th Grant</u>	<u>6th Grant</u>	<u>Total</u>
Accumulated reversal of stock compensation expenses as of December 31, 2010	(83)	(9,681)	(3,463)	(13,227)
Reversal of stock compensation expenses for the nine-month period ended June 30, 2011	-	(1,530)	(3,218)	(4,748)

(c) The Company uses a fair value approach for calculating remuneration cost. The method and assumption for computing fair value of stock appreciation rights are as follows:

	<u>6th Grant</u>
Risk-free rate of interest	3.50%
Expected exercise period	158 days
Expected price-volatility	0.1410
Rate of expected dividends	9.57%
Stock price	₩ 371,000
Fair value	₩ 163,960

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25. Construction Contracts

(a) Construction contracts in progress as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Aggregate amount of costs incurred	₩ 15,419,645	12,778,567	8,846,030
Add : Recognized profits	1,572,230	1,202,835	948,616
Less : Recognized losses	(294,785)	(197,818)	(202,275)
Cumulative construction revenue	16,697,090	13,783,584	9,592,371
Less : Progress billing	(15,741,705)	(13,505,203)	(9,388,120)
Foreign currency gains and losses	1,266	(1,744)	1
Others	(303,318)	(5,906)	(21,570)
	<u>₩ 653,333</u>	<u>270,731</u>	<u>182,682</u>

(b) Customers for contract work as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
Due from customers for contract work	₩ 1,211,685	974,631	699,293
Due to customers for contract work	(558,352)	(703,900)	(516,611)
	<u>₩ 653,333</u>	<u>270,731</u>	<u>182,682</u>

26. Sales

Details of sales for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Revenues		
Goods sales	₩ 44,278,534	27,788,197
Services sales	1,664,185	1,120,047
Construction sales	3,448,667	2,784,379
Rental income	29,837	32,717
Others	829,536	26,300
	<u>₩ 50,250,759</u>	<u>31,751,640</u>

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27. Selling and Administrative Expenses

(a) Administrative expenses

Administrative expenses for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Wages and salaries	₩ 447,986	293,225
Expenses related to defined benefit plan	47,122	25,837
Other employee benefits	116,296	78,633
Travel	42,411	26,736
Depreciation	123,009	67,345
Communication	9,854	5,278
Electric power	4,860	3,622
Taxes and public dues	36,639	22,470
Rental	49,349	32,382
Repairs	10,129	11,560
Insurance premium	11,636	2,817
Entertainment	13,151	11,985
Advertising	53,700	71,845
Research & development	145,722	90,583
Service fees	199,117	117,500
Supplies	10,589	10,122
Vehicles maintenance	15,508	10,868
Industry association Fee	8,445	8,314
Training	17,324	17,012
Conference	15,568	11,950
Transfer to provision	10,948	13,305
Bad debt allowance	59,337	13,111
Others	13,837	11,012
	<u>₩ 1,462,537</u>	<u>957,512</u>

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(b) Selling expenses

Selling expenses for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Freight	₩ 1,023,909	616,462
Operating expenses for distribution center	5,936	6,699
Sales commissions	59,130	46,518
Sales advertising	329	352
Sales promotion	11,459	6,079
Sample	4,989	2,174
Sales insurance premium	14,927	9,214
Contract cost	49,348	47,744
Others	2,575	2,418
	<u>₩ 1,172,602</u>	<u>737,660</u>

28. Other Operating Income and Expenses

(a) Other operating income

Details of other operating income for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Gain on disposal of property, plant and equipment	₩ 10,365	17,081
Gain on disposal of investment of equity-accounted investees	2,088	2,944
Reversal of allowance for doubtful accounts	41,661	2,630
Miscellaneous income	115,077	116,478
Others	7,120	8,592
	<u>₩ 176,311</u>	<u>147,725</u>

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(b) Other operating expenses

Details of other operating expenses for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Loss on disposal of property, plant and equipment	₩ 38,474	38,442
Loss on disposal of investment property	7,162	2,029
Cost of idle assets	10,206	633
Other bad debt expenses	92,577	10,533
Contributions	32,670	34,578
Miscellaneous loss	50,423	39,105
Others	41,288	7,244
	<u>₩ 272,800</u>	<u>132,564</u>

29. Expenses by Nature

Expenses that are recorded by nature as cost of sales, selling, general and administrative expenses and other operating expenses in the statements of income for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Raw materials and consumables used	₩ 27,480,253	18,331,171
Changes in inventories	(19,996,305)	(12,807,466)
Cost of goods sold	19,441,953	4,880,339
Employee benefits expenses	1,968,743	1,680,984
Depreciation (*1)	1,547,420	2,064,114
Amortization	95,680	51,835
Other expenses (*2)	15,499,284	12,940,526
	<u>₩ 46,037,028</u>	<u>27,141,503</u>

(*1) Includes depreciation expense of investment properties.

(*2) Other general administration expense, physical distribution cost, sales expenses and operating expenses are included.

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30. Finance Income and Costs

Details of finance income and costs for the nine-month period ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Finance income		
Interest income	₩ 159,326	233,792
Dividend income	147,575	95,826
Gain on foreign currency transaction	922,218	488,774
Gain on foreign currency translation	446,340	206,937
Gain on derivatives transactions	316,194	69,630
Gain on valuation of derivatives	345,891	31,639
Others	69,236	31,152
	<u>2,406,780</u>	<u>1,157,750</u>
Finance costs		
Interest expenses	590,040	414,834
Loss on foreign currency transaction	861,744	501,093
Loss on foreign currency translation	1,182,300	323,481
Loss on derivatives transactions	323,804	34,098
Loss on valuation of derivatives	308,640	19,680
Others	42,705	60,167
	<u>₩ 3,309,233</u>	<u>1,353,353</u>

31. Income Taxes

(a) Income tax expense for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Current income taxes	₩ 809,936	952,685
Deferred income tax due to temporary differences	(174,383)	121,585
Items recorded directly to shareholders' equity	186,684	23,624
Income tax expense	<u>₩ 822,237</u>	<u>1,097,894</u>

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(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 periods ended September 30, 2011 and 2010:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Net income before income tax expense	₩ 3,516,068	4,676,353
Income tax expense computed at statutory rate	850,889	1,131,677
Adjustments:	(28,652)	(33,783)
Tax effects due to permanent differences	6,652	(19,901)
Tax credit	(145,765)	(173,380)
Others	110,461	159,498
Income tax expense	<u>₩ 822,237</u>	<u>1,097,894</u>
Effective rate (%)	23.39	23.48

(c) The income taxes recorded directly in equity for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
(Loss) gain on valuation of available-for-sale investments	₩ (187,651)	21,526
Gains on sale of treasury stock	22,078	-
Others	(21,111)	(45,150)
	<u>₩ (186,684)</u>	<u>(23,624)</u>

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(d) The movements in deferred tax assets (liabilities) for the nine-month periods ended September 30, 2011 and 2010 are as follows:

	September 30, 2011			September 30, 2010		
	Beginning	Inc (Dec)	Ending	Beginning	Inc (Dec)	Ending
<i>(in millions of Won)</i>						
Deferred income tax due to temporary differences						
Reserve for special repairs	₩ (27,776)	1,337	(26,439)	(39,500)	2,662	(36,838)
Allowance for doubtful accounts	80,349	18,462	98,811	38,283	40,596	78,879
Reserve for technology developments	(269,892)	(36,548)	(306,440)	(179,828)	(87,223)	(267,051)
Depreciation expense	(61,129)	19,454	(41,675)	(78,485)	8,127	(70,358)
Share of profit or loss of equity-accounted investees	(174,027)	(33,021)	(207,048)	(52,151)	(204,876)	(257,027)
Reserve for inventory valuation	1,484	1,760	3,244	987	(70)	917
Revaluation of assets	(362,949)	(110,876)	(473,825)	(436,051)	49,119	(386,932)
Prepaid expenses	18,733	4,747	23,480	17,669	6,197	23,866
Impairment loss on property, plant and equipment	24,858	(1,910)	22,948	11,080	14,190	25,270
Loss on foreign currency translation	90,656	87,222	177,878	45,306	19,458	64,764
Accrued severance benefits	40,710	17,963	58,673	53,374	(6,528)	46,846
Group severance insurance deposits	(36,232)	(3,282)	(39,514)	(30,199)	(9,085)	(39,284)
Provision for construction losses	1,697	(498)	1,199	263	318	581
Provision for construction warranty	1,854	(94)	1,760	534	2,070	2,604
Appropriated retained earnings for technological development	(246)	61	(185)	(242)	121	(121)
Accrued income	(1,061)	(1,090)	(2,151)	(570)	(289)	(859)
Others	142,312	79,292	221,604	143,975	34,900	178,875
	<u>(530,659)</u>	<u>42,979</u>	<u>(487,680)</u>	<u>(505,555)</u>	<u>(130,313)</u>	<u>(635,868)</u>
Deferred income taxes recognized directly to equity						
Gain (loss) on valuation of available-for-sale investments	(118,640)	187,651	69,011	4,011	(10,204)	(6,193)
Others	8,151	22,314	30,465	(23,058)	44,910	21,852
	<u>(110,489)</u>	<u>209,965</u>	<u>99,476</u>	<u>(19,047)</u>	<u>34,706</u>	<u>15,659</u>
Deferred tax from tax credit						
Tax credit carryforward and others	280,295	(58,922)	221,373	322,085	(76,637)	245,448
Deferred tax effect due to unrealized gains (losses) and others	(128,998)	(8,146)	(137,144)	234,726	(320,883)	(86,157)
	<u>₩ (489,851)</u>	<u>185,876</u>	<u>(303,975)</u>	<u>32,209</u>	<u>(493,127)</u>	<u>(460,918)</u>

32. Earnings per Share

(a) Basic earnings per share for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won, except per share information)</i>		For the nine-month period ended September 30, 2011	For the nine-month period ended September 30, 2010
Profit attribute to controlling interest	₩	2,640,554	3,534,996
Weighted-average number of common shares outstanding (*1)		77,254,303	77,032,878
Basic earnings per share		34,180	45,889

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

	For the nine-month period ended September 30, 2011	For the nine-month period ended September 30, 2010
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	(9,932,532)	(10,153,957)
Weighted-average number of common shares outstanding	<u>77,254,303</u>	<u>77,032,878</u>

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(b) Basic earnings per share for the three-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won, except per share information)</i>	<u>For the three-month period ended September 30, 2011</u>	<u>For the three-month period ended September 30, 2010</u>
Profit attribute to controlling interest	₩ 226,975	1,066,887
Weighted-average number of common shares outstanding (*1)	77,244,444	77,032,878
Basic earnings per share	2,938	13,850

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

	<u>For the three-month period ended September 30, 2011</u>	<u>For the three-month period ended September 30, 2010</u>
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	(9,942,391)	(10,153,957)
Weighted-average number of common shares outstanding	<u>77,244,444</u>	<u>77,032,878</u>

33. Operating Profit

Operating profit adjusted by previous GAAP for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Operating profits by K-IFRS	₩ 4,390,043	4,757,862
Deducted		
Gains on disposal of property, plant, and equipment	(10,365)	(17,081)
Gain on disposal of investment of equity-accounted investees	(2,088)	(2,944)
Reversal of allowance for doubtful accounts	(41,661)	(2,630)
Reversal of provision	(115,077)	(116,478)
Miscellaneous income	(7,120)	(8,592)
Others	(176,311)	(147,725)
Added		
Loss on disposal of property, plant, and equipment	38,474	38,442
Loss on disposal of investment property	7,162	2,029
Idle tangible assets expenses	10,206	633
Other bad debt expenses	92,577	10,533
Donations	32,670	34,578
Miscellaneous expenses	50,423	39,105
Others	41,288	7,244
	<u>272,800</u>	<u>132,564</u>
Operating profits by previous GAAP	<u>₩ 4,486,532</u>	<u>4,742,701</u>

34. Related Party Transactions

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(a) Significant transactions, which occurred in the ordinary course of business, with related companies for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	Sales and others (*1)		Purchase and others (*1)	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Subsidiaries				
POSCO E&C Co., Ltd.	₩ 21,074	6,500	1,176,181	1,813,291
POSCO Processing&Service	964,861	807,071	1,080,835	226,423
POSCO Coated & Color Steel Co., Ltd.	460,051	492,715	1,318	2,293
POSCO ICT Co., Ltd.	1,107	581	372,869	336,376
POSCO Chemtech Company Ltd.	314,745	65,748	552,443	418,365
(formerly, POSCO Refractories & Environment Co., Ltd.)				
POSCO TMC CO., LTD.	126,183	116,828	449	58
POSCOAST Co., Ltd.	233,020	215,185	44,073	39,926
Daewoo International Corp.	2,664,011	-	2,600	-
POSCONST.CO.LTD	128,623	-	3,289	-
POSCO America Corporation	207,608	167,972	-	-
POSCO Canada Ltd.	-	-	217,148	124,385
POSCO Asia Co., Ltd.	1,488,258	871,361	147,623	92,831
POSCO-Japan Co., Ltd.	1,087,588	811,129	24,579	200,346
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	104,522	128,470	-	-
POSCO-Mexico Co., Ltd.	253,572	199,513	176	-
Daewoo International Singapore Pte. Ltd.	-	-	122,128	-
Others	638,045	1,188,937	811,748	649,025
	<u>₩ 8,693,268</u>	<u>5,072,010</u>	<u>4,557,459</u>	<u>3,903,319</u>
Associate				
SNNC Co., Ltd.	1,190	1,239	311,523	358,523
USS-POSCO Industries (UPI)	298,220	212,429	29	190
Poschrome(Proprietary) Ltd.	-	-	54,565	53,869
Others	161,400	20,253	42,875	35,338
	<u>460,810</u>	<u>233,921</u>	<u>408,992</u>	<u>447,920</u>
	<u>₩ 9,154,078</u>	<u>5,305,931</u>	<u>4,966,451</u>	<u>4,351,239</u>

(*1) Sales and others include sales and other operating income. Purchase and others include purchase and overhead cost.

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(b) Significant transactions, which occurred in the ordinary course of business, with related companies the related account balances as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>	Receivables (*1)			Payables (*1)		
	September 30, 2011	December 31, 2010	January 1, 2010	September 30, 2011	December 31, 2010	January 1, 2010
Subsidiaries						
POSCO E&C Co., Ltd.	₩ 9,735	293	480	149,276	190,081	437,819
POSCO Processing&Service	111,465	129,133	114,783	16,064	6,842	2,696
POSCO Plantec	255	-	9	17,116	48,058	22,839
POSCO ICT Co., Ltd.	17	-	1	49,439	63,627	54,529
POSCO Coated & Color Steel Co., Ltd.	127,870	104,755	109,616	271	437	199
POSCO Chemtech Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	36,924	33,743	6,880	81,783	62,669	66,008
POSCO TMC CO., LTD.	16,582	11,823	11,678	101	15	24
POSCOAST Co., Ltd.	35,352	19,065	17,492	7,219	8,255	7,572
Daewoo International Corp.	206,789	139,756	-	207	-	-
POSCONST.CO.,LTD	36,134	-	-	453	-	-
POSCO America Corporation	8,703	12,211	6,163	-	-	-
POSCO Asia Co., Ltd.	181,122	122,626	40,548	3,963	3,767	1,170
POSCO-TBPC Co., Ltd.	23,872	25,919	18,376	2	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	7,817	13,805	24,404	-	-	-
POSCO-Vietnam Co., Ltd.	1,014	683	95,781	-	-	-
POSCO-Japan Co., Ltd.	57,092	28,515	25,972	170	4,958	6,701
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	6,560	10,412	12,356	-	-	-
POSCO-Mexico Co., Ltd.	180,706	80,443	16,247	-	-	-
Others	39,895	15,167	26,073	95,651	32,209	17,840
	₩ 1,087,904	748,349	526,859	421,715	420,918	617,397
Associate						
Posmate Co., Ltd.	-	1,396	48	5,700	6,391	5,222
SNNC Co., Ltd.	209	182	1,974	33,291	57,512	26,963
USS-POSCO Industries (UPI)	35,795	58,347	39,100	-	-	-
Others	17,020	7,231	176	791	29,714	78
	₩ 53,024	67,156	41,298	39,782	93,617	32,263
	₩ 1,140,928	815,505	568,157	461,497	514,535	649,660

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

(c) For the nine-month periods ended September 30, 2011 and 2010, details of compensation to key management officers are as follows:

<i>(in millions of Won)</i>	September 30, 2011	September 30, 2010
Short-term benefits	₩ 71,443	54,395
Retirement benefits	16,295	12,542
Other long-term benefits	22,039	18,631
Share-based payment	(4,603)	(10,602)
	₩ 105,174	74,966

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35. Commitments and Contingencies

(a) Details of guarantees

Contingent liabilities on outstanding guarantees provided by the Company as of September 30, 2011, are as follows:

Guarantors	Guarantee beneficiary	Financial institution	Foreign Currency	Won Equivalent	
[The Company]					
POSCO	Guangdong Pohang Coated Steel Co., Ltd.	SMBC and others	USD	122,600,000	144,607
	POSCO Investment Co., Ltd.	BOC and others	CNY	630,000,000	116,153
		HSBC	MYR	240,000,000	89,064
		HSBC and others	USD	311,296,295	367,174
	POSCO Maharashtra Steel Pvt. Ltd.	Export-Import Bank of Korea and others	USD	143,000,000	168,669
	POSCO VST Co., Ltd.	ANZ(Tapei) and others	USD	65,000,000	76,668
	POSCO-Mexico Co., Ltd.	HSBC and others	USD	60,000,000	70,770
	POSCO-VIETNAM Co., Ltd.	Export-Import Bank of Korea and others	USD	230,000,000	271,285
		Mizuho and others	JPY	4,806,750,000	73,861
	Zhangjiagang Pohang Stainless Steel Co., Ltd.	Mizuho and others	USD	160,000,000	188,720
	Zeus (Cayman) Ltd.	Creditor	USD	37,351,000,000	573,939
Daewoo International Corporation	Daewoo (China) Co., Ltd.	Hana Bank	USD	5,153,000	6,078
	Daewoo Cement (Shandong) Co., Ltd.	Other oversea financial institution	EUR	24,565,296	39,338
		Korea Exchange Bank	CNY	43,000,000	7,928
		Export-Import Bank of Korea and others	USD	32,318,443	38,120
	Daewoo International America Corp.	Shinhan Bank	USD	500,000	590
		Woori Bank	USD	961,000	1,133
	Daewoo International Australia Pty. Ltd.		0	0	0
		Korea Exchange Bank	USD	7,719,700	9,105
	Daewoo International Guangzhou Corp.		0	0	0
		STANDARD CHARTERED	USD	2,678,708	3,160
	Daewoo International Japan Corp.	Korea Development Bank	JPY	400,000,000	6,146
		Shinhan Bank	JPY	500,000,000	7,683
		A.N.Z_KOREA	JPY	1,000,000,000	15,366
		MIZUHO	JPY	1,500,000,000	23,049
		SUMITOMO	JPY	2,000,000,000	30,732
	Daewoo International SHANGHAI CO., LTD.	MIZUHO	USD	7,515,000	8,864
	Daewoo International Singapore Pty. Ltd.	Woori Bank	USD	1,762,000	2,078
		STANDARD CHARTERED	USD	4,007,000	4,726
	Daewoo Paper Manufacturing Co., Ltd.	HSBC	USD	12,500,000	14,744
	Daewoo Textile Bukhara LLC	Export-Import Bank of Korea and others	USD	31,250,000	36,859
POSCO E&C Co., Ltd.	POSCO E&C Vietnam Co., Ltd.	Korea Exchange Bank	USD	11,000,000	12,975
		Export-Import Bank of Korea and others	USD	18,000,000	21,231
		ANZ	USD	6,000,000	7,077
		POSCO Investment Co., Ltd.	USD	9,500,000	11,205
	HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	Woori Bank	USD	30,000,000	35,385
	International Business Center Corporation	Export-Import Bank of Korea and others	USD	20,000,000	23,590
POSCO P&S Co., Ltd.	POSCO Canada Pty., Ltd.	Hana Bank	USD	12,484,500	14,725
POSCO ICT Co., Ltd.	VECTUS Ltd.	POSCO ICT Co., Ltd.	USD	2,000,000	2,359
POSCO JAPAN Co., Ltd.	POSCO-JKPC Co., Ltd.	Higo bank and others	JPY	1,993,400,000	30,631
	POSCO-JNPC Co., Ltd.	Mizuho Bank and others	JPY	1,805,000,000	27,736
	POSCO-JOPC Co., Ltd.	Mizuho Bank and others	JPY	1,907,500,000	29,311
	POSCO-JYPC Co., Ltd.	Mizuho Bank and others	JPY	1,592,650,690	24,473
Daewoo Textile Fergana LLC	Daewoo Textile Bukhara LLC	NBU	UZS	6,519,920,000	4,396
POSCO E&C (CHINA) Co., Ltd.	HONG KONG POSCO E&C (CHINA) Investment Co., Ltd.	KB Bank(Seoul)	KRW	102,000	102,000
		Woori Bank(Beijing branch)	USD	33,000,000	38,924

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Guarantors	Guarantee beneficiary	Financial institution	Foreign Currency		Won Equivalent
[Associates]					
POSCO	BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	BOC and others	CNY	323,960,000	59,729
			USD	9,720,000	11,465
Daewoo International Corporation	United Spiral Pipe, LLC DMSA, AMSA	Shinhan Bank	USD	24,500,000	28,898
		Other Bank	USD	123,866,667	146,101
		Other oversea financial institution	USD	16,133,333	19,029
		Export-Import Bank of Korea and others	USD	5,950,000	7,018
POSCO E&C Co., Ltd.	PSIB Co., Ltd. Taegisan Wind Power Corporation CHUNGJU ENTERPRISE CITY DEVELOPMENT Co.,Ltd. Pohang Technovalley Pvf Co.Ltd	Hana Bank	KRW	360,000	360,000
		Korea Development Bank	KRW	7,500	7,500
		Nonghyup Bank	KRW	28,226	28,226
		Shinhan Bank	KRW	135,660	135,660
POSCO P&S Co., Ltd.	Sebang Steel	ABCP	KRW	114,240	114,240
POSCO ICT Co., Ltd.	Uitrans LRT Co., Ltd. CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	Fukuoka Bank	JPY	245,000,000	3,765
		Construction Guarantee Cooperative	KRW	64,638	64,638
POSCO China Co., Ltd.	POSCO SeAH Steel Wire (Nantong) Co., Ltd.	NH Bank	KRW	2,530	2,530
		POSCO Investment Co., Ltd.	USD	7,500,000	8,846
Daewoo(China) Co., Ltd.	Shanghai Lansheng Daewoo Coporation	China Construction Bank	CNY	100,000,000	18,437
[Others]					
Daewoo International Corporation	Ambatovy Project Investments Limited Sherritt International Corporation	Export-Import Bank of Korea and others	USD	44,963,575	53,035
		Export-Import Bank of Korea and others	USD	6,043,572	7,128
POSCO E&C Co., Ltd.	Seomyun development Co., Ltd and others	ABCP and others	KRW	88,000	88,000
		NH Bank	KRW	14,624	14,624
		ABCP and others	KRW	245,000	245,000
		ABCP and others	KRW	30,000	30,000
		ABCP and others	KRW	45,000	45,000
		ABCP and others	KRW	75,000	75,000
		ABCP and others	KRW	165,000	165,000
		Woori Bank	KRW	68,000	68,000
		KB Bank and others	KRW	329,970	329,970
		ABCP and others	KRW	145,000	145,000
		Shinhan Bank	KRW	4,950	4,950
		Hana Bank and others	KRW	310,000	310,000
		Korea Development Bank	KRW	644	644
		Woori Bank	USD	50,000,000	58,975
POSCO P&S Co., Ltd.	Asia Speciality Steel Co., Ltd. GIPI	Yamaguchi Bank	JPY	2,700,000,000	41,488
		Bank Muscat , Bank Sohar	USD	12,000,000	14,154
POSCO Plant Engineering Co., Ltd.	Gyeongpo wind power generation and others GS CALTEX HOU and others	Kookmin Bank	KRW	237,720	237,720
		Korea Exchange Bank and others	USD	21,282,091	25,102
POSCO ICT Co., Ltd.	BTL business and others	Kyobo Life Insurance Co.,Ltd and others	KRW	1,264,290	1,264,290
POSCO M-TECH Co., Ltd.	TMC Co.,Ltd PYUNGSAN SI Co., Ltd Hyundai Hysco Co., Ltd.	Seoul Guarantee Insurance	KRW	68	68
		Seoul Guarantee Insurance	KRW	458	458
		Seoul Guarantee Insurance	KRW	264	264
Daewoo Engineering Co., Ltd	Kwanmā Solar Co., Ltd. and others Hyundai ENG Co., Ltd.	Hana Bank	KRW	45,777	45,777
		Engineering Financial Cooperative	KRW	76,076	76,076
PHP Co., Ltd	Expo apt	Kookmin Bank	KRW	387,849	387,849
Daewoo Cement (Shandong) Co., Ltd.	SDAC	Bank of China	USD	35,000,000	41,283
			CNY	1,096,960,000	202,247
			EUR	24,565,296	39,338
			JPY	57,801,300,690	888,181
			KRW	4,348,483	4,348,483
			MYR	240,000,000	89,064
			USD	1,697,204,884	2,001,853
			UZS	6,519,920,000	4,396

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(b) POSCO E&C Co., Ltd. has provided the completion guarantees for Samsung C&T Corporation and Namkwang Engineering & Construction Co., Ltd. amounting to ₩ 2,803,355 million. POSCO E&C Co., Ltd. provides payment guarantees on borrowings of customers amounting to Asset-Backed Commercial Paper (ABCP) ₩ 872,343 million and Project Financing loan ₩ 621,436 million as of September 30, 2011.

(c) Other commitments

POSCO

POSCO entered into contracts with Hanjin Shipping Co., Ltd., Hyundai Merchant Marine Co., Ltd., and others to use a transport ship for the transportation of raw materials and sales of product.

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 September 30, 2011, 275 million tons of iron ore and 43 million tons of coal remained to be purchased under such long-term contracts.

POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia regarding the commitment to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. The purchase price is subject to change, following the change of the monthly standard oil price (JCC) and the price ceiling is also applicable.

As of September 30, 2011, POSCO entered into commitments with Korea National Oil Corporation for long-term foreign currency borrowings, which are limited up to the amount of USD 6.86 million and USD 3.54 million respectively. The borrowings are related to the exploration of gas hydrates in Aral Sea, Uzbekistan and the exploration of gas hydrates in Namangan-Chust, respectively. The repayment of borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the money borrowed if the respective project fails. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements.

POSCO has finance lease agreements for a Ro-Ro (roll-on roll-off) ships. POSCO is making lease payments of USD 11,583 thousand and ₩ 1,953 million, 90% of ship price, for 12 years.

POSCO E&C Co., Ltd.

To contractors involved in some of the construction contracts operator and financial institutions by agreement with the work of the operating funds operator ₩69,489 million deposit. POSCO E&C Co., Ltd manages the deposit accounts as a memorandum account without separate accounting treatment reflecting the economic substance because the operator is the owner of the above-mentioned account.

POSCO E&C Co., Ltd. has bank overdraft agreements of up to ₩ 20,000 million with Woori Bank which is included in the limit of comprehensive loan agreements and ₩ 3,000 million with Korea Exchange Bank. Also, POSCO E&C Co., Ltd. has comprehensive loan agreements of up to ₩ 260,000 million and USD 308 million with Woori Bank and ₩ 53,000 million with Korea Exchange Bank.

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POSCO ICT Co., Ltd. POSCO ICT Co., Ltd. signed a technology licensing agreement with Seah Networks Co., Ltd. in 2009 permitting the use of the Mobile WiMAX technology and brand. POSCO ICT Co., Ltd. also entered into a maintenance service contract, wherein Seah Networks Co., Ltd. provides maintenance support to Company's customers.

POSCO ICT Co., Ltd has signed a Memorandum of Understanding with Samchang Co. Ltd., to acquire its nuclear power business. The date of acquisition and acquisition cost will be decided later.

POSCO ICT Co., Ltd. has entered into a repayment agreement with SMS Energy Co.,Ltd., which borrowed money from several lenders, including Hana Bank, for its new and renewable energy business. According to the agreement, if SMS Energy Co.,Ltd. can not repay the loan, POSCO ICT Co., Ltd. should repay or undertake it amounting to ₩ 270,836 million and should take charge of revenues from selling electric power after the repayment. Also, if SMS Energy Co.,Ltd. cannot run the new and renewable energy business due to default and bankruptcy, POSCO ICT Co., Ltd. is required to acquire the business unit from them.

The board of directors of POSCO ICT Co., Ltd has resolved to take over the debt liability amounting to ₩ 31 million if the debtor would not be able to make repayments, and details of the condition remained to be decided later.

POSCO Specialty Steel Co., Ltd. POSCO Specialty Steel Co., Ltd. has a loan agreement, secured by trade accounts receivable, of up to ₩280,000 million with Woori Bank and others. POSCO Specialty Steel Co., Ltd. has used ₩123,499 million of this loan agreement as of September 30, 2011.

POSCO Specialty Steel Co., Ltd. has agreements with Woori Bank and seven other banks for opening letters of credit of up to USD 55 million, and for a loan of up to ₩165,000 million and POSCO Specialty Steel Co., Ltd. has used USD 3.8 million of the opening letters of credit.

POSCO CHEMTECH Co., Ltd POSCO CHEMTECH Co., Ltd is guaranteed on performance for contracts and defects up to ₩ 3,371 million by Seoul Guarantee Insurance.

POSCO Power Corp. As of September 30, 2011, POSCO Power Corp. provides its whole capacity of Combined Thermal Power Cycle 1~4 to Korea Electric Power Corp. in accordance with a long-term contract. The price of electric power provided by POSCO Power Corp. is decided using the method of compensating fixed payments and expenses for the cost of production and the investment on electric power production equipment based on the contract.

Kwang Yang SPFC Co., Ltd. Nonghyup Bank have provided letter of credit facilities and purchasing for Kwang Yang SPFC Co., Ltd. for up to ₩ 35,000 million and ₩ 15,000 million, respectively. As of September 30, 2011, Kwang Yang SPFC Co., Ltd. has outstanding balance ₩ 15,419 million for the letter of credit facilities.

Hana Bank provided letter of credit facilities for Kwang Yang SPFC Co., Ltd. up to ₩ 19,000 million and Kwang Yang SPFC Co., Ltd. has outstanding balance ₩ 13,000 million as of September 30, 2011.

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Suzhou POS-CORE Technology Co., Ltd. Suzhou POS-CORE Technology Co., Ltd.'s lands and buildings are provided as security to Woori Bank for the balance of raw material (coil). Suzhou POS-CORE Technology Co., Ltd. has set up a credit line of USD 10 million with the condition of interest rate of that USD 3M+280bp and is provided a LOC from POSCO TMC Co., Ltd, the biggest shareholder of POSCO-CORE.

PT. KRAKATAU STEEL POSCO PT. KRAKATAU STEEL POSCO open a L/C account secured by the equivalent cash offered to Bank Negara Indonesia at facility suppliers' - Paul Wurth and Siemens VAI, Mitsubishi Corp. - up to 55,745,800 EUR, 4,080,382,500 JPY, respectively. The company also open a L/C account on LOC condition and replace previous BNI L/C account.

(d) Litigation in progress

As of September 30, 2011, the Company and certain subsidiaries are defendants in legal actions arising from the normal course of business. Details are as follows:

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

Company	Legal actions	Amount	Won equivalent amount	Description
POSCO	12	KRW 9,107	9,107	Lawsuit on the claim for damages
POSCO E&C Co., Ltd.	47	KRW 48,750	48,750	Lawsuit on the claim for payment
POSCO P&S Co., Ltd.	1	KRW 931	931	Lawsuit on the claim for damages
POSCO Plant Engineering Co., Ltd.	2	KRW 1,638	1,638	Lawsuit on the claim for payment
POSCO ICT Co., Ltd.	9	KRW 2,557	2,557	Lawsuit on the claim for payment
Seoung Gwang Co., Ltd.	2	KRW 2,277	2,277	Imposed high tax rate
POSCC E&C-HAWAII Inc.	1	USD 900	1,062	Lawsuit on the claim for repairs of defects and compensation
POSCO E&C (China) Co., Ltd.	1	CNY 3,790	699	Lawsuit on the claim for payment of work completed related with the subcontractor and second
POSCO Engineering Co., Ltd. (formerly Daewoo Engineering Co., Ltd.)	6	KRW 9,472	9,472	Lawsuit on the claim for damages
POSBRO Co., Ltd.	1	KRW 435	435	Lawsuit on the claim for payment
Daewoo International Corporation	1	CNY 30,000	5,531	Lawsuit on the claim for damages
	1	EUR 5,000	8,007	
	1	INR 4,458,849	107,503	
	4	KRW 728	728	
	2	USD 520	613	
	1	UYU 1,103	67	

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

(e) Other contingencies

POSCO has provided five blank promissory notes to Korea Resources Corporation and six blank promissory notes to Korea National Oil Corporation as collateral for outstanding loans.

As of September 30, 2011, POSCO E&C Co., Ltd. has provided ten blank promissory notes, eleven blank checks and six other notes, amounting to ₩61,704 million approximately, to Korea Housing Guarantee Co., Ltd. and other financial institutions as collateral for agreements and outstanding loans.

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On July 22, 2000, Daewoo Corporation's stockholders approved the spin-off plan for its business activities, and based on the approval, on December 27, 2000, Daewoo International Corporation, and international trading division and Daewoo Engineering & Construction Co., Ltd., a construction division, were newly established. In the spin-off plan, it specifies that newly established two companies will not be responsible for any liability which was not transferred at the time of spin-off.

Prior to the spin-off Daewoo Corporation, Daewoo Corporation informed creditors to object if they do not agree to the spin-off plan. For creditors and guarantees who have not agreed the spin-off, portion of the liabilities and grantees were transferred to Daewoo International Corporation and Daewoo Engineering & Construction Co., Ltd. without complete agreements. Therefore, based on the possibilities of contingent liabilities attributable to the objection, proposed agreements and information available to the management, as of September 31, 2010, Daewoo International Corporation estimates the total contingent liabilities amounting to ₩79,047 million and recorded as provision on their financial statements.

Daewoo International Co., Ltd has provided fifty-one blank promissory notes to Korea National Oil Corporation as collateral for the guarantee on performance for contracts and others.

36. Cash Flows from Operating Activities

(a) Adjustments for operating cash flows for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Depreciation (*1)	₩ 1,547,420	2,064,114
Amortization	95,680	51,835
Finance income (*2)	(1,482,601)	(658,481)
Finance costs (*2)	2,447,489	852,225
Income tax expense	822,237	1,097,894
Share of profit or loss of equity-accounted investees	(28,479)	(114,093)
Accrual of severance benefits	182,523	129,226
Bad debt expenses	110,253	21,014
Others	34,580	(4,046)
	<u>₩ 3,729,102</u>	<u>3,439,688</u>

(*1) Depreciation expense of investment properties is included.

(*2) Finance income and finance costs do not contain gains or losses on foreign currency transaction and gains or losses on foreign currency translation.

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(b) Changes in operating assets and liabilities for the nine-month periods ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Trade accounts and notes receivable	₩ (1,511,723)	(366,088)
Other financial assets	(84,462)	64,419
Inventories	(2,384,717)	(2,881,547)
Other current assets	(571,818)	(536,908)
Other long-term assets	113,888	7,230
Accounts payable	62,137	(16,750)
Other financial liabilities	86,841	(84,601)
Other current liabilities	157,140	431,405
Provisions	164,903	(16,994)
Payment of severance benefits	(574,688)	(77,146)
Plan assets	241,657	(10,069)
Other long-term liabilities	(114,040)	27,595
	<u>₩ (4,414,882)</u>	<u>(3,459,454)</u>

37. Operating Segments

(a) Segment information is provided on the basis of operating segments - steel, trading, construction and others. The operating segments presented reflect the management structure of the company and the way which the company's management reviews business performance. The segment results and assets are measured based on sales and operating income, and total assets respectively, in accordance with K-IFRS without any adjustment for corporate allocations.

(b) Revenue and segment profit of each segment for the nine-month periods ended September 30, 2011 and 2010 are as follows:

1) For the nine-month periods ended September 30, 2011

<i>(in millions of Won)</i>	<u>Steel</u>	<u>Trading</u>	<u>Construction</u>	<u>Others</u>	<u>Consolidation adjustments</u>	<u>Total</u>
Gross revenue	₩ 41,742,216	20,915,255	5,611,066	3,837,033	-	72,105,570
Internal sales	(12,382,302)	(5,734,761)	(2,029,890)	(1,707,858)	-	(21,854,811)
Net revenue	29,359,914	15,180,494	3,581,176	2,129,175	-	50,250,759
Interest income	110,083	24,543	18,158	15,279	(8,737)	159,326
Interest expenses	405,502	68,809	51,837	80,683	(16,795)	590,040
Depreciation and amortization	1,552,239	27,112	23,451	139,008	(98,710)	1,643,100
Share of profit or loss						
equity-accounted	(23,277)	-	-	(5,077)	56,832	28,478
Income tax expense	762,077	27,930	5,306	16,196	10,728	822,237
Segments income	2,697,486	104,044	56,928	106,755	(271,382)	2,693,831
Investment in associates	13,639,288	1,811,925	860,508	160,634	(12,778,687)	3,693,668
Acquisition of non-current assets	₩ 7,518,965	115,825	284,539	299,437	226,961	8,445,727

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2) For the nine-month periods ended September 30, 2010

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Consolidation adjustments	Total
Gross revenue	₩	33,126,336	2,998,631	5,877,606	1,880,185	-	43,882,758
Internal sales		(6,956,197)	(1,350,935)	(2,905,135)	(918,851)	-	(12,131,118)
Net revenue		26,170,139	1,647,696	2,972,471	961,334	-	31,751,640
Interest income		194,199	2,495	20,158	17,720	(780)	233,792
Interest expenses		303,737	5,559	44,341	67,243	(6,046)	414,834
Depreciation and amortization		2,136,387	1,769	23,864	62,526	(108,597)	2,115,949
Share of profit or loss of equity-accounted investees		(1,203)	(853)	-	(891)	117,041	114,094
Income tax expense		964,462	9,620	74,994	6,455	42,363	1,097,894
Segments income		3,662,003	18,115	246,417	2,862	(350,938)	3,578,459
Investment in associate		10,870,823	1,556,489	597,953	37,647	(10,053,919)	3,008,993
Acquisition of non-current assets	₩	6,995,210	1,602	86,565	1,047,902	850,778	8,982,057

(c) Financial positions of each segment as September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

1) September 30, 2011

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Consolidation adjustments	Total
Assets							
Current assets		21,195,576	8,918,521	5,616,724	2,883,738	(5,239,083)	33,375,476
Non-current assets		45,956,701	4,029,128	2,308,776	3,378,699	(11,114,076)	44,559,228
		<u>67,152,277</u>	<u>12,947,649</u>	<u>7,925,500</u>	<u>6,262,437</u>	<u>(16,353,159)</u>	<u>77,934,704</u>
Liabilities							
Current liabilities		12,816,222	7,921,437	3,665,226	1,944,637	(5,286,501)	21,061,021
Non-current liabilities		10,546,300	2,728,011	1,219,503	2,239,892	(67,692)	16,666,014
		<u>23,362,522</u>	<u>10,649,448</u>	<u>4,884,729</u>	<u>4,184,529</u>	<u>(5,354,193)</u>	<u>37,727,035</u>

2) December 31, 2010

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Consolidation adjustments	Total
Assets							
Current assets		18,484,564	6,144,044	4,735,659	2,030,014	(3,721,904)	27,672,377
Non-current assets		42,289,172	3,461,662	1,741,701	2,948,123	(8,694,609)	41,746,049
		<u>60,773,736</u>	<u>9,605,706</u>	<u>6,477,360</u>	<u>4,978,137</u>	<u>(12,416,513)</u>	<u>69,418,426</u>
Liabilities							
Current liabilities		11,171,303	5,864,783	3,174,657	1,650,165	(3,584,131)	18,276,777
Non-current liabilities		8,398,810	1,654,248	457,709	1,757,701	336,014	12,604,482
		<u>19,570,113</u>	<u>7,519,031</u>	<u>3,632,366</u>	<u>3,407,866</u>	<u>(3,248,117)</u>	<u>30,881,259</u>

3) January 1, 2010

<i>(in millions of Won)</i>		Steel	Trading	Construction	Others	Consolidation adjustments	Total
Assets							
Current assets		16,581,002	868,757	4,013,112	1,395,054	(2,428,070)	20,429,855
Non-current liabilities		33,832,385	484,705	1,903,873	2,223,557	(7,347,228)	31,097,292
		<u>50,413,387</u>	<u>1,353,462</u>	<u>5,916,985</u>	<u>3,618,611</u>	<u>(9,775,298)</u>	<u>51,527,147</u>
Liabilities							
Current liabilities		6,319,553	832,316	2,747,825	1,239,736	(2,125,799)	9,013,631
Non-current liabilities		7,475,908	6,906	1,018,288	993,512	(314,779)	9,179,835
		<u>13,795,461</u>	<u>839,222</u>	<u>3,766,113</u>	<u>2,233,248</u>	<u>(2,440,578)</u>	<u>18,193,466</u>

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(d) Sales by regional groups for the nine-month period ended September 30, 2011 and 2010 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2011</u>	<u>September 30, 2010</u>
Domestic	₩	39,585,031	25,146,668
Japan		1,650,012	957,138
China		4,337,810	3,649,507
Asia		1,921,051	1,072,010
North America		947,226	176,225
Others		1,809,629	750,092
	₩	<u>50,250,759</u>	<u>31,751,640</u>

(e) Non-current assets by regional groups as of September 30, 2011, December 31, 2010 and January 1, 2010 are as follows:

<i>(in millions of Won)</i>		<u>September 30, 2011 (*)</u>	<u>December 31, 2010 (*)</u>	<u>January 1, 2010 (*)</u>
Domestic	₩	28,727,643	27,145,016	21,141,361
Japan		328,654	292,742	267,777
China		1,455,762	1,384,862	1,047,802
Asia		1,698,038	754,191	744,832
North America		105,434	72,809	29,460
Others		1,180,608	900,654	423,953
	₩	<u>33,496,139</u>	<u>30,550,274</u>	<u>23,655,185</u>

(*) Includes investment property, property, plant and equipment, goodwill and other intangible assets.

38. Transition to K-IFRS

The previously issued consolidated financial statements as of December 31, 2010 and the statements of financial position at the date of transition are stated in accordance with previous GAAP. However these consolidated financial statements have been prepared in accordance with K-IFRS 1101 “First-time Adoption of Korean International Financial Reporting Standards”.

Accordingly, the Company adjusted the financial statements as of December 31, 2010 and previous statements of financial position at the date of transition reported in accordance with previous GAAP. The transition from previous GAAP to K-IFRS affected its reported financial position, financial performance and cash flows is as follows:

(a) Exemptions elected from K-IFRS 1101 “First-time Adoption of Korean International Financial Reporting Standards” by the Company

The Company has elected to use one or more of the exemptions in accordance with K-IFRS 1101 for the preparation of statements of financial position at the date of transition and applied the following optional exemptions.

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1) Business combination

The Company has not retrospectively applied the business combinations that took place prior to the date of transition to K-IFRS.

2) Deemed cost of property, plant and equipment

The Company has elected to use the revaluations of prior to the date of transition to K-IFRS as deemed cost at the date of transition for certain items of property, plant and equipment and use the fair value at the date of transition as deemed cost at the date of transition for certain machinery and equipment.

3) Borrowing costs

The Company has capitalized borrowing costs to the qualifying assets for which the commencement date for capitalization is on or after the transition date to K-IFRS .

4) Cumulative translation differences

The Company has elected to set the previously cumulative translation differences to zero at the date of transition and these exemption are applied to all foreign operations.

5) Share-based payment transactions

The Company has not retrospectively applied K-IFRS accounting requirements to cash-settled share-based payment transactions that took place prior to the date of transition to K-IFRS.

6) Leases

For arrangements existing at the date of transition to K-IFRS, the Company determined whether the arrangements were lease arrangements based on the facts and circumstances at the date of transition.

(b) The significant adjustments regarding transition to K-IFRS are as follows:

1) Employee Benefits

Under previous GAAP, the Company recognized the amount of accrued severance benefits assuming all eligible employees and directors with at least one year of service were to terminate their employment as of the date of statement of financial position. Under K-IFRS, the Company recognized defined benefit obligation based on actuarial assumptions.

2) Goodwill acquired in the business combination or a gain from a bargain purchase

Under previous GAAP, the Company amortized goodwill acquired in a business combination on a straight-line method of less than 20 years and a gain from a bargain purchase reversed in weighted average useful life of depreciable assets. Under K-IFRS, goodwill is not amortized, but is tested for impairment annually. Also, a gain from a bargain purchase is recognized in profit or loss on the acquisition date.

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3) Transfer of financial assets

Under previous GAAP, the Company recognized transfer of the financial assets to financial institution as disposal transaction when the control is transferred. Under K-IFRS, if the Company retains substantially all the risks and rewards of ownership of the financial asset, it is recognized in the financial liabilities instead of derecognition of financial assets.

4) Deferred taxes

Under previous GAAP, the Company recognized deferred tax assets or deferred tax liabilities as the difference between the book base and its tax base regarding the investment in subsidiaries and others. However, under K-IFRS, the Company recognizes deferred tax assets or deferred tax liabilities considering how the temporary differences will be realized.

5) A lot-solid apartment after rental

Under previous GAAP, a lot-solid apartment after rental is accounted for as an operating lease. Under K-IFRS, a lot-solid apartment of the rental is accounted for as a finance lease.

(c) Changes in scope of subsidiaries

	<u>Changes</u>	<u>Subsidiaries</u>
Inclusion(35)	Included in the scope of consolidation under K-IFRS. These entities were not consolidated under K-GAAP since their total assets were less than ₩10 billion.	PT. POSNESIA, Qingdao Pos-metal Co., Ltd., POSCO E&C India Private Ltd., POSCO E&C SMART, Pohang SFC Co., Ltd., POSWITH Co., Ltd., Basis Industries, Dalian POSCON Dongbang Automatic Co., Ltd., SANPU TRADING CO., LTD., Zhangjiagang BLZ Pohang International Trading Co., Ltd., POSCO Australia GP Limited, POSCO Mexico Human Tech., POSCO Mexico East Steel Distribution Center Co., Ltd., POSTECH BD Newundertaking fund, POSCO Gulf Logistics LLC., POSBRO Co., Ltd., POSCO ICT-China, DWEMEX S.A.DE C.V., POS MPC Servicios de C.V., EUROTALY S.A., POSCO South East Asia Pte. Ltd., VECTUS Ltd., POMIC Co., Ltd., POSCO Maharashtra Steel Pvt. Ltd., POSCO India Chennai Steel Processing Centre Pvt. Ltd., POSCO Turkey Nilufer Processing Center, POSCO Vietnam Ha Noi Processing Center Co., Ltd., POSCO (Liaoning) Automotive Processing Center Co., Ltd., POSCO E&C Venezuela C.A, POSFINE Co., Ltd., PT. MRI, Mapo high broad parking Co., Ltd., Dakos Co., Ltd., POSCALCIUM Company, Ltd
	Included in the scope of consolidation under K-IFRS 2012: Consolidation-Special Purpose Entities	ZEUS(Cayman)
Exclusion(5)	The Company owns less than 50% of voting power. These entities are excluded from the scope of consolidation assuming that the Company does not have de facto control.	Metapolis Co., Ltd., POSMATE Co., Ltd., POSCO M-TECH Co., Ltd., Universal Studios Resort Asset Management Corp., VSC POSCO Steel Corporation

POSCO
Notes to Consolidated Interim Financial Statements, Continued
As of September 30, 2011
(Unaudited)

(d) Effects on financial position, financial performance and cash flows by the transition from previous GAAP to K-IFRS

1) Reconciliations of the financial position on January 1, 2010:

<i>(in millions of Won)</i>		Total assets	Total liabilities	Total equity
Previous GAAP	₩	50,311,748	18,647,435	31,664,313
Adjustments :				
Changes of consolidation		(575,395)	(430,521)	(144,874)
Revaluation of machinery and equipment		1,945,001	-	1,945,001
Discount of accounts receivable		111,759	111,932	(173)
Defined benefit liabilities		(63)	36,497	(36,560)
Deferred tax effect		(291,237)	(155,833)	(135,404)
Derivatives		(53,945)	(798)	(53,147)
Construction contracts		431,825	402,365	29,460
Application to finance lease by arrangements		(38,965)	-	(38,965)
Application to finance lease for a lot-solid apartment after rental		(316,935)	(359,542)	42,607
Adjustments of available-for-sale securities		(28,783)	-	(28,783)
Reversal of negative goodwill		10,352	-	10,352
Other adjustments		21,785	(58,069)	79,854
Total adjustments		1,215,399	(453,969)	1,669,368
K-IFRS	₩	51,527,147	18,193,466	33,333,681

2) Reconciliation of financial position as of December 31, 2010 and the financial performance for the year ended December 31, 2010

<i>(in millions of Won)</i>		Total assets	Total liabilities	Total equity	Net income	Total comprehensive income
Previous GAAP	₩	67,945,933	30,744,512	37,201,421	4,217,695	4,840,977
Adjustments :						
Changes in scope of consolidated companies		(1,246,713)	(985,200)	(261,513)	206,889	130,970
Revaluation of machinery and equipment		1,633,056	-	1,633,056	(305,945)	(305,945)
Transfer of a financial asset		1,344,849	1,338,732	6,117	1,635	1,635
Finance lease		(542,848)	(557,959)	15,111	11,469	11,469
Construction contracts		355,516	327,273	28,243	(2,942)	(2,942)
Actuarial valuation of defined benefit liabilities		(4,067)	91,357	(95,424)	144,073	(8,052)
Deferred tax effect		(241,991)	(469,488)	227,497	55,881	55,881
Withdrawal of amortization on goodwill		68,364	-	68,364	68,364	68,364
Recognition of callable preferred stock as borrowings		-	207,569	(207,569)	(7,759)	(7,759)
Capitalization of financial cost		63,382	92,186	(28,804)	1,733	1,733
Recognition of financial guarantee liabilities		21,304	27,443	(6,139)	(1,618)	(1,618)
Adjustments of derivative		(36,896)	(13,496)	(23,400)	31,386	31,386
Replacement of investment property		(2,979)	-	(2,979)	(2,979)	(2,979)
Reversal of negative goodwill		9,819	-	9,819	9,819	9,819
Other adjustments		51,697	78,330	(26,633)	(242,050)	(57,498)
Total adjustments		1,472,493	136,747	1,335,746	(32,044)	(75,536)
K-IFRS	₩	69,418,426	30,881,259	38,537,167	4,185,651	4,765,441

POSCO

Notes to Consolidated Interim Financial Statements, Continued As of September 30, 2011 (Unaudited)

3) Cash flow statement

Under K-IFRS, interest received, interest paid and income taxes paid which were presented using indirect method under the previous GAAP are presented using direct method as separate line items of cash flow operating activities. Also, effect of exchange rate fluctuations on cash held which were presented as cash flows from operating activities under the previous GAAP are presented as a separate line item from cash flows from operating, investing and financing activities.