

POSCO
Form 20-F
May 12, 2014
Table of Contents

As filed with the Securities and Exchange Commission on May 12, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report _____**

For the transition period from _____ to _____

Commission file number 1-13368

POSCO

(Exact name of Registrant as specified in its charter)

POSCO
(Translation of Registrant's name into English)

The Republic of Korea
(Jurisdiction of incorporation or organization)

POSCO Center, 440 Teheran-ro, Gangnam-gu

Seoul, Korea 135-777

(Address of principal executive offices)

Kim, Min Da

POSCO Center, 440 Teheran-ro, Gangnam-gu,

Edgar Filing: POSCO - Form 20-F

Seoul, Korea 135-777

Telephone: +82-2-3457-5724; E-mail: happy7513@posco.com; Facsimile: +82-2-3457-1982

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
American Depositary Shares, each representing one-fourth of one share of common stock	New York Stock Exchange, Inc.
Common Stock, par value Won 5,000 per share * Securities registered or to be registered pursuant to Section 12(g) of the Act.	New York Stock Exchange, Inc. *

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

As of December 31, 2013, there were 79,783,624 shares of common stock, par value Won 5,000 per share, outstanding
(not including 7,403,211 shares of common stock held by the company as treasury shares)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No "

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes " No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes " No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer " Non-accelerated filer "

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing. U.S. GAAP " IFRS x Other "

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 " Item 18 "

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes " No x

*Not for trading, but only in connection with the registration of the American Depositary Shares.

Table of Contents**TABLE OF CONTENTS**

<u>GLOSSARY</u>		1
<u>PART I</u>		2
ITEM 1.	<u>IDENTITY OF DIRECTORS, SENIOR MANAGERS AND ADVISERS</u>	2
	Item 1.A. <u>Directors and Senior Management</u>	2
	Item 1.B. <u>Advisers</u>	2
	Item 1.C. <u>Auditors</u>	2
ITEM 2.	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	2
	Item 2.A. <u>Offer Statistics</u>	2
	Item 2.B. <u>Method and Expected Timetable</u>	2
ITEM 3.	<u>KEY INFORMATION</u>	2
	Item 3.A. <u>Selected Financial Data</u>	2
	Item 3.B. <u>Capitalization and Indebtedness</u>	4
	Item 3.C. <u>Reasons for Offer and Use of Proceeds</u>	4
	Item 3.D. <u>Risk Factors</u>	5
ITEM 4.	<u>INFORMATION ON THE COMPANY</u>	22
	Item 4.A. <u>History and Development of the Company</u>	22
	Item 4.B. <u>Business Overview</u>	22
	Item 4.C. <u>Organizational Structure</u>	40
	Item 4.D. <u>Property, Plants and Equipment</u>	40
ITEM 4A.	<u>UNRESOLVED STAFF COMMENTS</u>	43
ITEM 5.	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	43
	Item 5.A. <u>Operating Results</u>	43
	Item 5.B. <u>Liquidity and Capital Resources</u>	69
	Item 5.C. <u>Research and Development, Patents and Licenses, Etc.</u>	72
	Item 5.D. <u>Trend Information</u>	73
	Item 5.E. <u>Off-balance Sheet Arrangements</u>	73
	Item 5.F. <u>Tabular Disclosure of Contractual Obligations</u>	73
	Item 5.G. <u>Safe Harbor</u>	73
ITEM 6.	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	73
	Item 6.A. <u>Directors and Senior Management</u>	73
	Item 6.B. <u>Compensation</u>	77
	Item 6.C. <u>Board Practices</u>	78
	Item 6.D. <u>Employees</u>	79
	Item 6.E. <u>Share Ownership</u>	80
ITEM 7.	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	82
	Item 7.A. <u>Major Shareholders</u>	82
	Item 7.B. <u>Related Party Transactions</u>	82
	Item 7.C. <u>Interests of Experts and Counsel</u>	82
ITEM 8.	<u>FINANCIAL INFORMATION</u>	83
	Item 8.A. <u>Consolidated Statements and Other Financial Information</u>	83
	Item 8.B. <u>Significant Changes</u>	84

Table of Contents

ITEM 9.	<u>THE OFFER AND LISTING</u>	84
	Item 9.A. <u>Offer and Listing Details</u>	84
	Item 9.B. <u>Plan of Distribution</u>	86
	Item 9.C. <u>Markets</u>	86
	Item 9.D. <u>Selling Shareholders</u>	90
	Item 9.E. <u>Dilution</u>	91
	Item 9.F. <u>Expenses of the Issuer</u>	91
ITEM 10.	<u>ADDITIONAL INFORMATION</u>	91
	Item 10.A. <u>Share Capital</u>	91
	Item 10.B. <u>Memorandum and Articles of Association</u>	91
	Item 10.C. <u>Material Contracts</u>	96
	Item 10.D. <u>Exchange Controls</u>	96
	Item 10.E. <u>Taxation</u>	100
	Item 10.F. <u>Dividends and Paying Agents</u>	105
	Item 10.G. <u>Statements by Experts</u>	105
	Item 10.H. <u>Documents on Display</u>	105
	Item 10.I. <u>Subsidiary Information</u>	105
ITEM 11.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	105
ITEM 12.	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	107
	Item 12.A. <u>Debt Securities</u>	107
	Item 12.B. <u>Warrants and Rights</u>	107
	Item 12.C. <u>Other Securities</u>	107
	Item 12.D. <u>American Depositary Shares</u>	108
<u>PART II</u>		109
ITEM 13.	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	109
ITEM 14.	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	109
ITEM 15.	<u>CONTROLS AND PROCEDURES</u>	109
ITEM 16.	<u>[RESERVED]</u>	110
ITEM 16A.	<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	110
ITEM 16B.	<u>CODE OF ETHICS</u>	110
ITEM 16C.	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	111
ITEM 16D.	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	111
ITEM 16E.	<u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	112
ITEM 16F.	<u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	112
ITEM 16G.	<u>CORPORATE GOVERNANCE</u>	112
ITEM 16H.	<u>MINE SAFETY DISCLOSURE</u>	113
<u>PART III</u>		114
ITEM 17.	<u>FINANCIAL STATEMENTS</u>	114
ITEM 18.	<u>FINANCIAL STATEMENTS</u>	114
ITEM 19.	<u>EXHIBITS</u>	114

Table of Contents

GLOSSARY

ADR	American Depositary Receipt evidencing ADSs.
ADR depositary	Citibank, N.A.
ADS	American Depositary Share representing one-fourth of one share of Common Stock.
Australian Dollar or A\$	The currency of the Commonwealth of Australia.
Commercial Code	Commercial Code of the Republic of Korea.
common stock	Common stock, par value Won 5,000 per share, of POSCO.
deposit agreement	Deposit Agreement, dated as of July 19, 2013, among POSCO, the ADR Depositary and all holders and beneficial owners from time to time of ADRs issued thereunder.
Dollars, \$ or US\$	The currency of the United States of America.
FSCMA	Financial Investment Services and Capital Markets Act of the Republic of Korea.
Government	The government of the Republic of Korea.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.
Yen or JPY	The currency of Japan.
Korea	The Republic of Korea.
Korean GAAP	Generally accepted accounting principles in the Republic of Korea.
Gwangyang Works	Gwangyang Steel Works.
We	POSCO and its consolidated subsidiaries.
Pohang Works	Pohang Steel Works.
POSCO Group	POSCO and its consolidated subsidiaries.
Renminbi	The currency of the People's Republic of China.
Securities Act	The United States Securities Act of 1933, as amended.
Securities Exchange Act	The United States Securities Exchange Act of 1934, as amended.
SEC	The United States Securities and Exchange Commission.
tons	Metric tons (1,000 kilograms), equal to 2,204.6 pounds.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
Won or	The currency of the Republic of Korea.
Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.	

Table of Contents

PART I

Item 1. *Identity of Directors, Senior Managers and Advisers*

Item 1.A. *Directors and Senior Management*

Not applicable

Item 1.B. *Advisers*

Not applicable

Item 1.C. *Auditors*

Not applicable

Item 2. *Offer Statistics and Expected Timetable*

Not applicable

Item 2.A. *Offer Statistics*

Not applicable

Item 2.B. *Method and Expected Timetable*

Not applicable

Item 3. *Key Information*

Item 3.A. *Selected Financial Data*

The selected financial data presented below should be read in conjunction with our Consolidated Financial Statements and related notes thereto and Item 5. Operating and Financial Review and Prospects included elsewhere in this annual report. The selected financial data in Won as of December 31, 2012 and 2013 and for each of the years in the three-year period ended December 31, 2013 were derived from our Consolidated Financial Statements included elsewhere in this annual report. Our Consolidated Financial Statements are prepared in accordance with IFRS as issued by the IASB.

In addition to preparing financial statements in accordance with IFRS as issued by the IASB included in this annual report, we also prepare financial statements in accordance with Korean International Financial Reporting Standards (K-IFRS) as adopted by the Korean Accounting Standards Board (the KASB), which we are required to file with the Financial Services Commission and the Korea Exchange under the Financial Investment Services and Capital Markets Act of Korea. English translations of such financial statements are furnished to the Securities and Exchange Commission under Form 6-K. Beginning with our financial statements prepared in accordance with K-IFRS as of and for the year ended December 31, 2012, we are required to adopt certain amendments to K-IFRS No. 1001, Presentation of Financial Statements, as adopted by the KASB in 2012, pursuant to which we present operating profit or loss as an amount of revenue less cost of sales and selling and administrative expenses. In our consolidated statements of comprehensive income prepared in accordance with IFRS as issued by the IASB included in this annual report, such changes in presentation were not adopted. See Item 5.a. Operating Results Explanatory Note Regarding Presentation of Certain Financial Information under K-IFRS.

Table of Contents

The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with Item 5. Operating and Financial Review and Prospects and our consolidated financial statements and related notes included in this annual report.

Selected consolidated statement of comprehensive income data

	2010	For the Year Ended December 31,				2013
		2011	2012	2013	2013	
	(In billions of Won and millions of Dollars, except per share data)					
Revenue ⁽¹⁾	47,887	68,939	63,604	61,865	US\$	58,623
Cost of sales ⁽²⁾	39,722	59,824	56,143	55,005		52,123
Gross profit	8,165	9,115	7,461	6,860		6,501
Administrative expenses	1,492	2,035	2,129	2,232		2,115
Selling expenses	1,120	1,612	1,679	1,632		1,546
Other operating income	223	307	448	229		217
Other operating expenses	342	367	809	651		617
Operating profit	5,434	5,408	3,292	2,574		2,439
Share of profit (loss) of equity-accounted investees	183	51	(23)	(180)		(171)
Finance income	1,739	3,190	2,897	2,381		2,256
Finance costs	2,088	3,867	2,798	2,829		2,681
Profit before income tax	5,267	4,782	3,368	1,946		1,844
Income tax expense	1,081	1,068	983	591		560
Profit for the period	4,186	3,714	2,386	1,355		1,284
Total comprehensive income for the period	4,765	2,442	1,748	1,369		1,297
Profit (loss) for the period attributable to:						
Owners of the controlling company	4,106	3,648	2,462	1,376		1,304
Non-controlling interests	80	66	(76)	(21)		(20)
Total comprehensive income (loss) attributable to:						
Owners of the controlling company	4,640	2,530	1,912	1,444		1,368
Non-controlling interests	126	(88)	(164)	(75)		(71)
Basic and diluted earnings per share ⁽³⁾	53,297	47,224	31,874	17,409		16,497
Dividends per share of common stock	10,000	10,000	8,000	8,000		
Dividends per share of common stock (in Dollars) ⁽⁴⁾	US\$ 8.78	US\$ 8.67	US\$ 7.47	US\$ 7.58		

Selected consolidated statements of financial position data

	2010	As of December 31,				2013
		2011	2012	2013	2013	
	(In billions of Won and millions of Dollars)					
Working capital ⁽⁵⁾	9,395	13,952	11,791	11,425	US\$	10,826
Total current assets	27,672	33,557	31,566	31,666		30,007
Property, plant and equipment, net	25,438	28,453	32,276	35,760		33,886
Total non-current assets	41,746	44,852	47,700	52,789		50,023
Total assets	69,418	78,409	79,266	84,455		80,029
Short-term borrowings and current installments of long-term borrowings	10,476	10,792	10,509	10,714		10,153
Long-term borrowings, excluding current installments	10,664	16,020	14,412	15,533		14,719
Total liabilities	30,881	37,679	36,836	38,633		36,609
Share capital	482	482	482	482		457
Total equity	38,537	40,730	42,429	45,822		43,421

Table of Contents**Selected consolidated statements of cash flows data**

	2010	For the Year Ended December 31,			2013
		2011	2012	2013	
	(In billions of Won and millions of Dollars)				
Net cash provided by operating activities	3,582	1,692	7,319	4,858	US\$ 4,603
Net cash used in investing activities	(6,915)	(5,517)	(6,169)	(8,752)	(8,293)
Net cash provided by (used in) financing activities	4,588	4,900	(908)	3,532	3,347
Net increase (decrease) in cash and cash equivalents	1,248	1,078	82	(472)	(447)
Cash and cash equivalents at beginning of the year	2,273	3,521	4,599	4,681	4,436
Cash and cash equivalents at end of the year	3,521	4,599	4,681	4,209	3,988

- (1) Includes sales by our consolidated subsidiaries of steel products purchased by such subsidiaries from third parties, including trading companies to which we sell steel products.
- (2) Includes purchases of steel products by our consolidated subsidiaries from third parties, including trading companies to which we sell steel products.
- (3) See Note 36 of Notes to Consolidated Financial Statements for method of calculation. The weighted average number of common shares outstanding used to calculate basic and diluted earnings per share was 77,032,878 shares as of December 31, 2010, 77,251,818 shares as of December 31, 2011, 77,244,444 shares as of December 31, 2012 and 78,009,654 shares as of December 31, 2013.
- (4) Translated into Dollars by applying the exchange rate at the end of the applicable year as announced by Seoul Money Brokerage Services, Ltd.
- (5) Working capital means current assets minus current liabilities.

EXCHANGE RATE INFORMATION

The following table sets out information concerning the market average exchange rate for the periods and dates indicated.

Period	At End of Period	Average Rate ⁽¹⁾ (Per US\$1.00)	High	Low
2009	1,167.6	1,276.4	1,573.6	1,152.8
2010	1,138.9	1,156.3	1,261.5	1,104.0
2011	1,153.3	1,108.1	1,199.5	1,049.5
2012	1,071.1	1,126.9	1,181.8	1,071.1
2013	1,055.3	1,095.0	1,159.1	1,051.5
October	1,061.4	1,066.8	1,075.7	1,056.5
November	1,062.1	1,062.8	1,072.9	1,055.8
December	1,055.3	1,056.7	1,061.9	1,051.5
2014 (through May 9)	1,023.5	1,061.0	1,086.1	1,023.5
January	1,079.2	1,064.8	1,084.1	1,050.4
February	1,067.7	1,071.3	1,086.1	1,060.5
March	1,068.8	1,070.9	1,080.3	1,062.6
April	1,031.7	1,044.6	1,066.1	1,031.7
May (through May 9)	1,023.5	1,061.0	1,086.1	1,023.5

Source: Seoul Money Brokerage Services, Ltd.

- (1) The average rate for each year is calculated as the average of the market average exchange rates on the last business day of each month during the relevant year (or portion thereof). The average rate for a month is calculated as the average of the market average exchange rates on each business day during the relevant month (or portion thereof).

Item 3.B. *Capitalization and Indebtedness*

Not applicable

Item 3.C. *Reasons for Offer and Use of Proceeds*

Not applicable

Table of Contents**Item 3.D. Risk Factors**

You should carefully consider the risks described below.

The global economic downturn may adversely affect our business and performance. While there have been mixed signs of recovery from the prolonged global economic downturn that began in the second half of 2008, the global economic outlook for the near future continues to remain uncertain.

Our business is affected by highly cyclical market demand for our steel products from a number of industries, including the construction, automotive, shipbuilding and electrical appliances industries as well as downstream steel processors, which are sensitive to general conditions in the global economy. Macroeconomic factors, such as the economic growth rate, employment levels, interest rates, inflation rates, exchange rates, commodity prices, demographic trends and fiscal policies of governments can have a significant effect on such industries. From time to time, these industries have experienced significant and sometimes prolonged downturns, which, in turn, have negatively impacted our steel business. While there have been mixed signs of recovery from the prolonged global economic downturn that began in the second half of 2008, the global economic outlook for the near future continues to remain uncertain, particularly in light of concerns regarding the timing and potential economic impact of a future scale-down by the U.S. Federal Reserve of its quantitative easing stimulus program, as well as the recent slowdown of economic growth in China and continuing financial difficulties affecting several European countries, including Cyprus, Greece, Spain, Portugal and Italy.

An actual or anticipated further deterioration of global economic conditions may result in a decline in demand for our products that could have a negative impact on the prices at which they can be sold. In such a case, we will likely face pressure to reduce prices and we may need to rationalize our production capacity and reduce fixed costs. In response to sluggish demand from our customers in industries adversely impacted by the deteriorating global economic conditions in the second half of 2008, such as the automotive and construction industries, we reduced our crude steel production and sales prices in December 2008 and the first quarter of 2009. Signs that the pace of deterioration in market conditions had slowed began to appear in the second quarter of 2009, however, and demand from certain segments of our customer base, including the domestic automotive and construction industries, showed signs of recovery starting in the second quarter of 2009. In response, we began to incrementally increase our crude steel production starting in April 2009 and our production level normalized in the second half of 2009. Our crude steel production decreased from 34.7 million tons in 2008 to 31.1 million tons in 2009, but rebounded to 35.4 million tons in 2010, 39.1 million tons in 2011 and 39.7 million tons in 2012. However, in 2013, we reduced our production to 38.3 million tons in response to slowdown in global demand for steel products. Prices of our steel products gradually recovered starting in the third quarter of 2009, but our export prices fell substantially in the second half of 2011 and decreased further in 2012 and the first half of 2013. Our domestic sales prices remained relatively stable in the second half of 2011 but decreased in 2012 and the first half of 2013.

We expect that fluctuation in demand for our steel products and trading services to continue to prevail at least in the near future. We may decide to further adjust our future crude steel production or our sales prices on an on-going basis subject to market demand for our products, the production outlook of the global steel industry and global economic conditions in general. In addition, economic downturns in the Korean and global economies could result in market conditions characterized by weaker demand for steel products from a number of industries as well as falling prices for export and import products and reduced trade levels. Deterioration of market conditions may result in changes in assumptions underlying the carrying value of certain assets, which in turn could result in impairment of such assets, including intangible assets such as goodwill. In addition, our ability to reduce expenditures for production facilities and research and development during an industry downturn is limited because of the need to maintain our competitive position. If we are unable to reduce our expenses sufficiently to offset reductions in price and sales volume, our margins will suffer and our business, financial condition and results of operations may be materially and adversely affected.

Table of Contents

Korea is our most important market, and our current business and future growth could be materially and adversely affected if economic conditions in Korea deteriorate.

We are incorporated in Korea, and a substantial portion of our operations and assets are located in Korea. Korea is our most important market, accounting for 48.8% of our total revenue from steel products produced and sold by us in 2013. Domestic demand for our products is affected by the condition of major steel consuming industries, such as construction, shipbuilding, automotive, electrical appliances and downstream steel processors, and the Korean economy in general. In addition, the trading operations of Daewoo International Corporation (Daewoo International), our consolidated subsidiary in which we hold a 60.3% interest, are affected by the general level of trade between Korea and other countries, which in turn tends to fluctuate based on general conditions in the Korean and global economies. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs, and future growth of the Korean economy is subject to many factors beyond our control, including developments in the global economy.

Due to recent liquidity and credit concerns and volatility in the global financial markets, the value of the Won relative to the Dollar and other foreign currencies and the stock prices of Korean companies have fluctuated significantly in recent years. In particular, there has been increased volatility in light of concerns regarding the timing and potential economic impact of a future scale-down by the U.S. Federal Reserve of its quantitative easing stimulus program, as well as the recent slowdown of economic growth in China and continuing financial difficulties affecting several European countries, including Cyprus, Greece, Spain, Portugal and Italy. In addition, economic and political instability in certain emerging economies, such as Argentina and Ukraine, have resulted in an increase in volatility in the global financial markets. Accordingly, the overall prospects for the Korean and global economies in the remainder of 2014 and beyond remain uncertain. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

Developments that could have an adverse impact on Korea's economy include:

difficulties in the financial sectors in Europe and elsewhere and increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;

declines in consumer confidence and a slowdown in consumer spending;

adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the Dollar, the Euro or the Yen exchange rates or revaluation of the Renminbi), interest rates, inflation rates or stock markets;

continuing adverse conditions in the economies of countries and regions that are important export markets for Korea, such as the United States, Europe, Japan and China, or in emerging market economies in Asia or elsewhere;

increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers;

the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China), as well as a slowdown in the growth of China's economy;

the economic impact of any pending or future free trade agreements;

social and labor unrest;

substantial decreases in the market prices of Korean real estate;

Table of Contents

a decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased government budget deficit;

financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;

loss of investor confidence arising from corporate accounting irregularities and corporate governance issues concerning certain Korean conglomerates;

increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;

geo-political uncertainty and risk of further attacks by terrorist groups around the world;

the occurrence of severe health epidemics in Korea and other parts of the world;

deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from trade disputes or disagreements in foreign policy;

political uncertainty or increasing strife among or within political parties in Korea;

hostilities or political or social tensions involving oil producing countries in the Middle East and North Africa and any material disruption in the global supply of oil or increase in the price of oil;

the occurrence of severe earthquakes, tsunamis and other natural disasters in Korea and other parts of the world, particularly in trading partners (such as the March 2011 earthquake in Japan, which also resulted in the release of radioactive materials from a nuclear plant that had been damaged by the earthquake); and

an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

We rely on export sales for a significant portion of our total sales. Adverse economic and financial developments in Asia in the future may have an adverse effect on demand for our products in Asia and increase our foreign exchange risks.

Our export sales and overseas sales to customers abroad accounted for 51.2% of our total revenue from steel products produced and sold by us in 2013. Our export sales volume to customers in Asia, including China, Japan, Indonesia, Thailand and Malaysia, accounted for 70.4% of our total export sales revenue from steel products produced and exported by us in 2013, and we expect our sales to these countries, especially to China, to remain important in the future. Accordingly, adverse economic and financial developments in these countries may have an adverse effect on demand for our products. Economic weakness in Asia may also adversely affect our sales to the Korean companies that export to the region, especially companies in the construction, shipbuilding, automotive, electrical appliances and downstream steel processing industries. Weaker demand in these countries, combined with addition of new steel production capacity, particularly in China, may also reduce export prices in Dollar terms of our principal products. We attempt to maintain and expand our export sales to generate foreign currency receipts to cover our foreign currency purchases and debt service requirements. Consequently, any decrease in our export sales could also increase our foreign exchange risks.

Depreciation of the value of the Won against the Dollar and other major foreign currencies may have a material adverse effect on the results of our operations and on the price of the ADSs.

Our consolidated financial statements are prepared from our local currency denominated financial results, assets and liabilities and our subsidiaries around the world, which are then translated

Table of Contents

into Won. A substantial proportion of our consolidated financial results is accounted for in currencies other than the Won. Accordingly, our consolidated financial results and assets and liabilities may be materially affected by changes in the exchange rates of foreign currencies. In 2013, 51.2% of our total revenue from steel products produced and sold by us was in overseas markets outside of Korea. To the extent that we incur costs in one currency and make sales in another, our profit margins may be affected by changes in the exchange rates between the two currencies. Since the currency in which sales are recorded may not be the same as the currency in which expenses are incurred, foreign exchange rate fluctuations may materially affect our results of operations. Depreciation of the Won may materially affect the results of our operations because, among other things, it causes:

an increase in the amount of Won required for us to make interest and principal payments on our foreign currency-denominated debt;

an increase in Won terms in the costs of raw materials and equipment that we purchase from overseas sources and a substantial portion of our freight costs, which are denominated primarily in Dollars; and

foreign exchange translation losses on liabilities, which lower our earnings for accounting purposes.

Appreciation of the Won against major currencies, on the other hand, causes:

our export products to be less competitive by raising our prices in Dollar, Yen and Renminbi terms; and

a reduction in net sales and accounts receivables in Won from export sales, which are primarily denominated in Dollars and to a lesser extent in Yen and Renminbi.

We strive to naturally offset our foreign exchange risk by matching foreign currency receivables with our foreign currency payables and our overseas subsidiaries have sought to further mitigate the adverse impact of exchange rate fluctuations by conducting business transactions in the local currency of the respective market in which the transactions occur. In particular, Daewoo International's exposure to fluctuations in exchange rates, including the Won/Dollar exchange rate, is limited because trading transactions typically involve matched purchase and sale contracts, which result in limited settlement exposure, and because Daewoo International's contracts with domestic suppliers of products for export and with domestic purchasers of imported products are generally denominated in Dollars. Although the impact of exchange rate fluctuations is partially mitigated by such strategies, we and our subsidiaries, particularly Daewoo International and POSCO Engineering & Construction Co., Ltd. (POSCO E&C), also periodically enter into derivative contracts, primarily foreign currency swaps and forward exchange contracts, to further hedge our foreign exchange risks. However, our results of operations have historically been affected by exchange rate fluctuations and there can be no assurance that such strategies will be sufficient to reduce or eliminate the adverse impact of such fluctuations in the future. Because of the larger positive effects of the appreciation of the Won (i.e., the reverse of the negative effects caused by the depreciation of the Won, as discussed above), depreciation of the Won generally has a negative impact on our results of operations.

Fluctuations in the exchange rate between the Won and the Dollar will also affect the Dollar equivalent of the Won price of the shares of our common stock on the KRX KOSPI Market and, as a result, will likely affect the market price of the ADSs. These fluctuations will also affect the Dollar conversion by the depositary for the ADRs of cash dividends, if any, paid in Won on shares of common stock represented by the ADSs.

We are dependent on imported raw materials, and significant increases in market prices of essential raw materials could adversely affect our margins and profits.

We purchase substantially all of the principal raw materials we use from sources outside Korea, including iron ore and coal. POSCO imported approximately 48.9 million dry metric tons of iron ore and

Table of Contents

26.6 million wet metric tons of coal in 2013. Iron ore is imported primarily from Australia, Brazil and South Africa. Coal is imported primarily from Australia, Canada and the United States. Although we have not experienced significant unanticipated supply disruptions in the past, supply disruptions, which could be caused by political or other events in the countries from which we import these materials, could adversely affect our operations. In addition, we are particularly exposed to increases in the prices of coal, iron ore and nickel, which represent the largest components of our cost of goods sold. The prices of our key raw materials have fluctuated significantly in recent years. For example, the average market price of coal per wet metric ton (benchmark free on board price of Australian premium hard coking coal) was US\$289 in 2011, US\$209 in 2012 and US\$159 in 2013. The average market price of iron ore per dry metric ton (free on board price of Platts Iron Ore index with iron (Fe) 62% content) was US\$160 in 2011, US\$122 in 2012 and US\$126 in 2013.

Our long-term supply contracts generally have terms of three to ten years and provide for periodic price adjustments to the then-market prices. We typically adjust the prices on a quarterly basis and maintain approximately one month of inventory of raw materials. Such price negotiations are driven by various factors, including the global economic outlook, global market prices of raw materials and steel products, supply and demand outlook of raw materials and production costs of raw materials. Typically, globally influenced buyers and sellers of raw materials determine benchmark prices of raw materials, based on which other buyers and sellers negotiate their prices after taking into consideration the quality of raw materials and other factors. In the case of iron ore, if we fail to agree on the quarterly price adjustment within a predetermined deadline, the supplier and we typically agree on the purchase price based on the price formula that reflects the spot market price as well as the quality of iron ore and transportation expense. As of December 31, 2013, 193 million tons of iron ore and 14 million tons of coal remained to be purchased under long-term supply contracts. Future increases in prices of our key raw materials and our inability to pass along such increases to our customers could adversely affect our margins and profits. Increased prices may also cause potential customers to defer purchase of steel products, which would have an adverse effect on our business, financial condition and results of operations.

We operate in the highly competitive steel, trading and constructing industries, and our failure to successfully compete would adversely affect our market position and business.

Steel. The markets for our steel products are highly competitive and we face intense global competition. In recent years, driven in part by strong growth in steel consumption in the developing world, particularly in China, the global steel industry has experienced renewed interest in expansion of steel production capacity. China is the largest steel producing country in the world by a significant margin, with the balance between its domestic production and demand being an important factor in the determination of global steel prices. In addition, the global steel industry has experienced consolidation in the past decade, including through the merger of Mittal and Arcelor in 2006 that created a company with approximately 10% of global steel production capacity. Competition from global steel manufacturers with expanded production capacity such as ArcelorMittal S.A. and new market entrants, especially from China and India, have resulted in significant price competition and may result in declining margins and reductions in revenue. Our larger competitors may use their resources, which may be greater than ours, against us in a variety of ways, including by making additional acquisitions, investing more aggressively in product development and capacity and displacing demand for our export products.

The increased production capacity, combined with a decrease in demand due to the recent slowdown of the global economy, has resulted in production over-capacity in the global steel industry. Production over-capacity in the global steel industry may intensify if the slowdown of the global economy is prolonged or demand from developing countries, particularly from China, does not meet the recent growth in production capacity. Production over-capacity in the global steel industry is likely to:

reduce export prices in Dollar terms of our principal products, which in turn may reduce our sales prices in Korea;

Table of Contents

increase competition in the Korean market as foreign producers seek to export steel products to Korea as other markets experience a slowdown;

negatively affect demand for our products abroad and our ability to expand export sales; and

affect our ability to increase steel production in general.

Steel also competes with other natural and synthetic materials that may be used as steel substitutes, such as aluminum, cement, composites, glass, plastic and wood. Government regulatory initiatives mandating the use of such materials instead of steel, whether for environmental or other reasons, as well as the development of attractive alternative substitutes for steel products, may reduce demand for steel products and increase competition in the global steel industry.

As part of our strategy to compete in this challenging landscape, we will continue to invest in developing innovative products that offer the greatest potential returns and enhance the overall quality of our products, as well as make additional investments in the development of new manufacturing technologies. However, there is no assurance that we will be able to continue to compete successfully in this economic environment or that the prolonged slowdown of the global economy or production over-capacity will not have a material adverse effect on our business, results of operations or financial condition.

Trading. Daewoo International competes principally with six other Korean general trading companies, each of which is affiliated with a major domestic business group, as well as global trading companies based in other countries. In the domestic market, competition for export transactions on behalf of domestic suppliers and import transactions on behalf of domestic purchasers was limited, as most affiliated general trading companies of large Korean business groups generally relied on affiliate transactions for the bulk of their trading business. However, in recent years, many of these Korean general trading companies have reduced their reliance on their affiliated business group and transactions carried out on behalf of their member companies and instead have generally evolved to focus on segments of the import and export markets in which they have a competitive advantage. As a result, competition among Korean general trading companies in the area of traditional trade has become more intense.

The overseas trading markets in which Daewoo International operates are also highly competitive. Daewoo International's principal competitors in the overseas trading markets include Korean trading companies that operate in various international markets, as well as foreign trading companies, particularly those based in Japan. As Daewoo International diversifies into businesses other than traditional trading such as natural resources development, it also increasingly competes with other Korean and international companies involved in these businesses. Some of Daewoo International's competitors may be more experienced and have greater financial resources and pricing flexibility than Daewoo International, as well as more extensive global networks and wider access to customers. There is no assurance that Daewoo International will be able to continue to compete successfully in this economic environment or that the prolonged slowdown of the global economy will not have a material adverse effect on its business, results of operations or financial condition.

Construction. POSCO E&C, our consolidated subsidiary in which we hold an 89.5% interest, operates in the highly competitive construction industry. Competition is based primarily on price, reputation for quality, reliability, punctuality and financial strength of contractors. Intense competition among construction companies may result in, among other things, a decrease in the price POSCO E&C can charge for its services, difficulty in winning bids for construction projects, an increase in construction costs and difficulty in obtaining high-quality contractors and qualified employees.

In Korea, POSCO E&C's main competition in the construction of residential and non-residential buildings, EPC (or engineering, procurement and construction) projects, urban planning and development projects and civil works projects consists of approximately ten major domestic construction companies, all of which are member companies of other large business groups in Korea

Table of Contents

and are capable of undertaking larger-scale, higher-value-added projects that offer greater potential returns. A series of measures introduced by the Government over the past few years to regulate housing prices in Korea, as well as increasing popularity of low-bid contracts in civil works project mandates, have contributed to increased competition in the Korean construction industry in recent years.

Competition for new project awards in overseas markets is also intense. In these markets, POSCO E&C faces competition from local construction companies, as well as international construction companies from other countries, including other major Korean construction companies with overseas operations. Construction companies from other developed countries may be more experienced, have greater financial resources and possess more sophisticated technology than POSCO E&C, while construction companies from developing countries often have the advantage of lower wage costs. Some of these competitors have achieved higher market penetration than POSCO E&C has in specific markets in which it competes, and POSCO E&C may need to accept lower margins in order for it to compete successfully against them. POSCO E&C's failure to successfully compete in the domestic or overseas construction markets could adversely affect its market position and its results of operations and financial condition.

We may not be able to successfully execute our diversification strategy.

In part to prepare for the eventual maturation of the Korean steel market, our overall strategy includes securing new growth engines by diversifying into new businesses related to our steel operations that we believe will offer greater potential returns, such as participation in EPC projects in the steel sector and natural resources development, as well as entering into new businesses not related to our steel operations such as power generation and alternative energy solutions, production of comprehensive materials such as lithium, silicon, carbon and magnesium, information and technology consulting services, and automation and system integration engineering services. From time to time, we may selectively acquire or invest in companies to pursue such diversification strategy. For example, on September 20, 2010, we acquired a controlling interest in Daewoo International for Won 3.37 trillion. Daewoo International is a global trading company that primarily engages in trading of steel and raw materials as well as investing in energy and mineral development projects.

The success of the overall diversification strategy will depend, in part, on our ability to realize the growth opportunities and anticipated synergies. The realization of the anticipated benefits depends on numerous factors, some of which are outside our control, including the availability of qualified personnel, establishment of new relationships and expansion of existing relationships with various customers and suppliers, procurement of necessary technology and know-how to engage in such businesses and access to investment capital at reasonable costs. The realization of the anticipated benefits may be impeded, delayed or reduced as a result of numerous factors, some of which are outside our control. These factors include:

difficulties in integrating the operations of the acquired business, including information and accounting systems, personnel, policies and procedures, and in reorganizing or reducing overlapping operations, marketing networks and administrative functions, which may require significant amounts of time, financial resources and management attention;

unforeseen contingent risks or latent liabilities relating to the acquisition that may become apparent in the future;

difficulties in managing a larger business; and

loss of key management personnel or customers.

Accordingly, we cannot assure you that our diversification strategy can be completed profitably or that the diversification efforts will not adversely affect our combined business, financial condition and results of operations.

Table of Contents

Expansion of our production operations abroad is important to our long-term success, and our limited experience in the operation of our business outside Korea increases the risk that our international expansion efforts will not be successful.

We conduct international trading and construction operations abroad, and our business relies on a global trading network comprised of overseas subsidiaries, branches and representative offices. Although many of our subsidiaries and overseas branches are located in developed countries, we also operate in numerous countries with developing economies. In addition, we intend to continue to expand our steel production operations internationally by carefully seeking out promising investment opportunities, particularly in China, India, Southeast Asia and Latin America, in part to prepare for the eventual maturation of the Korean steel market. We may enter into joint ventures with foreign steel producers that would enable us to rely on these businesses to conduct our operations, establish local networks and coordinate our sales and marketing efforts abroad. To the extent that we enter into these arrangements, our success will depend in part on the willingness of our partner companies to dedicate sufficient resources to their partnership with us.

In other situations, we may decide to establish manufacturing facilities by ourselves instead of relying on partners. The demand and market acceptance for our products produced abroad are subject to a high level of uncertainty and are substantially dependent upon the market condition of the global steel industry. We cannot assure you that our international expansion plan will be profitable or that we can recoup the costs related to such investments.

Expansion of our trading, construction and production operations abroad requires management attention and resources. In addition, we face additional risks associated with our expansion outside Korea, including:

challenges caused by distance, language and cultural differences;

higher costs associated with doing business internationally;

legal and regulatory restrictions, including foreign exchange controls that might prevent us from repatriating cash earned in countries outside Korea;

longer payment cycles in some countries;

credit risk and higher levels of payment fraud;

currency exchange risks;

potentially adverse tax consequences;

political and economic instability; and

seasonal reductions in business activity during the summer months in some countries.

We have limited insurance coverage and may incur significant losses resulting from operating hazards, product liability claims from customers or business interruptions.

The normal operation of our manufacturing facilities may be interrupted by accidents caused by operating hazards, power supply disruptions and equipment failures, as well as natural disasters. As with other industrial companies, our operations involve the use, handling, generation,

Edgar Filing: POSCO - Form 20-F

processing, storage, transportation and disposal of hazardous materials, which may result in fires, explosions, spills and other unexpected or dangerous accidents causing property damage as well as personal injuries or death. We are also exposed to risks associated with product liability claims in the event that the use of the products we sell results in injury. We maintain property insurance for our property, plant and equipment that we believe to be consistent with market practice in Korea. However, we may not have adequate resources to satisfy a judgment in excess of our insurance coverage in the event of a successful claim against us. Any occurrence of accidents or other events affecting our operations could result in potentially significant monetary damages, diversion of resources, production disruption and delay in delivery of our products, which may have a material adverse effect on our business, financial condition and results of operations.

Table of Contents

We may from time to time engage in acquisitions for which we may be required to seek additional sources of capital.

From time to time, we may selectively acquire or invest in companies or businesses that may complement our business. In order to finance these acquisitions, we intend to use cash on hand, funds from operations, issuances of equity and debt securities, and, if necessary, financings from banks and other sources as well as entering into consortiums with financial investors. However, no assurance can be given that we will be able to obtain sufficient financing for such acquisitions or investments on terms commercially acceptable to us or at all. We also cannot assure you that such financings and related debt payment obligations will not have a material adverse impact on our financial condition, results of operations or cash flow.

Further increases in, or new impositions of, anti-dumping or countervailing duty proceedings may have an adverse impact on our export sales.

In recent years, we have become subject to a number of anti-dumping duties in India, Indonesia, Australia, Thailand, Brazil, Taiwan and Malaysia and a number of anti-dumping and countervailing duty investigations in several other countries, including the U.S., India and Canada. In addition, the Mexican government initiated an anti-dumping investigation in October 2012 relating to our exports of cold rolled steel products, and the investigation was suspended until 2018 on condition that we comply with supply undertakings. Our products that are subject to anti-dumping or countervailing duty proceedings in the aggregate currently do not account for a material portion of our total sales, and such proceedings have not had a material adverse impact on our business and operations in recent years. However, there can be no assurance that increases in, or new impositions of, anti-dumping duties, countervailing duties, quotas or tariffs on our exports of products abroad may not have a material adverse impact on our exports in the future. See Item 4. Information on the Company Item 4.B. Business Overview Markets Exports.

We participate in overseas natural resources exploration, development and production projects abroad, which expose us to various risks.

As part of consortia or through acquisitions of minority interests, we engage in overseas natural resources exploration, development and production projects in various locations, including a gas field exploration project in Myanmar, in which Daewoo International had invested approximately US\$ 1,103 million as of December 31, 2013 and plans to make further investments in the future. Daewoo International began recognizing revenue from the Myanmar gas field project starting in November 2013. We may also selectively acquire or invest in companies or businesses that engage in such activities. As part of our efforts to diversify our operations, we intend to continue to expand our operations by carefully seeking out promising exploration, development and production opportunities abroad. To the extent that we enter into these arrangements, our success in these endeavors will depend in part on the willingness of our partner companies to dedicate sufficient resources to their partnership with us.

The demand and market acceptance for such activities abroad are subject to a substantially higher level of uncertainty than our traditional steel business and are substantially dependent upon the market condition of the global natural resources industry as well as the political and social environment of the target countries. The performance of projects in which we participate may be adversely affected by the occurrence of military hostility, political unrest or acts of terrorism. In addition, some of our current exploration, development and production projects involve drilling exploratory wells on properties with no proven amount of natural resource reserves. Although all drilling, whether developmental or exploratory, involves risks, exploratory drilling involves greater risks of dry holes or failure to find commercial quantities of natural resources. We have limited experience in this business, and we cannot assure you that our overseas natural resources exploration, development and production projects will be profitable, that we will be able to meet the financing requirements for such projects, or that we can recoup the costs related to such investments, which in turn could materially and adversely affect our business, financial condition and results of operations.

Table of Contents

We may encounter problems with joint overseas natural resources exploration, development and production projects and large-scale infrastructure projects, which may materially and adversely affect our business.

In recent years, we have begun to focus increasingly on overseas natural resources exploration, development and production projects. We typically pursue these natural resources exploration, development and production projects jointly with consortium partners or through acquisition of minority interests in such projects, and we expect to be involved in other joint projects in the future. We sometimes hold a majority interest in the projects among the consortium partners, but we often lack a controlling interest in the joint projects. Therefore, we may not be able to require that our joint ventures sell assets or return invested capital, make additional capital contributions or take any other action without the vote of at least a majority of our consortium partners. If there are disagreements between our consortium partners and us regarding the business and operations of the joint projects, we cannot assure you that we will be able to resolve them in a manner that will be in our best interests. Certain major decisions, such as selling a stake in the joint project, may require the consent of all other partners. These limitations may adversely affect our ability to obtain the economic and other benefits we seek from participating in these projects.

In addition, our consortium partners may:

have economic or business interests or goals that are inconsistent with us;

take actions contrary to our instructions, requests, policies or objectives;

be unable or unwilling to fulfill their obligations;

have financial difficulties; or

have disputes with us as to their rights, responsibilities and obligations.

Any of these and other factors may have a material adverse effect on the performance of our joint projects and expose us to a number of risks, including the risk that the partners may be incapable of providing the required financial support to the partnerships and the risk that the partners may not be able to fulfill their other obligations, resulting in disputes not only between our partners and us, but also between the joint ventures and their customers. Such a material adverse effect on the performance of our joint projects may in turn materially and adversely affect our business, results of operations and financial condition.

Cyclical fluctuations based on macroeconomic factors may adversely affect POSCO E&C's business and performance.

In order to complement our steel operations, we engage in engineering and construction activities through POSCO E&C, an 89.5%-owned subsidiary. The construction segment, which accounted for approximately 11.1% of our consolidated sales in 2013 after adjusting for inter-company sales, is highly cyclical and tends to fluctuate based on macroeconomic factors, such as consumer confidence and income, employment levels, interest rates, inflation rates, demographic trends and policies of the Government. Although we believe that POSCO E&C's strategy of focusing on high-value-added plant construction and urban planning and development projects such as Songdo New City has enabled it to be exposed to a lesser degree to general economic conditions in Korea in comparison to some of its domestic competitors, our construction revenues have fluctuated in the past depending on the level of domestic construction activity including new construction orders. POSCO E&C's construction operations could suffer in the future in the event of a general downturn in the construction market resulting in weaker demand, which could adversely affect POSCO E&C's business, results of operations or financial condition.

Table of Contents

Many of POSCO E&C's domestic and overseas construction projects are on a fixed-price basis, which could result in losses for us in the event that unforeseen additional expenses arise with respect to the project.

Many of POSCO E&C's domestic and overseas construction projects are carried out on a fixed-price basis according to a predetermined timetable, pursuant to the terms of a fixed-price contract. Under such fixed-price contracts, POSCO E&C retains all cost savings on completed contracts but is also liable for the full amount of all cost overruns and may be required to pay damages for late delivery. The pricing of fixed-price contracts is crucial to POSCO E&C's profitability, as is its ability to quantify risks to be borne by it and to provide for contingencies in the contract accordingly.

POSCO E&C attempts to anticipate costs of labor, raw materials, parts and components in its bids on fixed-price contracts. However, the costs incurred and gross profits realized on a fixed-price contract may vary from its estimates due to factors such as:

unanticipated variations in labor and equipment productivity over the term of a contract;

unanticipated increases in labor, raw material, parts and components, subcontracting and overhead costs, including as a result of bad weather;

delivery delays and corrective measures for poor workmanship; and

errors in estimates and bidding.

If unforeseen additional expenses arise over the course of a construction project, such expenses are usually borne by POSCO E&C, and its profit from the project will be correspondingly reduced or eliminated. If POSCO E&C experiences significant unforeseen additional expenses with respect to its fixed price projects, it may incur losses on such projects, which could have a material adverse effect on its financial condition and results of operations.

POSCO E&C's domestic residential property business is highly dependent on the real estate market in Korea.

The performance of POSCO E&C's domestic residential property business is highly dependent on the general condition of the real estate market in Korea. The construction industry in Korea is experiencing a downturn due to excessive investment in recent years in residential property development projects, stagnation of real property prices and reduced demand for residential property, especially in areas outside of Seoul. In addition, as liquidity and credit concerns and volatility in the global financial markets increased significantly starting in September 2008, there has been a general decline in the willingness by banks and other financial institutions in Korea to engage in project financing and other lending activities to construction companies, which may adversely impact POSCO E&C's ability to meet its desired funding needs. The Government has taken measures to support the Korean construction industry, including easing of regulations imposed on redevelopment of apartment buildings and resale restrictions in the metropolitan areas, as well as reductions in property taxes. Although the Korean real estate market temporarily recovered in the second half of 2009 and into 2010, declines in demand and price took place in the Korean real estate market in recent years due to the downturn of the domestic economic cycle and financial risk in Europe, and the overall prospects for the Korean real estate market in 2014 and beyond remain uncertain.

We are subject to environmental regulations, and our operations could expose us to substantial liabilities.

We are subject to national and local environmental laws and regulations, including increasing pressure to reduce emission of carbon dioxide relating to our manufacturing process, and our steel manufacturing and construction operations could expose us to risk of substantial liability relating to

Table of Contents

environmental or health and safety issues, such as those resulting from discharge of pollutants and carbon dioxide into the environment, the handling, storage and disposal of solid or hazardous materials or wastes and the investigation and remediation of contaminated sites. We may be responsible for the investigation and remediation of environmental conditions at currently and formerly operated manufacturing or construction sites. We may also be subject to associated liabilities, including liabilities for natural resource damage, third party property damage or personal injury resulting from lawsuits brought by the Government or private litigants. In the course of our operations, hazardous wastes may be generated at third party-owned or operated sites, and hazardous wastes may be disposed of or treated at third party-owned or operated disposal sites. If those sites become contaminated, we could also be held responsible for the cost of investigation and remediation of such sites, for any associated natural resource damage, and for civil or criminal fines or penalties.

Failure to protect our intellectual property rights could impair our competitiveness and harm our business and future prospects.

We believe that developing new steel manufacturing technologies that can be differentiated from those of our competitors, such as FINEX, strip casting and silicon steel manufacturing technologies, is critical to the success of our business. We take active measures to obtain protection of our intellectual property by obtaining patents and undertaking monitoring activities in our major markets. However, we cannot assure you that the measures we are taking will effectively deter competitors from improper use of our proprietary technologies. Our competitors may misappropriate our intellectual property, disputes as to ownership of intellectual property may arise and our intellectual property may otherwise become known or independently developed by our competitors. Any failure to protect our intellectual property could impair our competitiveness and harm our business and future prospects.

We rely on trade secrets and other unpatented proprietary know-how to maintain our competitive position, and unauthorized disclosure of our trade secrets or other unpatented proprietary know-how could negatively affect our business.

We rely on trade secrets and unpatented proprietary know-how and information. We enter into confidentiality agreements with each of our employees and consultants upon the commencement of an employment or consulting relationship. These agreements generally provide that all inventions, ideas, discoveries, improvements and patentable material made or conceived by the individual arising out of the employment or consulting relationship and all confidential information developed or made known to the individual during the term of the relationship is our exclusive property. We cannot assure the enforceability of these types of agreements, or that they will not be breached. We also cannot be certain that we will have adequate remedies for any breach. The disclosure of our trade secrets or other know-how as a result of such a breach could adversely affect our business.

We face the risk of litigation proceedings relating to infringement of intellectual property rights of third parties, which, if determined adversely to us, could cause us to lose significant rights, pay significant damage awards or suspend the sale of certain products.

Our success depends largely on our ability to develop and use our technology and know-how in a proprietary manner without infringing the intellectual property rights of third parties. The validity and scope of claims relating to technology and patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. In addition, because patent applications in many jurisdictions are kept confidential for an extended period before they are published, we may be unaware of other persons' pending patent applications that relate to our products or manufacturing processes. Accordingly, we face the risk of litigation proceedings relating to infringement of intellectual property rights of third parties. See Item 8.A. Consolidated Statements and Other Financial Information - Legal Proceedings.

Table of Contents

The plaintiffs in actions relating to infringement of intellectual property rights typically seek injunctions and substantial damages. Although patent and other intellectual property disputes are often settled through licensing or similar arrangements, there can be no assurance that such licenses can be obtained on acceptable terms or at all. Accordingly, regardless of the scope or validity of disputed patents or the merits of any patent infringement claims by potential or actual litigants, we may have to engage in protracted litigation. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings could subject us to pay substantial damages to third parties, require us to seek licenses from third parties and pay ongoing royalties or redesign certain products, or subject us to injunctions prohibiting the manufacture and sale of our products or the use of technologies in certain jurisdictions. The occurrence of any of the foregoing could have a material adverse effect on our reputation, business, financial condition and results of operations.

We may be exposed to potential claims for unpaid wages and become subject to additional labor costs arising from the Supreme Court of Korea's interpretation of ordinary wages.

Under the Labor Standards Act, an employee is legally entitled to ordinary wages. Under the guidelines previously issued by the Ministry of Employment and Labor (formerly the Ministry of Labor), ordinary wages include base salary and certain fixed monthly allowances for overtime work performed during night shifts and holidays. Prior to the Supreme Court of Korea's decision described below, we and other companies in Korea had interpreted these guidelines as excluding fixed bonuses that are paid other than on a monthly basis (such as bi-monthly, quarterly or biannually paid bonuses) from the scope of ordinary wages.

On December 18, 2013, the Supreme Court of Korea ruled that regularly paid bonuses, including those that are paid other than on a monthly basis, shall be deemed ordinary wages if these bonuses are paid regularly and uniformly on a fixed basis notwithstanding differential amounts based on seniority. Under this decision, any collective bargaining agreement or labor-management agreement that attempts to exclude such regular bonuses from ordinary wage will be deemed void for violation of the mandatory provisions of Korean law. However, the Supreme Court of Korea further ruled that an employee's claim for underpayments under the expanded scope of ordinary wages for the past three years within the statute of limitations may be denied based on principles of good faith if (i) there is an agreement between the employer and employees that the regular bonus shall be excluded from ordinary wage in determining the total amount of wage, (ii) such claim results in further wage payments that far exceed the level of total amount of wage agreed between the employer and employees, and (iii) such claim would cause an unexpected financial burden to the employer leading to material managerial difficulty or a threat to the employer's existence. The principles of good faith, however, do not apply to an agreement on wages entered into between the employer and employees after December 18, 2013, the date of the above decision of the Supreme Court of Korea.

The Supreme Court decision may result in additional labor costs to us in the form of additional payments under the expanded scope of ordinary wages applicable in the past three years as well as to be incurred in the future, which may have an adverse effect on our financial condition and results of operations.

Escalations in tensions with North Korea could have an adverse effect on us and the market value of our common shares and ADSs.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of future events. In particular, since the death of Kim Jong-il in December 2011, there has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its

Table of Contents

implications for political and economic stability in the region. Although Kim Jong-il's third son, Kim Jong-eun, has assumed power as his father's designated successor, the long-term outcome of such leadership transition remains uncertain.

In addition, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and long-range missile programs as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

In April 2013, North Korea blocked access to the inter-Korean industrial complex in its border city of Gaeseong to South Koreans, while the U.S. deployed nuclear-capable stealth bombers and destroyers to Korean air and sea space.

In March 2013, North Korea stated that it had entered a state of war with Korea, declaring the 1953 armistice invalid, and put its artillery at the highest level of combat readiness to protest the Korea-United States allies' military drills and additional sanctions imposed on North Korea for its missile and nuclear tests.

North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted three rounds of nuclear tests between October 2006 to February 2013, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council unanimously passed resolutions that condemned North Korea for the nuclear tests and expanded sanctions against North Korea, most recently in March 2013.

In December 2012, North Korea launched a satellite into orbit using a long-range rocket, despite concerns in the international community that such a launch would be in violation of the agreement with the United States as well as the United Nations Security Council resolutions that prohibit North Korea from conducting launches that use ballistic missile technology.

In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges. For example, in November 2009, the North Korean government redenominated its currency at a ratio of 100 to 1 as part of a currency reform undertaken in an attempt to control inflation and reduce income gaps. In tandem with the currency redenomination, the North Korean government banned the use or possession of foreign currency by its residents and closed down privately run markets, which led to severe inflation and food shortages. Such developments may further aggravate social and political tensions within North Korea.

There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea break down or military hostilities occur, could have a material adverse effect on the Korean economy and on our business, results of operations and financial condition and the market value of our common shares and ADSs.

If you surrender your ADRs to withdraw shares of our common stock, you may not be allowed to deposit the shares again to obtain ADRs.

Under the deposit agreement, holders of shares of our common stock may deposit those shares with the ADR depository's custodian in Korea and obtain ADRs, and holders of ADRs may surrender ADRs to the ADR depository and receive shares of our common stock. However, under current Korean

Table of Contents

laws and regulations, the depositary bank is required to obtain our prior consent for the number of shares to be deposited in any given proposed deposit that exceeds the difference between (i) the aggregate number of shares deposited by us for the issuance of ADSs (including deposits in connection with the initial and all subsequent offerings of ADSs and stock dividends or other distributions related to these ADSs) and (ii) the number of shares on deposit with the depositary bank at the time of such proposed deposit. It is possible that we may not give the consent. As a result, if you surrender ADRs and withdraw shares of common stock, you may not be able to deposit the shares again to obtain ADRs. See Item 10. Additional Information Item 10.D. Exchange Controls.

You may not be able to exercise preemptive rights for additional shares of common stock and may suffer dilution of your equity interest in us.

The Commercial Code and our articles of incorporation require us, with some exceptions, to offer shareholders the right to subscribe for new shares in proportion to their existing ownership percentage whenever new shares are issued. If we issue new shares to persons other than our shareholders (See Item 10.B. Memorandum and Articles of Association Preemptive Rights and Issuance of Additional Shares), a holder of our ADSs will experience dilution of such holding. If none of these exceptions is available, we will be required to grant preemptive rights when issuing additional common shares under Korean law. Under the deposit agreement governing the ADSs, if we offer any rights to subscribe for additional shares of our common stock or any rights of any other nature, the ADR depositary, after consultation with us, may make the rights available to you or use reasonable efforts to dispose of the rights on your behalf and make the net proceeds available to you. The ADR depositary, however, is not required to make available to you any rights to purchase any additional shares unless it deems that doing so is lawful and feasible and:

a registration statement filed by us under the Securities Act is in effect with respect to those shares; or

the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act.

We are under no obligation to file any registration statement under the Securities Act to enable you to exercise preemptive rights in respect of the common shares underlying the ADSs, and we cannot assure you that any registration statement would be filed or that an exemption from the registration requirement under the Securities Act would be available. Accordingly, if a registration statement is required for you to exercise preemptive rights but is not filed by us, you will not be able to exercise your preemptive rights for additional shares and may suffer dilution of your equity interest in us.

U.S. investors may have difficulty enforcing civil liabilities against us and our directors and senior management.

We are incorporated in Korea with our principal executive offices located in Seoul. The majority of our directors and senior management are residents of jurisdictions outside the United States, and the majority of our assets and the assets of such persons are located outside the United States. As a result, U.S. investors may find it difficult to effect service of process within the United States upon us or such persons or to enforce outside the United States judgments obtained against us or such persons in U.S. courts, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for an investor to enforce in U.S. courts judgments obtained against us or such persons in courts in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for a U.S. investor to bring an action in a Korean court predicated upon the civil liability provisions of the U.S. federal securities laws against our directors and senior management and non-U.S. experts named in this annual report.

Table of Contents

We could be adversely affected if the U.S. government were to determine that our affiliate s Iran-related business activities are sanctionable under the U.S. Iranian sanction laws and regulations.

We acquired a controlling interest in Sungjin Geotec Co., Ltd. (Sungjin Geotec), a manufacturer of specialized equipment used in the power and energy industries in May 2010. Sungjin Geotec merged with POSCO Plantec Co., Ltd. (POSCO Plantec) in July 2013, and we currently hold a 36.2% interest in POSCO Plantec. Prior to the merger, Sungjin Geotec entered into contracts with various suppliers to supply equipment for the development of natural gas fields in Iran, including natural gas fields located in South Pars that is led by Pars Oil and Gas Company, a subsidiary of National Iranian Oil Company. Sungjin Geotec recognized revenues of approximately Won 27 billion in 2010, Won 240 billion in 2011 and Won 134 billion in 2012, and net profits of approximately Won 1 billion in 2010, Won 15 billion in 2011 and Won 25 billion in 2012 related to such activities. Sungjin Geotec has completed or terminated all of its remaining outstanding supply contracts to sell equipment for the development of natural gas fields in Iran, and neither Sungjin Geotec nor POSCO Plantec (subsequent to the merger with Sungjin Geotec in July 2013) recognized any revenues nor profits from such activities in 2013. POSCO Plantec does not plan to engage in any sale of equipment in Iran related to the country s development of petroleum resources.

In July 2010, the United States adopted legislation that expands U.S. economic sanctions against foreign companies doing business with Iran in certain sectors. The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (the CISADA) expands the scope of sanctionable activities by, among other things, broadening the definition of investment under the Iran Sanctions Act (the ISA) arguably to include the supply of goods for use in petroleum and gas production. The CISADA also expands the severity of potential sanctions available under the ISA and imposes mandatory investigation and reporting requirements designed to increase the likelihood of enforcement. The CISADA requires the imposition of sanctions against parties found by the U.S. administration, following an investigation, to have engaged in conduct sanctionable under the ISA, subject to certain waiver provisions and exceptions.

Under the ISA, as amended, sanctions can also be imposed against a company that has actual knowledge of, or should have known of, sanctionable conduct engaged in by another company that it owns or controls. A range of sanctions may be imposed on companies that engage in sanctionable activities, including among other things the blocking of any property subject to U.S. jurisdiction in which the sanctioned company has an interest, which could include a prohibition on transactions or dealings involving securities of the sanctioned company. By its terms, the CISADA is applicable to certain investments in Iran that commenced on or after July 1, 2010.

There can be no assurance that Sungjin Geotec s Iran-related business activities did not constitute sanctionable activities or that we will not be subjected to sanctions under the ISA as amended by the CISADA. Our business and reputation could be adversely affected if the U.S. government were to determine that Sungjin Geotec s Iran-related business activities constituted sanctionable activity attributable to us. Investors in our securities may also be adversely affected if we are sanctioned under the CISADA or if their investment in our securities is restricted under any sanctions regimes with which the investors are required to comply. As noted above, sanctions under the ISA could include the blocking of any property in which we have an interest, which would effectively prohibit all U.S. persons from receiving any payments from us, or otherwise acquiring, holding, withholding, using, transferring, withdrawing, transporting, importing, or exporting any property in which we have any interest.

We expect to continue operations and investments relating to countries targeted by United States and European Union economic sanctions.

The U.S. Department of the Treasury s Office of Foreign Assets Control, or OFAC, enforces certain laws and regulations (OFAC Sanctions) that impose restrictions upon U.S. persons and, in

Table of Contents

some instances, foreign entities owned or controlled by U.S. persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of OFAC Sanctions (U.S. Sanctions Targets). U.S. persons are also generally strictly prohibited from facilitating such activities or transactions. Similarly, the European Union enforces certain laws and regulations (E.U. Sanctions) that impose restrictions upon nationals of E.U. member states, persons located within E.U. member states, entities incorporated or constituted under the law of an E.U. member state, or business conducted in whole or in part in E.U. member states with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of E.U. Sanctions (E.U. Sanctions Targets and together with U.S. Sanctions Targets, Sanctions Targets). E.U. persons are also generally prohibited from activities that promote such activities or transactions.

We engage in limited business activities in countries that are deemed Sanctions Targets, including Iran, Syria and Sudan. We produce and export, typically through our sales subsidiaries, steel products to such countries, including automotive steel sheets and other steel materials to Iranian entities. Our subsidiaries also engage in limited business activities in countries that are deemed Sanctions Targets. In particular, Daewoo International, a global trading company in which we hold a 60.3% interest, engages in the trading of steel, raw materials and other items with entities in countries that are deemed Sanctions Targets, including Iran and Sudan. We believe that such activities and investments do not involve any U.S. goods or services. Our activities and investments in Iran, Syria and Sudan accounted for approximately 3.4% of our consolidated revenues in 2011, 1.4% in 2012 and 0.2% in 2013.

We expect to continue to engage in business activities and make investments in countries that are deemed Sanctions Targets over the foreseeable future. Although we believe that OFAC Sanctions under their current terms are not applicable to our current activities, our reputation may be adversely affected, some of our U.S. investors may be required to divest their investments in us under the laws of certain U.S. states or under internal investment policies or may decide for reputational reasons to divest such investments. We are aware of initiatives by U.S. governmental entities and U.S. institutional investors, such as pension funds, to adopt or consider adopting laws, regulations, or policies prohibiting transactions with or investment in, or requiring divestment from, entities doing business with countries identified as state sponsors of terrorism. We cannot assure you that the foregoing will not occur or that such occurrence will not have a material adverse effect on the value of our securities.

This annual report contains forward-looking statements that are subject to various risks and uncertainties.

This annual report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as anticipate, believe, estimate, expect, intend, project, show, similar expressions. Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include, but are not limited to, those identified in the risk factors discussed above. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.

Table of Contents

Item 4. *Information on the Company*

Item 4.A. *History and Development of the Company*

We were established by the Government on April 1, 1968, under the Commercial Code, to manufacture and distribute steel rolled products and plates in the domestic and overseas markets. The Government owned more than 70% of our equity until 1988, when the Government reduced its ownership of our common stock to 35% through a public offering and listing our shares on the KRX KOSPI Market. In December 1998, the Government sold all of our common stock it owned directly, and The Korea Development Bank completed the sale of our shares that it owned in September 2000. The Government no longer holds any direct interest in us, and our outstanding common stock is currently held by individuals and institutions. See Item 7. Major Shareholders and Related Party Transactions Item 7A. Major Stockholders.

Our legal and commercial name is POSCO. Our principal executive offices are located at POSCO Center, 440 Teheran-ro, Gangnam-gu, Seoul, Korea 135-777, and our telephone number is (822) 3457-0114.

Item 4.B. *Business Overview*

The Company

We are the largest fully integrated steel producer in Korea, and one of the largest steel producers in the world, based on annual crude steel production. We produced approximately 38.3 million tons of crude steel in 2013 and approximately 39.7 million tons in 2012, a substantial portion of which was produced at Pohang Works and Gwangyang Works. As of December 31, 2013, Pohang Works had 17.3 million tons of annual crude steel and stainless steel production capacity, and Gwangyang Works had an annual crude steel production capacity of 20.8 million tons. We believe Pohang Works and Gwangyang Works are two of the most technologically advanced integrated steel facilities in the world. We manufacture and sell a diversified line of steel products, including cold rolled and hot rolled products, stainless steel products, plates, wire rods and silicon steel sheets, and we are able to meet a broad range of customer needs from manufacturing industries that consume steel, including automotive, shipbuilding, home appliance, engineering and machinery industries.

We sell primarily to the Korean market. Domestic sales accounted for 48.8% of our total revenue from steel products produced and sold by us in 2013 and 52.0% in 2012. On a non-consolidated basis, we believe that we had an overall market share of approximately 43% of the total sales volume of steel products sold in Korea in 2013 and approximately 42% in 2012. Our export sales and overseas sales to customers abroad accounted for 51.2% of our total revenue from steel products produced and sold by us in 2013 and 48.0% in 2012. Our major export market is Asia, with China accounting for 30.2%, Asia other than China and Japan accounting for 27.7%, and Japan accounting for 12.5% of our total steel export revenue from steel products produced and exported by us in 2013 and Asia other than China and Japan accounting for 26.7%, China 28.9% and Japan 14.1% of our total steel export revenue from steel products produced and exported by us in 2012.

We also engage in businesses that complement our steel manufacturing operations as well as carefully seek out promising investment opportunities to diversify our businesses both vertically and horizontally, in part to prepare for the eventual maturation of the Korean steel market. POSCO E&C, our consolidated subsidiary in which we hold an 89.5% interest, is one of the leading engineering and construction companies in Korea that primarily engages in the planning, design and construction of industrial plants and architectural works and civil engineering. Daewoo International, our consolidated subsidiary in which we hold a 60.3% interest, is a global trading company that primarily engages in trading of steel and raw materials as well as investing in energy and mineral development projects throughout the world. POSCO Energy Corporation, our wholly-owned consolidated subsidiary in which we hold an 89.0% interest, is the largest private power generation company in Korea.

Table of Contents

We generated revenue of Won 61,865 billion and profit for the period of Won 1,355 billion in 2013, compared to revenue of Won 63,604 billion and profit for the period of Won 2,386 billion in 2012. We had total assets of Won 84,455 billion and total equity of Won 45,822 billion as of December 31, 2013, compared to total assets of Won 79,266 billion and total equity of Won 42,429 billion as of December 31, 2012.

Business Strategy

Leveraging on our success during the past four decades, our goal is to strengthen our position as one of the leading steel producers in the world through focusing on core technologies, further solidifying our market leading position in Korea, and pursuing operational efficiencies to increase our margins in markets abroad. In order to compete effectively in the dynamic global market environment driven by emerging economies and increasing demand for more environmentally friendly products, we are committed to leveraging our competitive advantages and further enhancing our leadership positions. We believe that our proprietary technologies and expertise in developing environmentally-friendly steel production facilities, ability to independently construct such facilities, and know-how in their efficient operation and management enables us to develop differentiated steel products at a highly competitive cost structure. We also plan to selectively explore opportunities in growth industries that are integral to our overall business model, and we have identified steel, comprehensive materials, energy and new businesses as our key areas of focus.

We seek to strengthen our competitiveness and pursue growth through the following core business strategies:

Seek Opportunities to Further Strengthen Our Position in Global Markets as well as Selectively Expand Our Production Infrastructure Abroad

We plan to pursue higher margin businesses in various key markets abroad as well as further strengthen our competitiveness in new markets that we have entered in recent years. In China, which is showing signs of slowdown in economic growth and oversupply of steel products, we plan to focus on higher-margin products and pursue strategic entry or exit of various segments and regions. In Southeast Asia, we plan to pursue stabilization of our production operations in Indonesia as well as focus on increasing our market share of key products in Thailand, particularly for the automotive industry. We also plan to pursue differentiated strategies in each of our other key regions.

Drawing on our expertise in steel production, we also plan to carefully seek out promising business opportunities abroad to expand our production infrastructure. We seek out promising investment opportunities abroad, primarily in India and Southeast Asia. We believe that India and Southeast Asia continue to offer substantial growth opportunities, and we plan to selectively seek investment opportunities to construct steel production facilities. For example, we entered into a memorandum of understanding with Orissa State Government of India in June 2005 for the construction of an integrated steel mill and the development of iron ore mines in Orissa State. The Government of India reissued clearance for the construction of the steel mill in January 2014 and is currently in the process of preparing the land on which the integrated steel mill will be constructed. With respect to development of iron ore mines in Orissa State, we obtained a final ruling from the Indian Supreme Court in May 2013 with respect to authority of the central government to issue permission, and we are waiting for approval from the Government of India to start our exploration and development activities.

Maintain Technology Leadership in Steel Manufacturing

As part of our strategy, we have identified core products that we plan to further develop, such as premium automotive steel sheets, silicon steel and API-grade steel, and we will continue to invest in developing innovative products that offer the greatest potential returns and enhance the overall quality of our products. In order to increase our competitiveness and the proportion of our sales of higher margin, higher value-added products, we plan to make additional investments in the development of new manufacturing technologies and upgrade our facilities through continued modernization and rationalization.

Table of Contents

We will continue to refine FINEX, a low cost, environmentally friendly steel manufacturing process that optimizes our production capacity by utilizing non-agglomerated iron ore fines and using non-coking coal as an energy source and a reducing agent. We believe that FINEX offers considerable environmental and economic advantages through elimination of major sources of pollution such as sintering and coking plants, as well as reducing operating and raw material costs. In recent years, we have developed proprietary manufacturing technology using a compact endless cast rolling mill that combines the FINEX process with an advanced basic oxygen steelmaking process that uses more scrap in place of pig iron, which enables us to manufacture products at a highly competitive cost structure with lower carbon dioxide emission. Our compact endless cast rolling mill directly casts coils from liquid steel and uses a rolling process that rolls hot rolled coils up to 40 slabs at a time.

Diversify into Production of Comprehensive Materials, including Lithium, Nickel, Carbon and Magnesium

We plan to leverage our expertise in production of various steel-applied materials and venture into the fast-growing and high value-added business of producing environmentally friendly comprehensive materials. We have identified lithium and nickel as our main investment areas. Demand for lithium, which is used as an anode material in lithium ion batteries, has been increasing in recent years, and we have developed proprietary technology to extract lithium from its brine in approximately one month compared to twelve months through conventional production processes. We believe we are also able to leverage our expertise in production of crude steel to cost-effective production of carbon and magnesium, which have wide application of industrial use.

Further Develop Our Capabilities to become an Integrated Provider of Energy Solutions

We plan to pursue strategic synergies with our member companies of the POSCO Group to further strengthen our capabilities in the energy industry. POSCO Energy Corporation is the largest private power generation company in Korea. POSCO E&C is one of the leading engineering and construction companies in Korea with expertise in the design and construction of power plants. Daewoo International engages in various natural resources procurement and energy development projects around the world. In order to secure adequate procurement of principal raw materials, we have also invested in and will continue to explore additional investment opportunities in various raw material development projects abroad, as well as enter into long-term contracts with leading suppliers of iron ore, coal and nickel, principally in Australia and Brazil. We believe that the energy industry is a sustainable business area that offers us attractive opportunities. We will continue to seek opportunities in natural resources development and further expand our power generation and alternative energy solutions businesses, as well as pursue participation in additional power plant projects abroad.

Pursue Cost-Cutting through Operational and Process Innovations

We seek to achieve cost reductions in this era of increasing raw material costs through our company wide process for innovation and enhancing efficiency of operations. We believe that strategic cost cutting measures through utilization of efficient production methods and management discipline will strengthen our corporate competitiveness. We will also strive to invest more in human resources development to nurture employees who are capable of working in the global environment.

Selectively Seek Opportunities in Growth Industries

We will continue to selectively seek opportunities in growth industries to diversify our business both vertically and horizontally. Through POSCO ICT Co., Ltd., a 65.4%-owned subsidiary, we engage in information and technology consulting services as well as automation and system integration engineering services. POSCO E&C is one of the leading engineering and construction companies in Korea that primarily engages in the planning, design and construction of industrial plants and architectural works and civil engineering. On September 20, 2010, we acquired a controlling interest in Daewoo International Corporation for Won 3.37 trillion. Daewoo International is a global trading

Table of Contents

company that primarily engages in trading of steel and raw materials as well as investing in energy development projects. We will continue to selectively seek opportunities to identify new growth engines and diversify our operations.

Major Products

We manufacture and sell a broad line of steel products, including the following:

cold rolled products;

hot rolled products;

stainless steel products;

plates;

wire rods; and

silicon steel sheets.

The table below sets out our revenue of steel products produced by us and directly sold to external customers, which are recognized as external revenue of the Steel Segment, by major steel product categories for the periods indicated. Such amounts do not include steel products produced by us and sold to our consolidated subsidiaries.

	For the Year Ended December 31,					
	2011		2012		2013	
	Billions of Won	%	Billions of Won	%	Billions of Won	%
Steel Products						
Cold rolled products	11,583	29.6%	11,421	32.4%	9,879	31.1%
Hot rolled products	7,752	19.8	6,291	17.8	5,134	16.1
Stainless steel products	7,453	19.0	7,305	20.7	7,425	23.4
Plates	4,560	11.6	3,620	10.3	3,266	10.3
Wire rods	2,240	5.7	1,906	5.4	1,867	5.9
Silicon steel sheets	1,782	4.6	1,556	4.4	1,476	4.6
Sub-total	35,369	90.3	32,099	91.0	29,047	91.4
Others	3,782	9.7	3,160	9.0	2,748	8.6
Total	39,152	100.0%	35,259	100.0%	31,795	100.0%

The table below sets out our sales volume of the principal categories of steel products produced by us and directly sold to external customers, which are recognized as external sales volume of the Steel Segment, by major steel product categories for the periods indicated. Such amounts do not include steel products produced by us and sold to our consolidated subsidiaries.

Edgar Filing: POSCO - Form 20-F

For the Year Ended December 31,
2012

Steel Products	2011		2012		2013	
	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%
Cold rolled products	11,023	37.3%	11,863	39.6%	11,915	40.9%
Hot rolled products	8,902	30.1	8,540	28.5	7,589	26.1
Stainless steel products	2,414	8.2	2,760	9.2	2,883	9.9
Plates	4,373	14.8	4,145	13.8	3,849	13.2
Wire rods	1,686	5.7	1,531	5.1	1,735	6.0
Silicon steel sheets	1,134	3.8	1,143	3.8	1,134	3.9
Total ⁽¹⁾	29,532	100.0%	29,983	100.0%	29,104	100.0%

(1) Not including sales volume of steel products categorized under others.

Table of Contents

In addition to steel products produced by us and directly sold to external customers, we engage our consolidated sales subsidiaries (including Daewoo International) to sell our steel products produced by us. Our revenue from steel products produced by us and sold to our consolidated sales subsidiaries that in turn sold them to their external customers amounted to Won 10,415 billion in 2011, Won 10,344 billion in 2012 and Won 8,391 billion in 2013. Sales of such steel products by our consolidated sales subsidiaries to external customers are recognized as external revenue of the Trading Segment.

Cold Rolled Products

Cold rolled coils and further refined galvanized cold rolled products are used mainly in the automotive industry to produce car body panels. Other users include the household goods, electrical appliances, engineering and metal goods industries.

Our deliveries of cold rolled products produced by us and directly sold to external customers amounted to 11.9 million tons in 2013, representing 40.9% of our total sales volume of principal steel products produced by us and directly sold to external customers.

Cold rolled products constitute our largest product category in terms of sales volume and revenue from steel products produced by us and directly sold to external customers. In 2013, our sales volume of cold rolled products produced by us and directly sold to external customers increased by 0.4% compared to our sales volume in 2012 due to an increase in sales to automotive companies.

Including sales of cold rolled products produced by us and sold through our consolidated sales subsidiaries in addition to cold rolled products produced by us and directly sold to external customers, we had a domestic market share for cold rolled products of approximately 46% on a non-consolidated basis.

Hot Rolled Products

Hot rolled coils and sheets have many different industrial applications. They are used to manufacture structural steel used in the construction of buildings, industrial pipes and tanks, and automobile chassis. Hot rolled coil is also manufactured in a wide range of widths and thickness as the feedstock for higher value-added products such as cold rolled products and silicon steel sheets.

Our deliveries of hot rolled products produced by us and directly sold to external customers amounted to 7.6 million tons in 2013, representing 26.1% of our total sales volume of principal steel products produced by us and directly sold to external customers. The largest customers of our hot rolled products are downstream steelmakers in Korea which use the products to manufacture pipes and cold rolled products.

Hot rolled products constitute our second largest product category in terms of sales volume and third largest product category in terms of revenue from steel products produced by us and directly sold to external customers. In 2013, our sales volume of hot rolled products produced by us and directly sold to external customers decreased by 11.1% compared to 2012 primarily due to a decrease in demand from downstream steelmakers in Korea and abroad.

Including sales of hot rolled products produced by us and sold through our consolidated sales subsidiaries in addition to hot rolled products produced by us and directly sold to external customers, we had a domestic market share for hot rolled products of approximately 42% on a non-consolidated basis.

Stainless Steel Products

Stainless steel products are used to manufacture household goods and are also used by the chemical industry, paper mills, the aviation industry, the automotive industry, the construction industry and the food processing industry.

Table of Contents

Our deliveries of stainless steel products produced by us and directly sold to external customers amounted to 2.9 million tons in 2013, representing 9.9% of our total sales volume of principal steel products produced by us and directly sold to external customers.

Stainless steel products constitute our second largest product category in terms of revenue from steel products produced by us and directly sold to external customers. Although sales of stainless steel products accounted for only 9.9% of total sales volume of the principal steel products produced by us and directly sold to external customers in 2013, they represented 23.4% of our total revenue from such steel products in 2013. Our sales volume of stainless steel products produced by us and directly sold to external customers increased by 4.4% in 2013 compared to 2012 due to an increase in demand from manufacturers of automotive exhaust systems.

Including sales of stainless steel products produced by us and sold through our consolidated sales subsidiaries in addition to stainless steel products produced by us and directly sold to external customers, we had a domestic market share for stainless steel products of approximately 48% on a non-consolidated basis.

Plates

Plates are used in shipbuilding, structural steelwork, offshore oil and gas production, power generation, mining, and the manufacture of earth-moving and mechanical handling equipment, boiler and pressure vessels and other industrial machinery.

Our deliveries of plates produced by us and directly sold to external customers amounted to 3.8 million tons in 2013, representing 13.2% of our total sales volume of principal steel products produced by us and directly sold to external customers. The Korean shipbuilding industry, which uses plates to manufacture chemical tankers, rigs, bulk carriers and containers, and the construction industry are our largest customers of plates.

In 2013, our sales volume of plates produced by us and directly sold to external customers decreased by 7.1% compared to 2012, reflecting a decrease in demand from the shipbuilding industry.

Including sales of plates produced by us and sold through our consolidated sales subsidiaries in addition to plates produced by us and directly sold to external customers, we had a domestic market share for plates of approximately 41% on a non-consolidated basis.

Wire Rods

Wire rods are used mainly by manufacturers of wire, fasteners, nails, bolts, nuts and welding rods. Wire rods are also used in the manufacture of coil springs, tension bars and tire cords in the automotive industry.

Our deliveries of wire rods produced by us and directly sold to external customers amounted to 1.7 million tons in 2013, representing 6.0% of our total sales volume of principal steel products produced by us and directly sold to external customers. The largest customers for our wire rods are manufacturers of wire ropes and fasteners.

In 2013, our sales volume of wire rods produced by us and directly sold to external customers increased by 13.3% compared to 2012, primarily reflecting an increase in demand from the domestic automotive industry, which we were able to meet following commencement of commercial operation of our fourth wire rod manufacturing plant.

Including sales of wire rods produced by us and sold through our consolidated sales subsidiaries in addition to wire rods produced by us and directly sold to external customers, we had a domestic market share for wire rods of approximately 50% on a non-consolidated basis.

Table of Contents***Silicon Steel Sheets***

Silicon steel sheets are used mainly in the manufacture of power transformers and generators and rotating machines.

Our deliveries of silicon steel sheets produced by us and directly sold to external customers amounted to 1.1 million tons in 2013, representing 3.9% of our total sales volume of principal steel products produced by us and directly sold to external customers.

In 2013, our sales volume of silicon steel sheets produced by us and directly sold to external customers decreased by 0.8% compared to 2012 due to a decrease in demand from manufacturers of power transformers and generators.

Including sales of silicon steel sheets produced by us and sold through our consolidated sales subsidiaries in addition to silicon steel sheets produced by us and directly sold to external customers, we had a domestic market share for silicon steel sheets of approximately 87% on a non-consolidated basis.

Others

Other products include lower value-added semi-finished products such as pig iron, billets, blooms and slab.

Markets

Korea is our most important market. Domestic sales represented 48.8% of our total revenue from steel products produced and sold by us in 2013. Our export sales and overseas sales to customers abroad represented 51.2% of our total revenue from steel products in 2013. Our sales strategy has been to devote our production primarily to satisfy domestic demand, while seeking export sales to utilize capacity to the fullest extent and to expand our international market presence.

Domestic Market

We primarily sell in Korea higher value-added and other finished products to end-users and semi-finished products to other steel manufacturers for further processing. Local distribution companies and sales affiliates sell finished steel products to low-volume customers. We provide service technicians for large customers and distributors in each important product area.

The table below sets out our estimate of the market share of steel products sold in Korea for the periods indicated based on sales volume.

Source	For the Year Ended December 31,		
	2011	2012	2013
POSCO's sales ⁽¹⁾	41.4%	41.9%	43.4%
Other domestic steel companies' sales	24.6	23.4	23.6
Imports	34.0	34.8	33.0
Total	100.0%	100.0%	100.0%

(1) POSCO's sales volume includes steel products produced by us (but not by our subsidiaries) and sold through our consolidated sales subsidiaries in addition to steel products produced by us (but not by our subsidiaries) and directly sold to external customers.

Table of Contents**Exports**

Our export sales and overseas sales to customers abroad represented 51.2% of our total revenue from steel products produced and sold by us in 2013, 70.4% of which was generated from exports sales and overseas sales to customers in Asian countries. Our export sales and overseas sales to customers abroad in terms of revenue from such products decreased by 5.9% from Won 21,888 billion in 2012 to Won 20,587 billion in 2013, primarily reflecting a decrease in our export prices resulting from production over-capacity in the global steel industry.

The tables below set out our export sales and overseas sales to customers abroad in terms of revenue from steel products produced and sold by us, by geographical market and by product for the periods indicated.

Region	2011		For the Year Ended December 31, 2012		2013	
	Billions of Won	%	Billions of Won	%	Billions of Won	%
Asia (other than China and Japan)	5,733	23.2%	5,834	26.7%	5,707	27.7%
China	6,984	28.3	6,328	28.9	6,220	30.2
Japan	3,415	13.8	3,084	14.1	2,583	12.5
Europe	1,609	6.5	942	4.3	999	4.9
Middle East	690	2.8	528	2.4	381	1.8
North America	2,387	9.7	1,288	5.9	1,145	5.6
Others	3,846	15.6	3,884	17.7	3,552	17.3
Total	24,665	100.0%	21,888	100.0%	20,587	100.0%

Steel Products	2011		For the Year Ended December 31, 2012		2013	
	Billions of Won	%	Billions of Won	%	Billions of Won	%
Cold rolled products	7,975	32.3%	7,245	33.1%	6,653	32.3%
Hot rolled products	4,210	17.1	3,783	17.3	3,300	16.0
Stainless steel products	6,295	25.5	5,302	24.2	5,125	24.9
Plates	1,487	6.0	1,573	7.2	1,238	6.0
Wire rods	689	2.8	598	2.7	569	2.8
Silicon steel sheets	996	4.0	840	3.8	837	4.1
Others	3,012	12.2	2,546	11.6	2,863	13.9
Total	24,665	100.0%	21,888	100.0%	20,587	100.0%

The table below sets out the world's apparent steel use for the periods indicated.

	For the Year Ended December 31,		
	2011	2012	2013
Apparent steel use (million metric tons)	1,404	1,430	1,481
Percentage of annual increase	7.8%	1.9%	3.6%

Source: World Steel Association.

Recent difficulties affecting the European Union and global financial sectors, adverse conditions and volatility in the European Union and worldwide credit and financial markets, fluctuations in oil and commodity prices, the general weakness of the global economy and the slowdown in growth of the Chinese economy have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. The World Steel Association forecasts that global apparent steel use is expected to increase by 3.1% to 1,527 million

metric tons in 2014.

Table of Contents

In recent years, driven in part by strong growth in steel consumption in emerging economies, the global steel industry has experienced renewed interest in expansion of steel production capacity. World Steel Dynamics estimated the global crude steel production capacity to be 2,168 million tons in 2013. The increased production capacity, combined with weakening demand due primarily to the recent slowdown of the global economy, has resulted in production over-capacity in the global steel industry. Production over-capacity in the global steel industry may intensify if the slowdown of the global economy continues or demand from developing countries that have experienced significant growth in recent years does not meet the growth in production capacity.

We distribute our export products mostly through Korean trading companies, including Daewoo International, and our overseas sales subsidiaries. Our largest export market in 2013 was China, which accounted for 30.2% of our export revenue from steel products produced and sold by us. The principal products exported to China were cold rolled products and plates. Our exports to China amounted to Won 6,328 billion in 2012 and Won 6,220 billion in 2013. Our exports to China decreased by 1.7% in 2013 primarily due to a decrease in our export prices to China as well as our decision to allocate more products to European countries where we could obtain better export prices. Our export sales in terms of revenue from European countries increased by 6.1% from Won 942 billion in 2012 to Won 999 billion in 2013.

Anti-Dumping and Countervailing Duty Proceedings

From time to time, our exporting activities have become subject to anti-dumping and countervailing duty proceedings. In recent years, we have become subject to a number of anti-dumping duties in India, Indonesia, Australia, Thailand, Brazil, Taiwan and Malaysia and a number of anti-dumping and countervailing duty investigations in several other countries, including the U.S., India and Canada. In addition, the Mexican government initiated an anti-dumping investigation in October 2012 relating to our exports of cold rolled steel products, and the investigation was suspended until 2018 on condition that we comply with supply undertakings. Our products that are subject to anti-dumping or countervailing duty proceedings in the aggregate currently do not account for a material portion of our total sales, and such proceedings have not had a material adverse impact on our business and operations in recent years.

Pricing Policy

We determine the sales price of our products based on market conditions. In setting prices, we take into account our costs, including those of raw materials, supply and demand in the Korean market, exchange rates, and conditions in the international steel market. Our prices can fluctuate considerably over time, depending on market conditions and other factors. The prices of our higher value-added steel products in the largest markets are determined considering the prices of similar products charged by our competitors.

We gradually increased our export prices in Dollar terms in the first half of 2011. However, our export prices fell substantially in the second half of 2011 and decreased further in 2012 and the first half of 2013. Our domestic sales prices remained relatively stable in the second half of 2011 but decreased in 2012 and the first half of 2013. We may decide to adjust our future sales prices on an on-going basis subject to market demand for our products, prices of raw materials, the production outlook of the global steel industry and global economic conditions in general.

Raw Materials

Steel Production

The principal raw materials used in producing steel through the basic oxygen steelmaking method are iron ore and coal. We require approximately 1.7 tons of iron ore and 0.8 tons of coal to

Table of Contents

produce one ton of steel. We import all of the coal and virtually all of the iron ore that we use. In 2013, POSCO imported approximately 48.9 million dry metric tons of iron ore and 26.6 million wet metric tons of coal. Iron ore is imported primarily from Australia, Brazil and South Africa. Coal is imported primarily from Australia, Canada and the United States. In 2013, we purchased a substantial portion of our iron ore and coal imports pursuant to long-term contracts. The supply contracts have terms of one to ten years and the long-term contracts generally provide for periodic price adjustments to the then-market prices. The long-term contracts to purchase iron ore and coal generally provide for quarterly adjustments to the purchase prices to be determined through negotiation between the supplier and us. Such price negotiations are driven by various factors, including the global economic outlook, global market prices of raw materials and steel products, supply and demand outlook of raw materials and production costs of raw materials. Typically, globally influenced buyers and sellers of raw materials determine benchmark prices of raw materials, based on which other buyers and sellers negotiate their prices after taking into consideration the quality of raw materials and other factors. We or the suppliers may cancel the long-term contracts only if performance under the contracts is prevented by causes beyond our or their control and these causes continue for a specified period.

We also make investments in exploration and production projects abroad to enhance our ability to meet the requirements for high-quality raw materials, either as part of a consortium or through an acquisition of a minority interest. We purchased approximately 23% of our iron ore and coal imports in 2013 from foreign mines in which we have made investments. Our major investments to procure supplies of coal, iron ore and nickel are located in Australia, Brazil, New Caledonia and Canada, and our significant investments are as follows:

We made an investment of US\$500 million in December 2008 to acquire a 6.48% interest in Nacional Minérios S.A., an iron ore mining company in Brazil, in a consortium with Japanese steel manufacturers and trading companies. We secured approximately 3.7 million tons of iron ore in 2013, and we have the right to secure up to 3.7 million tons of iron ore per year.

We made an initial investment of A\$249 million in 2010 to acquire a 3.75% interest in Roy Hill Holdings Pty., Ltd., an iron ore mining company in Australia. We subsequently entered into a contract in March 2012 to invest an additional A\$1,495 million to increase our interest to 15% but sold a 2.5% interest in April 2012 to China Steel Corporation for A\$305 million. In November 2013, we invested an additional A\$47 million in order to maintain our interest of 12.5% in Roy Hill Holdings Pty. Ltd. Through our ownership interest, we expect to secure up to approximately 15.1 million tons of iron ore per year starting in 2015.

In July 2010, we acquired a 24.5% interest in the Australian Premium Iron (API) iron ore joint venture in Pilbara, Australia for A\$184 million, which expects to supply 7.4 million tons of iron ore per year starting in 2018.

As part of a consortium including China Steel Corporation and domestic financial investors, we made an investment of US\$277 million in March 2013 to acquire a minority interest of 3.78% in an iron ore mining asset of ArcelorMittal Mines Canada Inc. in Quebec. We expect to secure additional iron ore through our investment in the mining company.

We will continue to selectively seek opportunities to enter into additional strategic relationships that would enhance our ability to meet the requirements for principal raw materials.

The average market price of coal per wet metric ton (benchmark free on board price of Australian premium hard coking coal) was US\$289 in 2011, US\$209 in 2012 and US\$159 in 2013. The average market price of iron ore per dry metric ton (free on board price of Platts Iron Ore index with iron (Fe) 62% content) was US\$160 in 2011, US\$122 in 2012 and US\$126 in 2013. We currently do not depend on any single country or supplier for our coal or iron ore.

Table of Contents

Stainless Steel Production

The principal raw materials for the production of stainless steel are ferronickel, ferrochrome and stainless steel scrap. We purchase a majority of our requirements for ferronickel primarily from suppliers in Korea that procure nickel ore from New Caledonia, and the remainder primarily from leading suppliers in Japan that procure nickel ore from New Caledonia and the Philippines, as well as suppliers in Indonesia. Our primary suppliers of ferrochrome are located in South Africa, India and Kazakhstan. Our stainless steel scraps are primarily supplied by domestic and overseas suppliers in Japan and the European Union. Revert scraps from the Pohang Steelworks are also used for our stainless steel production. The average market price of nickel per ton was US\$22,894 in 2011, US\$17,537 in 2012 and US\$15,022 in 2013.

Transportation

In order to meet our transportation needs for iron ore and coal, we have entered into long-term contracts with shipping companies in Korea to retain a fleet of dedicated vessels. These dedicated vessels transported approximately 84% of the total requirements in 2013, and the remaining approximately 16% was transported by vessels retained through short to medium term contracts, depending on market conditions. Australia and Brazil are the main countries where the vessels are loaded, and they accounted for 66% and 14%, respectively, of our total requirements in 2013. We plan to continue to optimize the fleet of dedicated vessels that we use by 2020 in order to cope with changes in the global shipping environment, as well as upgrade some of the existing vessels with others that utilize more energy-efficient technologies.

The Steelmaking Process

Our major production facilities, Pohang Works and Gwangyang Works, produce steel by the basic oxygen steelmaking method. The stainless steel plant at Pohang Works produces stainless steel by the electric arc furnace method. Continuous casting improves product quality by imparting a homogenous structure to the steel. Pohang Works and Gwangyang Works produce all of their products through the continuous casting.

Steel Basic Oxygen Steelmaking Method

First, molten pig iron is produced in a blast furnace from iron ore, which is the basic raw material used in steelmaking. Molten pig iron is then refined into molten steel in converters by blowing pure oxygen at high pressure to remove impurities. Different desired steel properties may also be obtained by regulating the chemical contents.

At this point, molten steel is made into semi-finished products such as slabs, blooms or billets at the continuous casting machine. Slabs, blooms and billets are produced at different standardized sizes and shapes. Slabs, blooms and billets are semi-finished lower margin products that we either use to produce our further processed products or sell to other steelmakers that produce further processed steel products.

Slabs are processed to produce hot rolled coil products at hot strip mills or to produce plates at plate mills. Hot rolled coils are an intermediate stage product that may either be sold to our customers as various finished products or be further processed by us or our customers into higher value-added products, such as cold rolled sheets and silicon steel sheets. Blooms and billets are processed into wire rods at wire rod mills.

Stainless Steel Electric Arc Furnace Method

Stainless steel is produced from stainless steel scrap, chrome, nickel and steel scrap using an electric arc furnace. Stainless steel is then processed into higher value-added products by methods similar to those used for steel production. Stainless steel slabs are produced at a continuous casting mill. The slabs are processed at hot rolling mills into stainless steel hot coil, which can be further processed at cold strip mills to produce stainless cold rolled steel products.

Table of Contents

Competition

Domestic Market

We are the largest fully integrated steel producer in Korea. In hot rolled products, where we had a market share of approximately 43% on a non-consolidated basis in 2013, we face competition from a Korean steel producer that operates mini-mills and produces hot rolled coil products from slabs and from various foreign producers, primarily from China and Japan. In cold rolled products and stainless steel products, where we had a market share of approximately 46% and 48%, respectively, on a non-consolidated basis in 2013, we compete with smaller specialized domestic manufacturers and various foreign producers, primarily from China and Japan. For a discussion of domestic market shares, see Markets Domestic Market.

We may face increased competition in the future from new specialized or integrated domestic manufacturers of steel products in the Korean market. Our biggest competitors in Korea are Hyundai Steel Co., Ltd. with an annual crude steel production of approximately 17.2 million tons and Dongbu Steel Co., Ltd. with an annual crude steel production of approximately 2.0 million tons. Hyundai Steel completed construction of an integrated steel mill with an annual capacity of 4 million tons in January 2010 and added a second furnace with the same capacity in November 2010 and a third furnace with the same capacity in April 2011.

The Korean Government does not impose quotas on or provide subsidies to local steel producers. As a World Trade Organization signatory, Korea has also removed all steel tariffs.

Export Markets

The competitors in our export markets include all the leading steel manufacturers of the world. In recent years, there has been a trend toward industry consolidation among our competitors, and smaller competitors in the global steel market today may become larger competitors in the future. For example, Mittal Steel's takeover of Arcelor in 2006 created a company with approximately 10% of global steel production capacity. Competition from global steel manufacturers with expanded production capacity such as ArcelorMittal S.A., and new market entrants, especially from China and India, could result in a significant increase in competition. Major competitive factors include range of products offered, quality, price, delivery performance and customer service. Our larger competitors may use their resources, which may be greater than ours, against us in a variety of ways, including by making additional acquisitions, investing more aggressively in product development and capacity and displacing demand for our export products.

Various export markets currently impose tariffs on different types of steel products. However, we do not believe that tariffs significantly affect our ability to compete in these markets.

Subsidiaries and Global Joint Ventures

Steel Production

In order to effectively implement our strategic initiatives and to solidify our leadership position in the global steel industry, we have established various subsidiaries and joint ventures around the world that engage in steel production activities.

Korea. POSCO Specialty Steel produces high-quality steel products for the automotive, machinery, nuclear power plant, shipbuilding, aeronautics and electronics industries. We currently hold a 72.1% interest in the company. Production facilities operated by POSCO Specialty Steel have an aggregate annual production capacity of 840 thousand tons of wire rods, round bars, steel pipes and semi-finished products. POSCO Specialty Steel Co., Ltd. produced 635 thousand tons of such products in 2013.

Table of Contents

In order to expand our sale of value-added products, we established POSCO Coated and Color Sheet Co., Ltd. by merging a coated steel manufacturer and a color sheet manufacturer in March 1999. POSCO Coated and Color Sheet has an aggregate annual production capacity of 600 thousand tons of galvanized and aluminized steel sheets widely used in the construction, automotive parts and home appliances industries. POSCO Coated and Color Sheet also has an aggregate annual production capacity of 350 thousand tons of color sheets that are mainly used for interior and exterior materials and home appliances. In 2013, POSCO Coated and Color Sheet produced 561 thousand tons of galvanized and aluminized steel sheets and 343 thousand tons of color sheets.

China. We entered into an agreement with Sagang Group Co. to establish Zhangjiagang Pohang Stainless Steel Co., Ltd., a joint venture company in China for the manufacture and sale of stainless cold rolled steel products. We have an 82.5% interest in the joint venture (including 23.9% interest held by POSCO China Holding Corporation). The plant commenced production of stainless cold rolled steel products in December 1998. The joint venture also completed the construction of new mills in July 2006 with additional annual production capacity of approximately 800 thousand tons of stainless hot rolled products. Zhangjiagang Pohang Stainless Steel produced 1,120 thousand tons of stainless steel products in 2013.

We established Qingdao Pohang Stainless Steel Co., Ltd., a wholly owned subsidiary set up to manufacture and sell stainless cold rolled steel products in China. The plant became operational in December 2004, with an annual production capacity of 180 thousand tons of stainless cold rolled steel products. Qingdao Pohang Steel produced 170 thousand tons of such products in 2013.

In August 2003, we entered into a joint venture agreement with Benxi Iron and Steel Group in China to establish Benxi Steel POSCO Cold Rolled Sheet Co., Ltd. The cold rolling mill with an annual production capacity of 1.9 million tons became operational in March 2006 and the company produced 1.9 million tons of such products in 2013. We currently hold a 25% interest in this joint venture.

Vietnam. We entered into an agreement with Nippon Steel & Sumitomo Metal Corporation to establish POSCO Vietnam Co., Ltd., a joint venture company in Vietnam for the manufacture and sale of cold rolled steel products. We have an 85% interest in the joint venture. We completed the construction of a plant in September 2009 with an annual production capacity of 1.2 million tons of cold rolled products and commenced commercial production. POSCO Vietnam produced 906 thousand tons of such products in 2013.

Thailand. In order to secure an alternative sales source for stainless cold rolled steel products and an export base for expanding into the Southeast Asia stainless steel markets, we acquired a controlling interest in Thainox Stainless Public Company Limited, a major stainless steel manufacturer in Thailand, in September 2011. We renamed the company as POSCO Thainox Public Company Limited in October 2011 and currently hold a 84.9% interest in the company. The company produced 160 thousand tons of stainless cold rolled products in 2013.

United States. We entered into a joint venture in March 2007 with US Steel and SeAH to establish United Spiral Pipe LLC to produce American Petroleum Institute-compliant pipes (API Pipes) and non-API pipes. We hold a 35% interest in the company. United Spiral Pipe started commercial production in May 2010 and produced 8 thousand tons of pipes in 2013.

We also entered into 50-50 joint venture between U.S. Steel Corporation and us called USS-POSCO Industries Corporation. We sell hot rolled products to USS-POSCO Industries, which uses such products to manufacture cold rolled and galvanized steel products and tin-plate products for sale in the United States. USS-POSCO Industries produced 872 thousand tons of such products in 2013.

Mexico. In Mexico, POSCO Mexico S.A. de C.V. completed the construction of a plant in August 2009 with an annual production capacity of 0.4 million tons of cold rolled products and commenced commercial production to supply automotive manufacturers in Mexico, Southeastern United States and South America. POSCO Mexico expanded its annual production capacity to 0.9 million tons of galvanized steel products in December 2013, and produced 323 thousand tons of cold rolled products in 2013.

Table of Contents

Indonesia. We entered into an agreement with PT. Krakatau Steel (Persero) Tbk. to establish PT. Krakatau POSCO Co., Ltd., a joint venture company in Indonesia for the manufacture and sale of plates and slabs. We have a 70% interest in the joint venture. We completed the construction of a plant in December 2013 with an annual production capacity of 3.0 million tons of plates and slabs.

Others. In addition to the above investments, we are carefully seeking out additional promising investment opportunities abroad. In June 2005, we entered into a memorandum of understanding with Orissa State Government of India for the construction of an integrated steel mill and the development of iron ore mines in Orissa State. We estimate the aggregate costs of the initial phase of construction and mine development to be approximately \$3.7 billion and an additional cost of approximately \$8.3 billion in order to increase the annual production capacity to 12 million tons of plates and hot rolled products. The Government of India reissued clearance for the construction of the steel mill in January 2014 and is currently in the process of preparing the land on which the integrated steel mill will be constructed. With respect to development of iron ore mines in Orissa State, we obtained a final ruling from the Indian Supreme Court in May 2013 with respect to authority of the central government to issue permission, and we are waiting for approval from the Government of India to start our exploration and development activities.

We have also established supply chain management centers around the world to provide processing and logistics services such as cutting flat steel products to smaller sizes to meet customers' needs. In 2013, our 39 supply chain management centers recorded aggregate sales of 5.1 million tons of steel products.

Trading

Our trading activities consist primarily of trading activities of Daewoo International. We acquired a controlling interest in Daewoo International for Won 3.37 trillion on September 20, 2010, and we currently hold a 60.3% interest in Daewoo International. Our consolidated subsidiaries that also engage in trading activities include POSCO Processing & Service Co., Ltd. that primarily focuses in the domestic market, and POSCO Asia Company Limited located in Hong Kong, POSCO Japan Co., Ltd. located in Tokyo, Japan, POSCO America Corporation located in New Jersey, U.S.A. and POSCO South Asia Co., Ltd. located in Bangkok, Thailand.

Daewoo International is a global trading company that primarily engages in trading of steel and raw materials as well as investing in energy and mineral development projects. It also manufactures and sells textiles and operates a department store in Korea. Daewoo International was established in December 2000 when the international trading and construction businesses of Daewoo Corporation were spun off into three separate companies as part of a debt workout program of Daewoo Corporation.

Table of Contents

The following table sets forth a breakdown of Daewoo International's total sales by export sales, domestic sales and third-party trades as well as product category for the periods indicated:

Product Category	For the Year Ended December 31,					
	2011	2012		2013		
	(In billions of Won, except percentages)					
Export Sales						
Trading sales:						
Steel and metal	6,070	31.6%	6,203	35.8%	5,397	31.5%
Chemical and commodities	1,654	8.6	1,686	9.7	1,535	9.0
Automobile and machinery parts	1,527	8.0	1,469	8.5	1,625	9.5
Electronics and miscellaneous items	93	0.5	120	0.7	72	0.4
Natural resources development			2	0.0		
Sub-total	9,344	48.7	9,480	54.7	8,630	50.4
Manufactured product sales	72	0.4	13	0.1	13	0.1
Miscellaneous	70	0.4	25	0.1	14	0.1
Total export sales	9,485	49.5	9,517	54.9	8,657	50.6
Domestic Sales						
Trading sales:						
Steel and metal	688	3.6%	609	3.5%	686	3.9%
Chemical and commodities	70	0.4	69	0.4	71	0.4
Automobile and machinery parts	8	0.0	3	0.0	34	0.2
Electronics and miscellaneous items			7	0.1	4	0.0
Other goods	56	0.3	58	0.3	54	0.3
Sub-total	822	4.3	746	4.3	849	5.0
Miscellaneous	7	0.0	8	0.0	12	0.1
Total domestic sales	830	4.3	754	4.3	861	5.1
Third-Country Trades						
Trading	12,151	63.3%	10,220	59.0%	10,598	61.9
Natural resources development	58	0.3	78	0.5	132	0.8
Manufactured product trading	474	2.5	312	1.8	261	1.5
Total third-country trades	12,682	66.1	10,610	61.3	10,991	64.2
Consolidation adjustments	(3,810)	(19.9)	(3,561)	(20.5)	(3,399)	(19.9)
Total sales	19,188	100.0%	17,320	100.0%	17,109	100.0%

Trading Activities. Daewoo International's trading activities consist of exporting and importing a wide variety of products and commodities, including iron and steel, raw materials for steel production, non-ferrous metals, chemicals, automotive parts, machinery and plant equipment, electronics products, agricultural commodities and textiles. Daewoo International is also engaged in third-country trade that does not involve exports from or imports to Korea. The products are obtained from and supplied to numerous suppliers and purchasers in Korea and overseas, which are procured through a global trading network comprised of overseas trading subsidiaries, branches and representative offices. Such subsidiaries and offices support Daewoo International's trading activities by locating suitable local suppliers and purchasers on behalf of customers, identifying business opportunities and providing information regarding local market conditions.

In most cases, Daewoo International enters into trading transactions after the underlying sale and purchase contracts have been matched, which mitigates inventory and price risks to Daewoo International. Daewoo International has not experienced material losses related to such risks.

Edgar Filing: POSCO - Form 20-F

Daewoo International typically enters into trading transactions as a principal, and in limited cases as an import or export agent. When acting as a principal or an agent, Daewoo International derives its gross trading profit from the margin between the selling price of the products and the purchase price it pays for such products. In the case of principal transactions, the selling price is recorded as sales and the purchase price is recorded as cost of sales, while only the margin is recorded as sales in the case of agency transactions in which Daewoo International does not assume the risks and rewards of ownership of the

Table of Contents

goods. In the case of principal transactions, it takes an average of approximately 80 days between Daewoo International's payment of goods and its receipt of payment from its customers. In the instances in which it acts as an arranger for a third country transaction, Daewoo International derives its gross trading profit from, and records as sales, the commission paid to it by the customer. The sizes of margins and commissions for Daewoo International's trading activities vary depending on a number of factors, including prevailing supply and demand conditions for the product involved, the cost of financing, insurance, storage and transport and the creditworthiness of the customer, and tends to decline as the product or market matures.

In connection with its export and import transactions, Daewoo International has accounts receivable and payable in a number of currencies, but principally in Dollars. Daewoo International's exposure to fluctuations in exchange rates, including the Won/Dollar exchange rate, is limited because trading transactions typically involve matched purchase and sale contracts, which result in limited settlement exposure, and because Daewoo International's contracts with domestic suppliers of products for export and with domestic purchasers of imported products are generally denominated in Dollars. Although the impact of exchange rate fluctuations is substantially mitigated by such strategies, Daewoo International also periodically enters into derivative contracts, primarily currency forward contracts, to further hedge its foreign exchange risks.

In connection with its trading activities, Daewoo International arranges insurance and product transport at the request of customers, the costs of which generally become reflected in the sales price of the relevant products, and also provides financing services to its purchasers and suppliers as necessary. In the case of trading transactions involving large-scale industrial or construction projects, Daewoo International also provides necessary project planning and organizing services to its customers.

Natural Resources Development Activities. Daewoo International also invests in energy and mineral development projects throughout the world. In particular, Daewoo International joined a consortium with Korea Gas Corporation, ONGC Videsh Ltd. and the Gas Authority of India Ltd. in November 2002, which made a successful bid in the gas exploration, development and production project in the Myanmar A-1 gas field. In October 2005, the consortium made a successful bid in the gas exploration, development and production project in the Myanmar A-3 gas field, located adjacent to the Myanmar A-1 gas field. In December 2008, the consortium entered into a sales agreement with China National United Oil Corporation to sell the gas produced from the A-1 and A-3 gas fields for a period of 30 years after the commencement of production. In August 2010, Myanmar Oil & Gas Enterprise, the national oil and gas company of Myanmar, acquired a 15% interest in each of the projects. As of December 31, 2013, Daewoo International had invested approximately US\$1,103 million in the A-1 and A-3 gas field projects, approximately US\$214 million in a related off-shore pipeline project and approximately US\$354 million in a related on-shore pipeline project. Daewoo International plans to make further investments in these gas fields in the future. Daewoo International held a 51% interest in each of the A-1, A-3 and off-shore pipeline projects and a 25% interest in the on-shore pipeline project. Production of gas from these gas fields commenced in July 2013 and Daewoo International recognized revenue from the Myanmar gas field project starting in November 2013.

Such natural resources development projects, while entailing higher risks than the traditional trading business, offer higher potential returns. Daewoo International intends to continue to expand its operations by carefully seeking out promising energy development projects abroad. Daewoo International mitigates the risks associated with such investments through subsidies from the Special Account for Energy Related Funds that is administered, among others, by Korea National Oil Corporation and Korea Resources Corporation, government agencies that promote natural resources development activities of the fund. The fund subsidizes a portion of the investment amount in the event the investor fails to develop viable deposits. If the natural resources development activities are successful, the investor must reimburse the Fund for the subsidy amount, together with accrued interest. In most instances, Daewoo International is required to obtain consent from the Ministry of Trade, Industry & Energy prior to investing in natural resources development projects.

Table of Contents

Competition. Daewoo International competes principally with six other Korean general trading companies, each of which is affiliated with a major domestic business group, as well as global trading companies based in other countries. In the domestic market, competition for export transactions on behalf of domestic suppliers and import transactions on behalf of domestic purchasers was limited, as most affiliated general trading companies of large Korean business groups generally relied on affiliate transactions for the bulk of their trading business. However, in recent years, many of these Korean general trading companies have reduced their reliance on their affiliated business group and transactions carried out on behalf of their member companies and instead have generally evolved to focus on segments of the import and export markets in which they have a competitive advantage. As a result, competition among Korean general trading companies in the area of traditional trade has become more intense. Daewoo International's principal competitors in the overseas trading markets include Korean trading companies that operate in various international markets, as well as foreign trading companies, particularly those based in Japan. As Daewoo International diversifies into businesses other than traditional trading such as natural resources development, it also increasingly competes with other Korean and international companies involved in these businesses.

Construction

POSCO E&C, our consolidated subsidiary in which we hold an 89.5% interest, is one of the leading engineering and construction companies in Korea, primarily engaged in the planning, design and construction of industrial plants and architectural works and civil engineering projects. In particular, POSCO E&C has established itself as one of the premier engineering and construction companies in Korea through:

its strong and stable customer base; and

its cutting-edge technological expertise obtained from construction of advanced integrated steel plants, as well as participation in numerous modernization and rationalization projects at our Pohang Works and Gwangyang Works.

Construction Services Offered. The following table sets forth a breakdown of POSCO E&C's total sales by product category for the periods indicated:

Product Category	For the Year Ended December 31,					
	2011	2012		2013		
	(In billions of Won, except percentages)					
Plant works	1,797	23.9%	3,223	37.3%	3,073	30.3%
Architectural works	1,728	23.0	2,026	23.5	2,935	28.9
Energy works	1,465	19.5	1,411	16.3	2,128	21.0
Civil works	1,458	19.4	1,220	14.1	999	9.8
Real estate services	94	1.3	40	0.5	108	1.1
Engineering services	1,137	15.1	1,118	12.9	1,219	12.0
Consolidation adjustments	(171)	(2.3)	(401)	(4.6)	(305)	(3.0)
Total sales	7,508	100.0%	8,637	100.0%	10,155	100.0%

The tables below set out POSCO E&C's total sales for the periods indicated by geographical area of customers that ordered the projects.

Region	For the Year Ended December 31,			
	2012	2013		
	(In billions of Won, except percentages)			
Korea	7,946	92.0%	9,148	90.1%
Southeast Asia	475	5.5	649	6.4
India	56	0.6	77	0.8
China	170	2.0	239	2.4
Central and South America	261	3.0	284	2.8
Others	131	1.5	63	0.6
Consolidation adjustments	(401)	(4.6)	(306)	(3.0)

Edgar Filing: POSCO - Form 20-F

Total sales	8,637	100.0%	10,155	100.0%
-------------	-------	--------	--------	--------

Table of Contents

Leveraging its technical know-how and track record of building some of the leading industrial complexes in Korea, POSCO E&C has also focused on diversifying its operations into construction of high-end apartment complexes and participating in a wider range of architectural works and civil engineering projects, as well as engaging in urban planning and development projects and expanding its operations abroad. One of its landmark urban planning and development projects includes the development of a 5.7 million-square meter area of Songdo International City in Incheon, which POSCO E&C is co-developing with Gale International, a respected real estate developer based in the United States. POSCO E&C also has substantial experience in the energy field obtained from the construction of various power plants for member companies of the POSCO Group, specializing primarily in engineering and construction of liquefied natural gas (LNG) and coal-fired thermal power plants. In recent years, POSCO E&C has obtained various orders for such power plants, including LNG-fired power plants in Incheon, Korea and coal-fired thermal power plants in Ventanas and Angamos, Chile. In response to increasing demand from the energy industry, POSCO E&C plans to continue to target opportunities in power plant construction, which it believes offers significant growth potential, and thereby enhance its know-how and profitability.

Competition. Competition in the construction industry is based primarily on price, reputation for quality, reliability, punctuality and financial strength of contractors. In Korea, POSCO E&C's main competition in the construction of residential and non-residential buildings, EPC projects, urban planning and development projects and civil works projects consists of approximately ten major domestic construction companies, all of which are member companies of other large business groups in Korea and are capable of undertaking larger-scale, higher-value-added projects that offer greater potential returns. A series of measures introduced by the Government over the past few years to regulate housing prices in Korea, as well as an increasing popularity of low-bid contracts in civil works project mandates, have contributed to increased competition in the Korean construction industry in recent years. In the overseas markets, POSCO E&C faces competition from local construction companies, as well as international construction companies from other countries, including other major Korean construction companies with overseas operations. Construction companies from developed countries may be more experienced, have greater financial resources and possess more sophisticated technology than POSCO E&C, while construction companies from developing countries often have the advantage of lower wage costs.

Others

As part of our diversification efforts, we strive to identify business opportunities that supplement our steel, trading and construction segments, including power generation, LNG logistics and network and system integration.

POSCO Energy Corporation. In 2006, we acquired the largest domestic private power utility company that operates LNG combined cycle power generation facilities with total power generation capacity of 1,800 megawatts and renamed it POSCO Energy Corporation. Since our acquisition, POSCO Energy Corporation has expanded its power generation capacity by constructing additional power plants in Korea. As part of its efforts to geographically diversify its power generation facilities, POSCO Energy Corporation is constructing a 1,200 megawatts class coal power plant in Vietnam with Applied Energy Services Corporation. In Indonesia, POSCO Energy Corporation has partnered with PT. Krakatau Daya Listrik to build a 200 megawatts by-product gas power plant, which will be used to power our integrated mill. POSCO Energy Corporation's total power generation capacity was approximately 3,481 megawatts as of December 31, 2013, and it plans to further increase its power generation capacity with the construction of additional power plants in Korea.

POSCO Energy Corporation is also selectively seeking opportunities to expand into solar, wind and other renewable energy businesses in order to become an integrated provider of energy solutions. In order to meet the increasing demand and regulatory requirements for clean energy, POSCO Energy Corporation signed a strategic partnership agreement in February 2007 with FuelCell Energy, a global

Table of Contents

leader in the field of molten carbonate fuel cell technology, pursuant to which POSCO Energy Corporation is exploring opportunities to expand its business into the stationary fuel cell market. In consultation with FuelCell Energy, POSCO Energy Corporation completed construction of a fuel cell stack manufacturing plant with an annual production capacity of 34 megawatts in 2011 with the objective of enhancing POSCO Energy Corporation's capability to meet the growing domestic demand for fuel cell energy.

LNG Logistics. In an effort to reduce our dependency on oil, we became the first private company in Korea to import LNG in 2005, and we have steadily increased the use of natural gas for energy generation at our steel production facilities. We operate an LNG receiving terminal that is equipped with two 100,000 kiloliters storage tanks, two 165,000 kiloliters storage tanks and additional facilities with an aggregate capacity to process up to 2.4 million tons of LNG annually in Gwangyang. In order to achieve maximum operational efficiency of our LNG terminal, we participate in the LNG trading and LNG ship gas trial businesses. We are also building a synthetic natural gas production plant with an annual capacity of 500,000 tons in Gwangyang that is scheduled for completion by the end of 2014. We believe that the synthetic natural gas production plant will provide us with a stable supply of LNG substitutes that we can utilize to meet our growing needs for energy generation.

Others. We acquired or established several subsidiaries that address specific services to support the operations of Pohang Works and Gwangyang Works. POSCO ICT Co., Ltd., founded in 1989, provides information and technology consulting and system network integration and outsourcing services. POSCO Plantec, created from the merger of POSCO Machinery & Engineering Co., Ltd. and POSCO Machinery Co., Ltd. in January 2010, provides engineering services related to plant construction and operations. Sungjin Geotec, a manufacturer of specialized equipment used in the power and energy industries, merged with POSCO Plantec in July 2013. POSCO Chemtech Company Ltd., formerly POSCO Refractories and Environment Company, Ltd., specializes in the manufacturing of refractories and lime used in steel manufacturing processes as well as a wide range of chemical products.

Insurance

We maintain property insurance for our property, plant and equipment that we believe to be consistent with market practice in Korea. As of December 31, 2013, our property, plant and equipment are insured against losses up to approximately Won 36,711 billion.

Item 4.C. Organizational Structure

The following table sets out the jurisdiction of incorporation and our ownership interests of our significant subsidiaries:

Name	Jurisdiction of Incorporation	Percentage of Ownership
Daewoo International Corporation	Korea	60.3%
POSCO Engineering & Construction Co., Ltd	Korea	89.5%
POSCO Energy Corporation	Korea	89.0%
Zhangjiagang Pohang Stainless Steel Co., Ltd.	China	82.5%
POSCO Specialty Steel Co., Ltd.	Korea	72.1%
POSCO Processing & Service Co., Ltd.	Korea	95.3%
POSCO ICT Co., Ltd.	Korea	65.4%

Item 4.D. Property, Plants and Equipment

Our principal properties are Pohang Works, which is located at Youngil Bay on the southeastern coast of Korea, and Gwangyang Works, which is located in Gwangyang City in the southwestern region of Korea. We expect to increase our production capacity in the future when we increase our

Table of Contents

capacity as part of our facilities expansion or as a result of continued modernization and rationalization of our existing facilities. For a discussion of major items of our capital expenditures currently in progress, see Item 5. Operating and Financial Review and Prospects Item 5.B. Liquidity and Capital Resources Liquidity Capital Expenditures and Capital Expansion.

Pohang Works

Construction of Pohang Works began in 1970 and ended in 1983. Pohang Works currently has an annual crude steel and stainless steel production capacity of 16.7 million tons. Pohang Works produces a wide variety of steel products. Products produced at Pohang Works include hot rolled sheets, plates, wire rods and cold rolled sheets, as well as specialty steel products such as stainless steel sheets and silicon steel sheets. These products can also be customized to meet the specifications of our customers.

Situated on a site of 8.9 million square meters at Youngil Bay on the southeastern coast of Korea, Pohang Works consists of 44 plants, including iron-making, crude steelmaking and continuous casting and other rolling facilities. Pohang Works also has docking facilities capable of accommodating ships as large as 200,000 tons for unloading raw materials, storage areas for up to 34 days supply of raw materials and separate docking facilities for ships carrying products for export. Pohang Works consumed approximately 352 thousand tons of LNG and approximately 11,336 gigawatt hours of electricity in 2013. Pohang Works is equipped with a highly advanced computerized production-management system allowing constant monitoring and control of the production process.

The following table sets out Pohang Works capacity utilization rates for the periods indicated.

	As of or for the Year Ended December 31,		
	2011	2012	2013
Crude steel and stainless steel production capacity as of end of the year (million tons per year)	16.65	16.65	17.30
Actual crude steel and stainless steel output (million tons)	16.38	16.54	16.18
Capacity utilization rate (%) ⁽¹⁾	98.4	99.3	93.5

(1) Calculated by dividing actual crude steel and stainless steel output by the actual crude steel and stainless steel production capacity for the relevant period as determined by us.

Gwangyang Works

Construction of Gwangyang Works began in 1985 on a site of 13.7 million square meters reclaimed from the sea in Gwangyang City in the southwestern region of Korea. Gwangyang Works currently has an annual crude steel production capacity of 20.8 million tons. Gwangyang Works specializes in high volume production of a limited number of steel products. Products manufactured at Gwangyang Works include both hot and cold rolled types.

Gwangyang Works is comprised of 46 plants, including iron-making plants, steelmaking plants, continuous casting plants, hot strip mills and thin-slab hot rolling plants. The site also features docking and unloading facilities for raw materials capable of accommodating ships of as large as 300,000 tons for unloading raw materials, storage areas for 38 days supply of raw materials and separate docking facilities for ships carrying products for export. Gwangyang Works consumed approximately 252 thousand tons of LNG and approximately 13,524 gigawatt hours of electricity in 2013.

We believe Gwangyang Works is one of the most technologically advanced integrated steel facilities in the world. Gwangyang Works has a completely automated, linear production system that enables the whole production process, from iron-making to finished products, to take place without interruption. This advanced system reduces the production time for hot rolled products to only four hours. Like Pohang Works, Gwangyang Works is equipped with a highly advanced computerized production-management system allowing constant monitoring and control of the production process.

Table of Contents

Capacity utilization has kept pace with increases in capacity. The following table sets out Gwangyang Works capacity utilization rates for the periods indicated.

	As of or for the Year Ended December 31,		
	2011	2012	2013
Crude steel production capacity as of end of the year (million tons per year)	20.80	20.80	20.80
Actual crude steel output (million tons)	20.94	21.45	20.23
Capacity utilization rate (%) ⁽¹⁾	100.7	103.1	97.3

(1) Calculated by dividing actual crude steel output by the actual crude steel production capacity for the relevant period as determined by us.

The Environment

We believe we are in compliance with applicable environmental laws and regulations in all material respects. Our levels of pollution control are higher than those mandated by Government standards. We established an on-line environmental monitoring system with real-time feedback on pollutant levels and a forecast system of pollutant concentration in surrounding areas. We also undergo periodic environmental inspection by both internal and external inspectors in accordance with ISO 14001 standards to monitor execution and maintenance of our environmental management plan. As we continue to diversify our production operations abroad and the importance of comprehensive environmental management continues to grow, we announced an integrated environmental management system in December 2010, pursuant to which all of our subsidiaries located in Korea as well as abroad acquired the ISO 14001 certification. We also operate a certification program targeting our suppliers and outsourcing partners, pursuant to which they are encouraged to establish environmental management systems of their own.

We have taken additional measures to ensure that we are appropriately addressing environmental issues. We recycle most of the by-products from the steelmaking process. A vital part of our production process requires consumption of water, and many of our operations are located on coastal sites or adjacent to major lakes and rivers. Recognizing the importance of water resources, we established mid-to-long-term water management strategies to more effectively utilize water resources, including increasing water recycling, reducing usage volume, developing substitute sources and reducing manufacturing discharge harmful to the environment. As part of our efforts to preserve biological diversity, we supply steel slag that is used in the construction of underwater facilities designed to restore marine ecosystems damaged by rising seawater temperatures. In addition, we have been developing environmentally friendly products such as chrome-free steel sheets in an effort to compete with products from the European Union, the United States and Japan and to meet strengthened environmental regulations. Anticipating the trend toward increasing regulation of chrome in various steel products, we introduced chrome-free steel products meeting international environmental standards in 2006 that are used to manufacture automotive oil tanks.

We plan to continue to invest in developing more environmentally friendly steel manufacturing processes. We commenced research and development for a new steel manufacturing technology called FINEX in 1992 jointly with the Research Institute of Industrial Science and Technology and VOEST Alpine, an Austrian company, and we completed the construction of our first FINEX plant in May 2003 with an annual steel production capacity of 0.6 million tons, a second FINEX plant in May 2007 with an annual steel production capacity of 1.5 million tons, and a third FINEX plant in January 2014 with an annual steel production capacity of 2.0 million tons. The total annual steel production capacity of our FINEX plants is 4.2 million tons. We will continue to refine FINEX, a low cost, environmentally friendly steel manufacturing process that we believe optimizes our production capacity by utilizing non-agglomerated iron ore fines and using non-coking coal as an energy source and a reducing agent. We believe that FINEX offers considerable environmental and economic advantages by eliminating major sources of pollution such as sinter and coke plants, as well as decreasing operating and raw material costs.

Table of Contents

Our climate change response program seeks to minimize the risks from changes in climate as well as to maximize the opportunities available in such environment by enhancing the energy efficiency of our production process. We are also involved in a forestation project in Uruguay, which was registered as the world's first Clean Development Mechanism project sponsored by a steel producer. Clean Development Mechanism is one of the Kyoto Protocol's project-based mechanisms designed to promote projects that reduce emissions. We have disclosed our carbon dioxide emission levels and efforts to deal with climate changes through various channels, including participating in the Carbon Disclosure Project. The Carbon Disclosure Project is an organization based in the United Kingdom that works with major corporations around the world to disclose their greenhouse gas emission levels.

POSCO spent Won 493 billion in 2011, Won 634 billion in 2012 and Won 295 billion in 2013 on anti-pollution facilities.

Item 4A. *Unresolved Staff Comments*

We do not have any unresolved comments from the Securities and Exchange Commission staff regarding our periodic reports under the Exchange Act of 1934.

Item 5. *Operating and Financial Review and Prospects*

Item 5.A. *Operating Results*

The following discussion and analysis is based on our consolidated financial statements, which have been prepared in accordance with IFRS, as issued by the IASB. Unless otherwise noted, the amounts included in Item 5.A. are presented on a consolidated basis.

Overview

We are the largest fully integrated steel producer in Korea. We have four reportable operating segments—a steel segment, a trading segment, an engineering and construction segment and a segment that contains operations of all other entities which fall below the reporting thresholds. The steel segment includes production of steel products and sale of such products. The trading segment consists of global trading activities of Daewoo International, exporting and importing a wide range of steel products that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. The construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The others segment includes power generation, LNG logistics, and network and system integration. See Note 41 of Notes to Consolidated Financial Statements.

One of the major factors contributing to our historical performance has been the growth of the Korean economy, and our future performance will depend at least in part on Korea's general economic growth and prospects. For a description of recent developments that have had and may continue to have an adverse effect on our results of operations and financial condition, see Item 3. Key Information Item 3.D. Risk Factors. Korea is our most important market, and our current business and future growth could be materially and adversely affected if economic conditions in Korea deteriorate. A number of other factors have had or are expected to have a material impact on our results of operations, financial condition and capital expenditures. These factors include:

our sales volume, unit prices and product mix;

costs and production efficiency; and

exchange rate fluctuations

As a result of these factors, our financial results in the past may not be indicative of future results or trends in those results.

Table of Contents

Sales Volume, Prices and Product Mix

In recent years, our net sales have been affected by the following factors:

the demand for our products in the Korean market and our capacity to meet that demand;

our ability to compete for sales in the export market;

price levels; and

our ability to improve our product mix.

Domestic demand for our products is affected by the condition of major steel consuming industries, such as construction, shipbuilding, automotive, electrical appliances and downstream steel processors, and the Korean economy in general.

In 2012, unit sales prices in Won for all of our principal product lines of steel products produced by us and directly sold to external customers decreased. The weighted average unit price for such products decreased by 10.6% from 2011 to 2012, despite a depreciation in the average value of the Won against the Dollar in 2012 that increased our export prices in Won terms. The average exchange rate of the Won against the Dollar depreciated from Won 1,108.1 to US\$1.00 in 2011 to Won 1,126.9 to US\$1.00 in 2012.

The unit sales price of plates, which accounted for 13.8% of total sales volume of the principal steel products produced by us and directly sold to external customers, decreased by 16.2% in 2012. The unit sales price of hot rolled products, which accounted for 28.5% of total sales volume of such products, decreased by 15.4% in 2012. The unit sales price of stainless steel products, which accounted for 9.2% of total sales volume of such products, decreased by 14.3% in 2012. The unit sales price of silicon steel sheets, which accounted for 3.8% of total sales volume of such products, decreased by 13.4% in 2012. The unit sales price of cold rolled products, which accounted for 39.6% of total sales volume of such products, decreased by 8.4% in 2012. The unit sales price of wire rods, which accounted for 5.1% of total sales volume of such products, decreased by 6.3% in 2012.

In 2013, unit sales prices in Won for all of our principal product lines of steel products produced by us and directly sold to external customers decreased. The weighted average unit price for such products decreased by 6.8% from 2012 to 2013, in part due to an appreciation in the average value of the Won against the Dollar in 2013 that decreased our export prices in Won terms. The average exchange rate of the Won against the Dollar appreciated from Won 1,126.9 to US\$1.00 in 2012 to Won 1,095.0 to US\$1.00 in 2013.

The unit sales price of cold rolled products, which accounted for 40.9% of total sales volume of such products, decreased by 13.9% in 2013. The unit sales price of wire rods, which accounted for 6.0% of total sales volume of the principal steel products produced by us and directly sold to external customers, decreased by 13.5% in 2013. The unit sales price of hot rolled products, which accounted for 26.1% of total sales volume of such products, decreased by 8.2% in 2013. The unit sales price of silicon steel sheets, which accounted for 3.9% of total sales volume of such products, decreased by 4.4% in 2013. The unit sales price of plates, which accounted for 13.2% of total sales volume of such products, decreased by 2.8% in 2013. The unit sales price of stainless steel products, which accounted for 9.9% of total sales volume of such products, decreased by 2.7% in 2013.

We gradually increased our export prices in the first half of 2011, but our export prices fell substantially in the second half of 2011 and decreased further in 2012 and the first half of 2013. We may decide to adjust our future export sales prices on an on-going basis subject to market demand for our products, the production outlook of the global steel industry and global economic conditions in general. See Item 4. Information on the Company Item 4.B. Business Overview Markets Exports.

Table of Contents

The table below sets out the average unit sales prices for our semi-finished and finished steel products for the periods indicated.

Products	For the Year Ended December 31,		
	2011	2012	2013
	(In thousands of Won per ton)		
Cold rolled products	1,051	963	829
Hot rolled products	871	737	677
Stainless steel products	3,087	2,646	2,576
Plates	1,043	873	849
Wire rods	1,328	1,245	1,076
Silicon steel sheets	1,571	1,362	1,302
Average ⁽¹⁾	1,198	1,071	998

(1) Average prices are based on the weighted average, by sales volume, of our sales for the listed principal products produced by us and directly sold to external customers. See Item 4. Information on the Company Item 4.B. Business Overview Major Products. The average unit sales price calculation does not include sales results of steel products categorized as others.

Costs and Production Efficiency

Our major costs and operating expenses are raw material purchases, depreciation, labor and other purchases. The table below sets out our cost of sales and selling and administrative expenses as a percentage of our revenue as well as gross profit margin and operating profit margin for the periods indicated.

	For the Year Ended December 31,		
	2011	2012	2013
	(Percentage of net sales)		
Cost of sales	86.8%	88.3%	88.9%
Selling and administrative expenses	5.3	6.0	6.2
Gross margin	13.2	11.7	11.1
Operating profit margin	7.8	5.2	4.2

Our operating profit margin decreased from 7.8% in 2011 to 5.2% in 2012 and further decreased to 4.2% in 2013, reflecting the current challenging business environment as discussed below.

We are closely monitoring changes in market conditions and we implemented the following measures in recent years to address challenges posed by the global economic downturn:

pursuing cost reduction through enhancing product designs, improving productivity and reducing transportation costs;

focusing on marketing activities to increase our domestic market share and export sales; and

establishing a special sales committee to more effectively respond to changes in market trends and preparing responses to various scenarios of future sales.

Production capacity represents our maximum production capacity that can be achieved with an optimal level of operations of our facilities. The table below sets out certain information regarding our production capacity and efficiency in the production of steel products for the periods indicated.

Table of Contents

	For the Year Ended		
	December 31,		
	2011	2012	2013
Crude steel and stainless steel production capacity (million tons per year) ⁽¹⁾	39.5	39.6	40.4
POSCO	37.5	37.5	38.1
POSCO Specialty Steel Co., Ltd.	1.0	1.1	1.2
Zhangjiagang Pohang Stainless Steel Co., Ltd.	1.0	1.0	1.1
Actual crude steel and stainless steel output (million tons) ⁽¹⁾	39.0	39.7	38.3
POSCO	37.3	38.0	36.4
POSCO Specialty Steel Co., Ltd.	0.8	0.7	0.7
Zhangjiagang Pohang Stainless Steel Co., Ltd.	0.9	1.0	1.1
Capacity utilization rate (%) ⁽¹⁾	98.7%	100.3%	94.6%
POSCO	99.7%	101.4%	95.5%
POSCO Specialty Steel Co., Ltd.	86.4%	63.3%	61.8%
Zhangjiagang Pohang Stainless Steel Co., Ltd.	99.1%	103.3%	100.3%

(1) Reflects production capacity of POSCO, POSCO Specialty Steel Co., Ltd. and Zhangjiagang Pohang Stainless Steel Co., Ltd.

Exchange Rate Fluctuations

Our consolidated financial statements are prepared from our local currency denominated financial results, assets and liabilities and our subsidiaries around the world, which are then translated into Won. A substantial proportion of our consolidated financial results is accounted for in currencies other than the Won. Accordingly, our consolidated financial results and assets and liabilities may be materially affected by changes in the exchange rates of foreign currencies. In 2013, 51.2% of our total revenue from steel products produced and sold by us was in overseas markets outside of Korea. To the extent that we incur costs in one currency and make sales in another, our profit margins may be affected by changes in the exchange rates between the two currencies. Since the currency in which sales are recorded may not be the same as the currency in which expenses are incurred, foreign exchange rate fluctuations may materially affect our results of operations. Depreciation of the Won may materially affect the results of our operations because, among other things, it causes:

an increase in the amount of Won required for us to make interest and principal payments on our foreign currency-denominated debt;

an increase in Won terms in the costs of raw materials and equipment that we purchase from overseas sources and a substantial portion of our freight costs, which are denominated primarily in Dollars; and

foreign exchange translation losses on liabilities, which lower our earnings for accounting purposes.

Appreciation of the Won against major currencies, on the other hand, causes:

our export products to be less competitive by raising our prices in Dollar terms; and

a reduction in net sales and accounts receivables in Won from export sales, which are primarily denominated in Dollars.

We strive to naturally offset our foreign exchange risk by matching foreign currency receivables with our foreign currency payables and our overseas subsidiaries have sought to further mitigate the adverse impact of exchange rate fluctuations by conducting business transactions in the local currency of the respective market in which the transactions occur. In particular, Daewoo International's exposure to fluctuations in exchange rates, including the Won/Dollar exchange rate, is limited because trading transactions typically involve matched purchase and sale contracts, which result in limited settlement exposure, and because Daewoo International's contracts with domestic suppliers of products for export and with domestic purchasers of imported products are generally denominated in Dollars. Although the impact of exchange rate

fluctuations is partially mitigated by such strategies, we and our subsidiaries,

Table of Contents

particularly Daewoo International and POSCO E&C, also periodically enter into derivative contracts, primarily foreign currency swaps and forward exchange contracts, to further hedge our foreign exchange risks. However, our results of operations have historically been affected by exchange rate fluctuations and there can be no assurance that such strategies will be sufficient to reduce or eliminate the adverse impact of such fluctuations in the future. Because of the larger positive effects of the appreciation of the Won (i.e., the reverse of the negative effects caused by the depreciation of the Won, as discussed above), depreciation of the Won generally has a negative impact on our results of operations.

Inflation

Inflation in Korea, which was 4.0% in 2011, 2.2% in 2012 and 1.3% in 2013, has not had a material impact on our results of operations in recent years.

Critical Accounting Estimates

We have prepared our consolidated financial statements in accordance with IFRS as issued by the IASB. These accounting principles require us to make certain estimates and judgments that affect the reported amounts in our consolidated financial statements. Our estimates and judgments are based on historical experience, forecasted future events and various other assumptions that we believe to be reasonable under the circumstances. Estimates and judgments may differ under different assumptions or conditions. We evaluate our estimates and judgments on an ongoing basis. We believe the critical accounting policies discussed below are the most important to the portrayal of our financial condition and results of operations. Each of them is dependent on projections of future market conditions, and they require us to make the most difficult, subjective or complex judgments.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for exposures in our receivable balances that represent our estimate of probable losses in our short-term and long-term receivable balances from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate and negatively impact their ability to make payments, additional allowances may be required. Determining the allowance for doubtful accounts requires significant management judgment and estimates including, among others, the credit worthiness of our customers, experience of historical collection patterns, potential events and circumstances affecting future collections and the ongoing risk assessment of our customer's ability to pay.

Trade account receivables are analyzed on a regular basis and, upon our becoming aware of a customer's inability to meet its financial commitments to us, the value of the receivable is reduced through a charge to the allowance for doubtful accounts. In addition, we record a charge to the allowance for doubtful accounts upon receipt of customer claims in connection with sales that management estimates are unlikely to be collected in full. As of December 31, 2013, the percentage of allowance for doubtful accounts to gross account receivables was 4.43%. Our allowance for doubtful accounts increased by 39.4%, or Won 187 billion, from Won 475 billion as of December 31, 2012 to Won 662 billion as of December 31, 2013 primarily due to recognition of bad debt expense related to project financing incurred by POSCO E&C. See Note 23 of Notes to Consolidated Financial Statements. Assumptions and judgments related to the allowance for doubtful accounts did not change in 2013.

Specifically, allowances for doubtful accounts are recorded when any of the following loss events occur: (i) there is objective evidence as to the uncollectibility of the account observed through bankruptcy, default or involuntary dissolution of the customer; (ii) we lose a lawsuit against the customer or our right of claim gets extinguished; (iii) our costs to collect the account exceed the payments to be received; or (iv) a dispute with the customer over the collection of the account persists for more than three years.

Table of Contents

The actual average annual uncollected percentage rate of accounts receivables resulting in write-offs for the three years in the period ended December 31, 2013 was 0.13%. These historical results, as well as current known conditions impacting the collectability of our accounts receivable balances, are significant factors for us when we estimate the amount of the necessary allowance for doubtful accounts. Historically, losses from uncollectible accounts receivables have been within expectations and in line with the allowances established. However, unforeseen circumstances such as adverse market conditions that deviate significantly from our estimates may require us to change the timing of, and make additional allowances to, our receivable balances. In this case, our results of operations, financial condition and net worth could be materially and adversely affected.

Valuation of Financial Instruments including Debt and Equity Securities and Derivatives

We invest in various financial instruments including debt and equity securities and derivatives. Depending on the accounting treatment specific to each type of financial instrument, an estimate of fair value is required to determine the instrument's effect on our consolidated financial statements.

If available, quoted market prices provide the best indication of fair value. We determine the fair value of our financial instruments using quoted market prices when available, including quotes from dealers trading those securities. If quoted market prices are not available, we determine the fair value based on pricing or valuation models, quoted prices of instruments with similar characteristics, or discounted cash flows. Determining the fair value of unlisted financial instruments involves a significant degree of management resources and judgment as no quoted prices exist and such securities are generally very thinly traded. Derivatives for which quoted market prices are not available are valued using valuation models such as the discounted cash flow method. The key inputs used in the valuation of such derivatives depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, foreign exchange rates, the spot price of the underlying instrument, volatility and correlation. The fair values based on pricing and valuation models and discounted cash flow analysis are subject to various assumptions used that, if changed, could significantly affect the fair value of the investments.

We assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. As part of this impairment review, the investee's operating results, net asset value and future performance forecasts as well as general market conditions are taken into consideration in order to assess whether there is any objective evidence such as significant financial difficulty of the issuer.

We have estimated fair values of material non-marketable securities. We estimated these fair values based on pricing or valuation models, quoted prices of instruments with similar characteristics, or discounted cash flow models. The discounted cash flow model valuation technique is based on the estimated cash flow projections of the underlying investee. Key assumptions and estimates include market conditions, revenue growth rates, operating margin rates, income tax rates, depreciation and amortization rates, the level of capital expenditures, working capital amounts and the discount rates. These estimates are based on historical results of the investee and other market data. In these cash flows projections, the two most significant estimates are the discount rates and revenue growth rates. If the discount rates used in these valuations were increased by 1%, then the estimated fair values would have decreased by 7% in total. In addition, if the revenue growth rate assumptions were decreased by 1% in the cash flow models, then the estimated fair values would have decreased by 5% in total.

We recognized impairment losses on available-for-sale investments of Won 224 billion in 2012 and Won 280 billion in 2013. Losses on impairment of investments increased in 2013 primarily due to a significant decline in the fair value of shares of KB Financial Group and others for a prolonged period, which was considered as objective evidence of impairment.

Table of Contents

Historically, our estimates and assumptions used to evaluate impairment of investments have been within expectations. However, unforeseen circumstances such as adverse market conditions that deviate significantly from our estimates may require us to recognize additional losses on impairment of investments. We base our fair value estimates on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain. The use of alternative estimates and assumptions could increase or decrease the estimated fair values of our investments and potentially result in different impacts on our results of operations.

Long-lived Assets

At each reporting date, we review the carrying amounts of our tangible and intangible assets (excluding goodwill) to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset (or cash generating unit) is reviewed in order to determine the amount of the impairment, if any. The recoverable amount is the higher of the asset's net selling price (fair value reduced by selling costs) and its value in use. When the book value of long-lived asset exceeds the recoverable value of the asset due to obsolescence, physical damage or a decline in market value and such amount is material, the impairment of the asset is recognized and the asset's carrying value is reduced to its recoverable value and the resulting impairment loss is charged to current operations. Such recoverable value is based on our estimates of the future use of assets and is subject to changes in market conditions.

The depreciable lives and salvage values of our long-lived assets are estimated and reviewed each year based on industry practices and prior experience to reflect economic lives of long-lived assets. Effective January 1, 2011, we changed our estimated useful lives for certain machinery and equipment in our steel operating segment from the previous eight years to fifteen years based on an asset life study. Our depreciation expense decreased by Won 1,227 billion in 2011 as a result of such changes in our estimated useful lives.

Our estimates of the useful lives and recoverable values of long-lived assets are based on historical trends adjusted to reflect our best estimate of future market and operating conditions. Also, our estimates include the expected future period in which the future cash flows are expected to be generated from continuing use of the assets that we review for impairment and cash outflows to prepare the assets for use that can be directly attributed or allocated on a reasonable and consistent basis. If applicable, estimates also include net cash flows to be received or paid for the disposal of the assets at the end of their useful lives. As a result of the impairment review, when the sum of the discounted future cash flows expected to be generated by the assets is less than the book value of the assets, we recognize impairment losses based on the recoverable value of those assets. We make a number of significant assumptions and estimates in the application of the discounted cash flow model to forecast cash flows, including business prospects, market conditions, selling prices and sales volume of products, costs of production and funding sources. The estimated cash flow forecast amounts are derived from the most recent financial budgets for the next five years. For periods beyond the five year forecast period, we use a terminal value approach to estimate the cash flows for the remaining years based on an expected estimated growth rate. This estimated growth rate is based on actual historical results. As of December 31, 2013, we estimated an average discount rate of 7.0% and an average rate of revenue growth of 1.36%. However, given the current economic environment, it is likely that the estimates and assumptions will be more volatile than they have been in the past. Further impairment charges may be required if triggering events occur, such as adverse market conditions, that suggest deterioration in an asset's recoverability or fair value. Assessment of the timing of when such declines become other than temporary and the amount of such impairment is a matter of significant judgment. Results in actual transactions could differ from those estimates used to evaluate the impairment of such long-lived assets. If our future cash flow projections are not realized, either because of an extended recessionary period or other unforeseen events, impairment charges may be required in future periods.

Table of Contents

If the estimated average discount rates used in these valuations were increased by 1%, then the estimated fair values would have decreased by 15% in total. If the estimated average rate of revenue growth rate were decreased by 1%, then the estimated fair values would have decreased by 13% in total. These sensitivity analyses do not affect the impairment loss due to the absence of an impairment loss indicator for our long-lived assets.

Goodwill

Goodwill is tested for impairment annually at the level of the groups of cash generating units or whenever changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the groups of cash-generating units are determined from the higher of their fair value less cost to sell or their value-in-use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period.

Our management estimates discount rates using post-tax rates that reflect current market rates for investments of similar risk. Growth rates are based on industry growth forecasts, and changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market. Cash flow forecasts are derived from the most recent financial budgets for the next five years. Beyond the specifically forecasted period, we extrapolate cash flows for the remaining years based on an estimated growth rate. This rate does not exceed the average long-term growth rate for the relevant markets. Once recognized, impairment losses recognized for goodwill are not reversed.

In validating the value in use determined for the cash generating units, the sensitivity of key assumptions used in the discounted cash-flow model such as discount rates and the terminal growth rate was evaluated. If the estimated average discount rates used in these valuations were increased by 0.25%, the estimated value-in-use would have decreased by 4.12% in total. If the estimated terminal growth rates were decreased by 0.25%, the estimated value-in-use would have decreased by 3.44% in total. If the discount rate assumptions were increased by 0.25% or the terminal growth rate assumptions were decreased by 0.25%, there would be no impact on goodwill impairment. Based on an impairment test as of December 31, 2013, we recognized impairment loss of goodwill of Won 97 billion in POSCO Thainox Public Company Limited and Won 6 billion in EPC Equities LLP. We believe that determining the existence and impairment of goodwill is a critical accounting estimate because significant management judgment is involved in the evaluation of the value of goodwill, and any reasonably possible changes in the key assumptions on which the recoverable amount is based would cause a change in impairment loss of goodwill. See Note 15 of Notes to Consolidated Financial Statements.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs of inventories are determined using the moving-weighted average or weighted average method. Materials-in-transit are determined using the specific identification method. Amounts of inventory are written down to net realizable value due to losses occurring in the normal course of business and the allowance is reported as a contra inventory account, while the related charge is recognized in cost of goods sold.

The net realizable value is determined based on the latest selling price available at the end of each quarter taking into account the directly attributable selling costs. The latest selling price is the base price which is the negotiated selling price based upon the recent transactions entered into with major customers. Considering that our inventory turnover is approximately two months and inventories at the balance sheet date would be sold during the following two months, we perform valuation of inventories using the base price as of the balance sheet date and adjust for significant changes in selling price occurring subsequent to the reporting date. The selling price range used for determining the net realizable value of our inventories ranged from the inventory cost amount less 17.8% of gross

Table of Contents

profit margin to the inventory cost amount plus 25.1% of gross profit margin. For inventories in which expected selling prices are less than the cost amount, the necessary adjustment to write-down the inventories to net realizable value is made. There was no recovery in 2011, 2012 and 2013. The valuation losses of inventories recognized within cost of goods sold were Won 140 billion in 2011, Won 76 billion in 2012 and Won 49 billion in 2013.

Employee Benefits

Our accounting of employee benefits for defined benefit plans involves judgments about uncertain events including, but not limited to, discount rates, life expectancy, future pay inflation and expected rate of return on plan assets. The discount rates are determined by reference to the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of our benefits obligations and that are denominated in the same currency in which the benefits are expected to be paid. We determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments, net interest expense, and other expenses related to defined benefit plans that are recognized in profit or loss. Due to changing market and economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in our defined benefit plan. We immediately recognize all actuarial gains and losses arising from defined benefit plans in retained earnings. If the estimated average discount rates by actuarial assumptions used in these valuations were increased by 1%, then the estimated provision for severance benefits would have decreased by Won 103 billion, or 6.8% in total. If the estimated future pay inflation rates were decreased by 1%, then the estimated provision for severance benefits would have decreased by Won 102 billion, or 6.7% in total.

Explanatory Note Regarding Presentation of Certain Financial Information under K-IFRS

In addition to preparing financial statements in accordance with IFRS as issued by the IASB included in this annual report, we also prepare financial statements in accordance with K-IFRS as adopted by the KASB, which we are required to file with the Financial Services Commission and the Korea Exchange under the Financial Investment Services and Capital Markets Act of Korea.

Beginning with our financial statements prepared in accordance with K-IFRS as of and for the year ended December 31, 2012, we are required to adopt certain amendments to K-IFRS No. 1001, Presentation of Financial Statements, as adopted by the KASB in 2012. Accordingly, beginning with our consolidated statements of comprehensive income prepared in accordance with K-IFRS for the year ended December 31, 2012, we present operating profit or loss as an amount of revenue less cost of sales and selling and administrative expenses. The amendments were applied retroactively to our consolidated statements of comprehensive income prepared in accordance with K-IFRS for the year ended December 31, 2011 and certain of the items in such consolidated statements of comprehensive income were reclassified to conform to the presentation of operating profit or loss in the consolidated statements of comprehensive income prepared in accordance with K-IFRS for the year ended December 31, 2012. Prior to the adoption of the amendments to K-IFRS No. 1001, Presentation of Financial Statements, we had presented operating profit or loss in our consolidated statements of comprehensive income prepared in accordance with K-IFRS as an amount of revenue plus other income less cost of sales, selling and administrative expenses, and other expenses.

In our consolidated statements of comprehensive income prepared in accordance with IFRS as issued by the IASB included in this annual report, such changes in presentation were not adopted. As a result, the presentation of results from operating activities in our consolidated statements of comprehensive income prepared in accordance with IFRS as issued by the IASB included in this

Table of Contents

annual report differs from the presentation of operating profit or loss in the our consolidated statements of comprehensive income prepared in accordance with K-IFRS. The table below sets forth a reconciliation of our results from operating activities as presented in our consolidated statements of comprehensive income prepared in accordance with IFRS as issued by the IASB for each of the years ended December 31, 2011, 2012 and 2013 to the operating profit or loss as presented in our consolidated statements of comprehensive income prepared in accordance with K-IFRS after giving effect to the amendments to K-IFRS No. 1001, Presentation of Financial Statements, for each of the corresponding years.

	2011	For the Year Ended December 31, 2012	2013
	(In millions of Won)		
Operating profit under IFRS as issued by the IASB	5,408,102	3,291,763	2,574,401
Additions:			
Loss on disposals of property, plant and equipment	60,550	65,486	121,133
Loss on disposal of investment property	8,826	3,197	522
Loss on disposals of assets held for sale		9,510	26,498
Idle tangible assets expenses	16,881	31,297	17,624
Impairment loss on other long-term assets	34,544	36,453	9,000
Impairment loss on assets held for sale		258,451	1,814
Impairment loss of property, plant and equipment	26,171	12,977	9,742
Impairment loss of investment property	23,397	1,053	22,943
Other bad debt expenses	11,155	44,115	111,065
Donations	66,558	73,963	60,940
Impairment losses on intangible assets	14,959	21,776	125,316
Penalty and default losses	39,551	149,437	19,340
Loss on disposal of wastes	30,585	45,480	15,231
Loss on disposal of investments in associates		15,119	19,404
Other provision expenses			65,896
Others	33,356	41,151	24,338
	366,533	809,465	650,806
Deductions:			
Gain on disposals of property, plant and equipment	(13,812)	(42,290)	(14,177)
Rental revenues	(6,510)	(1,898)	(1,588)
Gain on disposals of intangible assets	(953)	(906)	(801)
Gain on disposals of investment in associates	(2,247)	(39,441)	(7,668)
Gain on disposal of assets held for sale		(193,333)	(101,611)
Grant income	(1,228)	(3,198)	(2,287)
Reversal of other bad debt allowance	(57,875)		
Reversal of other provisions	(35,629)	(16,037)	
Outsourcing income	(42,136)	(29,136)	(25,428)
Gain on disposal of wastes	(11,348)	(38,597)	(16,541)
Gain from claim compensation	(68,853)	(31,613)	(14,525)
Penalty income from early termination of contracts	(38,570)	(15,054)	(16,477)
Others	(27,780)	(36,617)	(27,970)
	(306,941)	(448,120)	(229,073)
Operating profit under K-IFRS after adoption of the amendments	5,467,694	3,653,108	2,996,134

Table of Contents**Operating Results 2012 Compared to 2013**

The following table presents our income statement information and changes therein for 2012 and 2013.

	For the Year Ended December 31,		Changes	
	2012	2013	2012 versus 2013	
	(In billions of Won)		Amount	%
Revenue	63,604	61,865	(1,740)	(2.7)%
Cost of sales	56,143	55,005	(1,138)	(2.0)
Gross profit	7,461	6,860	(601)	(8.1)
Administrative expenses	2,129	2,232	102	4.8
Selling expenses	1,679	1,632	(47)	(2.8)
Other operating income	448	229	(219)	(48.9)
Other operating expenses	809	651	(159)	(19.6)
Operating profit	3,292	2,574	(717)	(21.8)
Share of loss of equity-accounted investees	23	180	157	692.0
Finance income	2,897	2,381	(516)	(17.8)
Finance costs	2,798	2,829	32	1.1
Profit before income tax	3,368	1,946	(1,422)	(42.2)
Income tax expense	983	591	(392)	(39.9)
Profit for the period	2,386	1,355	(1,030)	(43.2)
Profit for the period attributable to owners of the controlling company	2,462	1,376	(1,086)	(44.1)
Loss for the period attributable to non-controlling interests	(76)	(21)	55	(72.3)

Revenue

The following table presents our revenue by segment and changes therein for 2012 and 2013.

	For the Year Ended December 31,		Changes	
	2012	2013	2012 versus 2013	
	(In billions of Won)		Amount	%
Steel Segment:				
External revenue	35,259	31,795	(3,464)	(9.8)%
Internal revenue	17,610	16,229	(1,381)	(7.8)
Total revenue from Steel Segment	52,869	48,024	(4,845)	(9.2)
Trading Segment:				
External revenue	18,946	18,308	(638)	(3.4)
Internal revenue	7,468	7,611	144	1.9
Total revenue from Trading Segment	26,414	25,919	(494)	(1.9)
Construction Segment:				
External revenue	4,676	6,897	2,221	47.5
Internal revenue	5,050	3,885	(1,165)	(23.1)

Edgar Filing: POSCO - Form 20-F

Total revenue from Construction Segment	9,726	10,782	1,056	10.9
Others Segment:				
External revenue	4,724	4,865	141	3.0
Internal revenue	2,857	3,019	162	5.7
Total revenue from Others Segment	7,581	7,885	304	4.0
Total revenue prior to consolidation adjustments	96,589	92,609	(3,980)	(4.1)
Consolidation adjustments	(32,985)	(30,745)	(2,240)	(6.8)
Revenue	63,604	61,865	(1,740)	(2.7)

Table of Contents

Our revenue decreased by 2.7%, or Won 1,740 billion, from Won 63,604 billion in 2012 to Won 61,865 billion in 2013 due to decreases in external revenues from the Steel Segment and the Trading Segment, which were offset in part by increases in external revenues from the Construction Segment and the Others Segment. Specifically:

Steel Segment. External revenue from the Steel Segment, which does not include internal revenue from inter-company transactions that are eliminated during consolidation, decreased by 9.8%, or Won 3,464 billion, from Won 35,259 billion in 2012 to Won 31,795 billion in 2013 primarily due to a decrease in the average unit sales price per ton of the principal steel products produced by us and directly sold to external customers, as well as a decrease in our sales volume of the principal steel products produced by us and directly sold to external customers. The weighted average unit sales price per ton of the principal steel products produced by us and directly sold to external customers decreased by 6.8% from Won 1,070,565 per ton in 2012 to Won 998,012 per ton in 2013, while the overall sales volume of the principal steel products produced by us and directly sold to external customers decreased by 2.9% from 30.0 million tons in 2012 to 29.1 million tons in 2013. Such factors were principally attributable to the following:

The unit sales prices in Won for all of our principal product lines of steel products produced by us and directly sold to external customers decreased from 2012 to 2013, ranging from a decrease of 2.7% for stainless steel products to a decrease of 13.9% for cold rolled products. For a discussion of changes in the unit sales prices of each of our principal product lines, see [Overview Sales Volume, Prices and Product Mix](#) above.

The sales volume of hot rolled products, plates and silicon steel sheets produced by us and directly sold to external customers decreased by 11.1%, 7.1% and 0.8%, respectively, from 2012 to 2013. On the other hand, our sales volume of wire rods, stainless steel and cold rolled products produced by us and directly sold to external customers increased by 13.3%, 4.4% and 0.4%, respectively, from 2012 to 2013. For a discussion of changes in sales volume of each of our principal product lines, see [Item 4.B. Business Overview Major Products](#).

Total revenue from the Steel Segment, which includes internal revenue from inter-company transactions, decreased by 9.2%, or Won 4,845 billion, from Won 52,869 billion in 2012 to Won 48,024 billion in 2013, as internal revenue from inter-company transactions decreased from 2012 to 2013 due to a decrease in reliance on sales subsidiaries for the sale of our steel products.

Trading Segment. External revenue from the Trading Segment, which does not include internal revenue from inter-company transactions that are eliminated during consolidation, decreased by 3.4%, or Won 638 billion, from Won 18,946 billion in 2012 to Won 18,308 billion in 2013 primarily due to a decrease in external revenues of Daewoo International and our other trading subsidiaries from 2012 to 2013, reflecting market conditions related to the prolonged slowdown of the global economy that has been characterized by weaker demand and falling prices for export and import products and reduced trading volume.

Total revenue from the Trading Segment, which includes internal revenue from inter-company transactions, decreased by 1.9%, or Won 494 billion, from Won 26,414 billion in 2012 to Won 25,919 billion in 2013, primarily due to the reasons stated above, which was partially offset by an increase in reliance on sales subsidiaries by us on our steel trading activities.

Construction Segment. External revenue from the Construction Segment, which does not include internal revenue from inter-company transactions that are eliminated during consolidation, increased by 47.5%, or Won 2,221 billion, from Won 4,676 billion in 2012 to Won 6,897 billion in 2013 primarily due to increases in POSCO E&C's construction activities of architectural works.

Total revenue from the Construction Segment, which includes internal revenue from inter-company transactions, increased by 10.9%, or Won 1,056 billion, from Won 9,726 billion in 2012 to

Table of Contents

Won 10,782 billion in 2013 primarily due to an increase in revenue of POSCO E&C by 17.6%, or Won 1,520 billion, from Won 8,637 billion in 2012 to Won 10,155 billion in 2013. POSCO E&C's revenue increased primarily due to the reasons stated above, which was partially offset by a decrease in internal revenue from inter-company transactions by 23.1%, or Won 1,165 billion, from Won 5,050 billion in 2012 to Won 3,885 billion in 2013 primarily due to a decrease in the amount of construction activities for POSCO.

Others Segment. The Others Segment includes power generation, LNG production, network and system integration, logistics and magnesium coil and sheet production. External revenue from the Others Segment, which does not include internal revenue from inter-company transactions that are eliminated during consolidation, increased by 3.0%, or Won 141 billion, from Won 4,724 billion in 2012 to Won 4,865 billion in 2013 primarily due to an increase in revenue of POSCO Energy Corporation as it increased its power generation capacity in the second half of 2012.

Total revenue from the Others Segment, which includes internal revenue from inter-company transactions, increased by 4.0%, or Won 304 billion, from Won 7,581 billion in 2012 to Won 7,885 billion in 2013, primarily due to an increase in revenue of POSCO Energy Corporation by 3.4%, or Won 92 billion, from Won 2,809 billion in 2012 to Won 2,901 billion in 2013.

Cost of Sales

Our cost of sales decreased by 2.0%, or Won 1,138 billion, from Won 56,143 billion in 2012 to Won 55,005 billion in 2013. The decrease in cost of sales was primarily due to decreases in our sales volume of steel products and trading activities as discussed above, as well as decreases in the average price in Won terms of key raw materials that were used to manufacture our finished steel products sold, which were partially offset by increases in our construction activities and sales volume of non-steel products.

The following table presents a breakdown of our cost of sales by segment, prior to adjusting for inter-company transactions that are eliminated during consolidation, and changes therein for 2012 and 2013.

	For the Year Ended December 31,		Changes	
	2012	2013	2012 versus 2013	
	(In billions of Won)		Amount	%
Steel Segment	47,616	43,274	(4,342)	(9.1)%
Trading Segment	25,287	24,816	(471)	(1.9)
Construction Segment	8,937	9,848	911	10.2
Others Segment	6,771	7,123	353	5.2
Consolidation adjustments	(32,468)	(30,057)	2,411	(7.4)
Cost of sales	56,143	55,005	(1,138)	(2.0)

Steel Segment. The cost of sales of our Steel Segment, prior to consolidation adjustments, decreased by 9.1%, or Won 4,342 billion, from Won 47,616 billion in 2012 to Won 43,274 billion in 2013, primarily due to decreases in the average price in Won terms of coal and other key raw materials (other than iron ore) that were used to manufacture our finished goods sold as well as in our sales volume of the principal steel products produced by us and directly sold to external customers. For a discussion of fluctuations in prices of our key raw materials, see Item 4.B. Business Overview – Raw Materials.

Trading Segment. The cost of sales of our Trading Segment, prior to consolidation adjustments, decreased by 1.9%, or Won 471 billion, from Won 25,287 billion in 2012 to Won 24,816 billion in 2013, primarily due to a decrease in our trading volumes.

Table of Contents

Construction Segment. The cost of sales of our Construction Segment, prior to consolidation adjustments, increased by 10.2%, or Won 911 billion, from Won 8,937 billion in 2012 to Won 9,848 billion in 2013, primarily due to an increase in the construction activities of POSCO E&C.

Others Segment. The cost of sales of our Others Segment, prior to consolidation adjustments, increased by 5.2%, or Won 353 billion, from Won 6,771 billion in 2012 to Won 7,123 billion in 2013, primarily due to costs related to an increase in POSCO Energy Corporation's power generation activities in 2013 resulting from an increase in its power generation capacity in the second half of 2012.

Gross Profit

Our gross profit decreased by 8.1%, or Won 601 billion, from Won 7,461 billion in 2012 to Won 6,860 billion in 2013 primarily due to a decrease in gross profit of our Steel Segment. Our gross margin decreased from 11.7% in 2012 to 11.1% in 2013.

The following table presents our gross profit by segment, prior to adjusting for inter-company transactions that are eliminated during consolidation, and changes therein for 2012 and 2013.

	For the Year Ended December 31,		Changes	
	2012	2013	2012 versus 2013	
	(In billions of Won)		Amount	%
Steel Segment	5,253	4,749	(504)	(9.6)%
Trading Segment	1,127	1,103	(24)	(2.1)
Construction Segment	789	934	145	18.4
Others Segment	810	761	(49)	(6.1)
Consolidation adjustments	(518)	(688)	(170)	32.9
Gross profit	7,461	6,860	(601)	(8.1)

Steel Segment. The gross profit of our Steel Segment, prior to consolidation adjustments, decreased by 9.6%, or Won 504 billion, from Won 5,253 billion in 2012 to Won 4,749 billion in 2013 primarily due to a decrease in the average unit sales price per ton of our principal steel products as well as a decrease in the overall sales volume of our principal steel products, as discussed above, which were partially offset by a decrease in the average price in Won terms of coal and other key raw materials (other than iron ore) that were used to manufacture our finished steel product sold. The gross margin of our Steel Segment, which is gross profit as a percentage of total revenue prior to consolidation adjustments, remained constant at 9.9% in 2012 and 2013.

Trading Segment. The gross profit of our Trading Segment, prior to consolidation adjustments, decreased by 2.1%, or Won 24 billion, from Won 1,127 billion in 2012 to Won 1,103 billion in 2013, reflecting market conditions related to the prolonged slowdown of the global economy as discussed above. The gross margin of our Trading Segment, prior to consolidation adjustments, remained constant at 4.3% in 2012 and 2013.

Construction Segment. The gross profit of our Construction Segment, prior to consolidation adjustments, increased by 18.4%, or Won 145 billion, from Won 789 billion in 2012 to Won 934 billion in 2013, and the gross margin increased from 8.1% in 2012 to 8.7% in 2013 primarily due to POSCO E&C's participation in construction projects with higher margins in 2013.

Others Segment. The gross profit of our Others Segment, prior to consolidation adjustments, decreased by 6.1%, or Won 49 billion, from Won 810 billion in 2012 to Won 761 billion in 2013, and the gross margin decreased from 10.7% in 2012 to 9.7% in 2013 as POSCO Energy Corporation's gross margin was negatively impacted in 2013 from an increase in its power generation capacity in the second half of 2012 and the ramp-up of the capacity utilization rate.

Table of Contents***Selling and Administrative Expenses***

The following table presents a breakdown of our selling and administrative expenses and changes therein for 2012 and 2013.

	For the Year Ended December 31,		Changes	
	2012	2013	2012 versus 2013	
	(In billions of Won)		Amount	%
Freight	1,473	1,433	(40)	(2.7)%
Sales commissions	74	74	(0)	(0.5)
Sales promotion	18	27	10	54.8
Sales insurance premium	32	27	(5)	(15.7)
Contract cost	52	37	(15)	(28.5)
Others	30	34	4	13.4
Total selling expenses	1,679	1,632	(47)	(2.8)
Wages and salaries	695	755	60	8.7%
Expenses related to defined benefit plan	61	67	6	10.2
Other employee benefits	171	166	(5)	(2.9)
Depreciation	219	228	10	4.5
Rental	93	110	17	18.1
Repairs	12	6	(6)	(51.5)
Advertising	56	106	50	89.4
Research and development	192	193	0	0.3
Service fees	264	240	(24)	(9.2)
Vehicle maintenance	22	12	(10)	(46.0)
Training	18	12	(6)	(32.2)
Warranty expense	13	19	6	45.1
Bad debt allowance	79	90	11	13.7
Others	234	227	(6)	(2.7)
Total administrative expenses	2,129	2,232	102	4.8
Total selling and administrative expenses	3,808	3,864	56	1.5

Our selling and administrative expenses increased by 1.5%, or Won 56 billion, from Won 3,808 billion in 2012 to Won 3,864 billion in 2013 primarily due to increases in labor-related expenses and advertising expense, which was partially offset by a decrease in freight expense and service fees. Such factors were principally attributable to the following:

Our labor-related expenses included in selling and administrative expenses, which consist of wages and salaries, expenses related to defined benefit plans and other employee benefits, increased by 6.6%, or Won 61 billion, from Won 927 billion in 2012 to Won 988 billion in 2013 primarily due to an increase in the number of employees and a rise in their wages.

Our advertising expense increased by 89.4%, or Won 50 billion, from Won 56 billion in 2012 to Won 106 billion in 2013 primarily due to diversification of our advertising channels.

Our freight expense decreased by 2.7%, or Won 40 billion, from Won 1,473 billion in 2012 to Won 1,433 billion in 2013 primarily due to decreases in freight rates as well as a decrease in our export volume.

Edgar Filing: POSCO - Form 20-F

Our service fees decreased by 9.2%, or Won 24 billion, from Won 264 billion in 2012 to Won 240 billion in 2013 primarily due to a decrease in professional advisory services provided to us resulting from our reduction in investment activities.

Table of Contents**Other Operating Income and Expenses**

The following table presents a breakdown of our other operating income and expenses and changes therein for 2012 and 2013.

	For the Year Ended December 31,		Changes 2012 versus 2013	
	2012	2013	Amount	%
	(In billions of Won)			
Gain on disposals of property, plant and equipment	42	14	(28)	(66.5)%
Gain on disposals of investments in associates	39	8	(32)	(80.6)
Gain on disposals of assets held for sale	193	102	(92)	(47.4)
Reversal of other provisions	16		(16)	(100.0)
Outsourcing income	29	25	(4)	(12.7)
Gain on disposal of wastes	39	17	(22)	(57.1)
Gain from claim compensation	32	15	(17)	(54.1)
Penalty income from early termination of contracts	15	16	1	9.5
Others	43	33	(10)	(23.4)
Total other operating income	448	229	(219)	(48.9)

Our other operating income decreased by 48.9%, or Won 219 billion, from Won 448 billion in 2012 to Won 229 billion in 2013 primarily due to a decrease in our gain on disposal of assets held for sale. Our gain on disposal of assets held for sale decreased by 47.4%, or Won 92 billion, from Won 193 billion in 2012 to Won 102 billion in 2013. In 2012, we recognized a gain of Won 146 billion from Daewoo International's disposal of Daewoo Cement (Shandong) Co., Ltd. to China United Cement Group Co., Ltd. in June 2012. In addition, we recognized a gain of Won 46 billion from Daewoo International's disposal of its interest in Kyobo Life Insurance Co., Ltd. (Kyobo Life Insurance), subsequent to our impairment of Won 258 billion of such asset as described below. In 2013, we recognized a gain of Won 102 billion on disposal of assets held for sale primarily from our disposition of SK Telecom shares and SeAH Steel shares.

	For the Year Ended December 31,		Changes 2012 versus 2013	
	2012	2013	Amount	%
	(In billions of Won)			
Loss on disposals of property, plant and equipment	65	121	56	85.0%
Loss on disposals of asset held for sale	10	26	17	178.6
Idle tangible assets expenses	31	18	(14)	(43.7)
Impairment loss on other long-term assets	36	9	(27)	(75.3)
Impairment loss on assets held for sale	258	2	(257)	(99.3)
Impairment loss on investment property	1	23	22	2,078.8
Other bad debt expenses	44	111	67	151.8
Donations	74	61	(13)	(17.6)
Impairment losses on intangible assets	22	125	104	475.5
Penalty and default losses	149	19	(130)	(87.1)
Loss on disposal of wastes	45	15	(30)	(66.5)
Other provision expenses		66	66	N.A.
Others	72	54	(18)	(25.5)
Total other operating expenses	809	651	(159)	(19.6)

N.A. means not applicable.

Table of Contents

Our other operating expenses decreased by 19.6%, or Won 159 billion, from Won 809 billion in 2012 to Won 651 billion in 2013, primarily due to significant decreases in our impairment loss on assets held for sale and penalty and default losses, which were partially offset by increases in our impairment losses on intangible assets, other bad debt expenses, other provision expenses and loss on disposals of property, plant and equipment. Such factors were principally attributable to the following:

Our impairment loss on assets held for sale decreased significantly, by Won 257 billion, from Won 258 billion in 2012 to Won 2 billion in 2013. We recognized an impairment loss on assets held for sale of Won 258 billion in 2012 related to a decrease in the market value of Daewoo International's interest in Kyobo Life Insurance, compared to no such loss in 2013.

Our penalty and default losses decreased significantly, or Won 130 billion, from Won 149 billion in 2012 to Won 19 billion in 2013 primarily due to our payment of a fine imposed by the Korea Fair Trade Commission on us and POSCO Coated & Color Steel Co., Ltd. in 2012 for alleged antitrust violations.

Our impairment losses on intangible assets increased by more than five-fold, or Won 104 billion, from Won 22 billion in 2012 to Won 125 billion in 2013 due to impairment loss of Won 97 billion in POSCO Thainox Public Company Limited in 2013.

Our other bad debt expenses more than doubled, by Won 67 billion, from Won 44 billion in 2012 to Won 111 billion in 2013 due to increase in bad debt expenses of POSCO E&C related to some of its construction projects.

We recorded other provision expenses of Won 66 billion in 2013 compared to no such expense in 2012, as POSCO E&C recorded reserves for subrogation payments related to some of its construction projects.

Our loss on disposals of property, plant and equipment increased by 85.0%, or Won 56 billion, from Won 65 billion in 2012 to Won 121 billion in 2013 primarily due to loss resulting from the merger of Sungjin Geotec with POSCO Plantec in July 2013 as well as sale of certain assets of POSCO Energy Corporation in 2013.

Operating Profit

Due to the factors described above, our operating profit decreased by 21.8%, or Won 717 billion, from Won 3,292 billion in 2012 to Won 2,574 billion in 2013. Our operating margin decreased from 5.2% in 2012 to 4.2% in 2013.

Share of Loss of Equity-Accounted Investees

Our share of loss of equity-accounted investees increased nearly eight-fold, or by Won 157 billion, from Won 23 billion in 2012 to Won 180 billion in 2013. In 2012, we recognized a net loss for our proportionate share of equity-accounted investees of Won 23 billion primarily due to our share of loss of AMCI (WA) Pty Ltd. and Busan-Gimhae Light Rail Transit Co., Ltd., which was partially offset by our share of profit of Kyobo Life Insurance and KOBRASCO. In 2013, we recognized a net loss for our proportionate share of equity-accounted investees of Won 180 billion primarily due to our share of loss of POSCO Plantec, Roy Hill Holdings Pty Ltd. and CSF-Compania Siderurgica do Pecem, which was partially offset by our share of profit of KOBRASCO, Korea LNG Ltd. and CAML Resources Pty Ltd. For a discussion of our share of profits or losses of equity-accounted investees, see Note 11 of Notes to Consolidated Financial Statements.

Table of Contents**Finance Income and Finance Costs**

The following table presents a breakdown of our finance income and costs and changes therein for 2012 and 2013.

	For the Year Ended December 31,		Changes 2012 versus 2013	
	2012	2013	Amount	%
	(In billions of Won)			
Interest income	279	260	(18)	(6.6)%
Dividend income	124	59	(65)	(52.5)
Gain on foreign currency transactions	935	998	62	6.6
Gain on foreign currency translations	937	511	(426)	(45.4)
Gain on transactions of derivatives	408	370	(37)	(9.2)
Gain on valuations of derivatives	94	72	(22)	(23.5)
Gain on disposals of available-for-sale investments	112	106	(7)	(5.8)
Others	7	4	(3)	(40.0)
Total finance income	2,897	2,381	(516)	(17.8)
Interest expenses				
	871	658	(214)	(24.5)%
Loss on foreign currency transactions	839	927	88	10.5
Loss on foreign currency translations	243	345	102	41.9
Loss on transactions of derivatives	309	287	(22)	(7.3)
Loss on valuations of derivatives	160	291	132	82.6
Impairment loss on available-for-sale investments	224	280	56	25.0
Loss on disposals of available-for-sale investments	36	4	(33)	(89.7)
Loss on Financial guarantee	38	6	(33)	(84.7)
Others	76	31	(45)	(58.9)
Total finance costs	2,798	2,829	32	1.1

Our net gain on foreign currency translations decreased by 76.0%, or Won 527 billion, from Won 693 billion in 2012 to Won 166 billion in 2013, and our net gain on foreign currency transactions decreased by 27.1%, or Won 26 billion, from Won 96 billion in 2012 to Won 70 billion in 2013 as the Won appreciated against the Dollar and Yen in 2012 and 2013. In terms of the market average exchange rates announced by Seoul Money Brokerage Services, Ltd., the Won appreciated from Won 1,153.3 to US\$1.00 as of December 31, 2011 to Won 1,071.1 to US\$1.00 as of December 31, 2012 and appreciated further to Won 1,055.3 to US\$1.00 as of December 31, 2013. The Won appreciated against the Yen from Won 1,485.2 per Yen 100 as of December 31, 2011 to Won 1,247.5 per Yen 100 as of December 31, 2012 and appreciated further to Won 1,004.7 as of December 31, 2013. Against such appreciation, we recognized a more than three-fold increase in net loss on valuation of derivatives, or by Won 154 billion, from Won 65 billion in 2012 to Won 219 billion in 2013, as well as a decrease of 15.1% in net gain on transactions of derivatives, or Won 15 billion, from Won 99 billion in 2012 to Won 84 billion in 2013.

Our impairment loss on available-for-sale investments increased by 25.0%, or Won 56 billion, from Won 224 billion in 2012 to Won 280 billion in 2013 primarily due to a significant decline in the fair value of shares of KB Financial Group and others for a prolonged period, which was considered as objective evidence of impairment.

Our interest expenses decreased by 24.5%, or Won 214 billion, from Won 871 billion in 2012 to Won 658 billion in 2013 primarily due to a decrease in the average balance of our payables and financial liabilities as well as a general decrease in interest rates in Korea.

Income Tax Expense

Our income tax expense decreased by 39.9%, or Won 392 billion, from Won 983 billion in 2012 to Won 591 billion in 2013. Our effective tax rate increased from 29.2% in 2012 to 30.4% in 2013 primarily due to an increase in the amount of unrecognized deferred tax assets caused by net loss from our subsidiaries. See Note 35 of Notes to Consolidated Financial Statements.

Table of Contents**Profit for the Period**

Due to the factors described above, our profit for the period decreased by 43.2%, or Won 1,030 billion, from Won 2,386 billion in 2012 to Won 1,355 billion in 2013. Our net profit margin decreased from 3.8% in 2012 to 2.2% in 2013.

The following table presents our profit for the period by segment, prior to adjusting for inter-company transactions that are eliminated during consolidation, and changes therein for 2012 and 2013.

	For the Year Ended December 31,		Changes	
	2012	2013	Amount	%
	(In billions of Won)			
Steel Segment	2,246	1,449	(797)	(35.5)%
Trading Segment	325	10	(316)	(97.1)
Construction Segment	345	147	(198)	(57.4)
Others Segment	301	197	(104)	(34.5)
Consolidation adjustments	(833)	(448)	384	(46.1)
Profit for the period	2,386	1,355	(1,030)	(43.2)

Operating Results 2011 Compared to 2012

The following table presents our income statement information and changes therein for 2011 and 2012.

	For the Year Ended December 31,		Changes	
	2011	2012	Amount	%
	(In billions of Won)			
Revenue	68,939	63,604	(5,335)	(7.7)%
Cost of sales	59,824	56,143	(3,681)	(6.2)
Gross profit	9,115	7,461	(1,654)	(18.1)
Administrative expenses	2,035	2,129	94	4.6
Selling expenses	1,612	1,679	67	4.1
Other operating income	307	448	141	46.0
Other operating expenses	367	809	443	120.8
Operating profit	5,408	3,292	(2,116)	(39.1)
Share of profit (loss) of equity-accounted investees	51	(23)	(73)	N.A.
Finance income	3,190	2,897	(293)	(9.2)
Finance costs	3,867	2,798	(1,069)	(27.6)
Profit before income tax	4,782	3,368	(1,414)	(29.6)
Income tax expense	1,068	983	(85)	(8.0)
Profit for the period	3,714	2,386	(1,329)	(35.8)
Profit for the period attributable to owners of the controlling company	3,648	2,462	(1,186)	(32.5)
Profit (loss) for the period attributable to non-controlling interests	66	(76)	(143)	N.A.

N.A. means not applicable.

Table of Contents**Revenue**

The following table presents our revenue by segment and changes therein for 2011 and 2012.

	For the Year Ended December 31,		Changes	
	2011	2012	2011 versus 2012	
	(In billions of Won)		Amount	%
Steel Segment:				
External revenue	39,152	35,259	(3,893)	(9.9)%
Internal revenue	17,139	17,610	471	2.7
Total revenue from Steel Segment	56,291	52,869	(3,422)	(6.1)
Trading Segment:				
External revenue	21,097	18,946	(2,152)	(10.2)
Internal revenue	7,526	7,468	(58)	(0.8)
Total revenue from Trading Segment	28,623	26,414	(2,209)	(7.7)
Construction Segment:				
External revenue	5,476	4,676	(801)	(14.6)
Internal revenue	2,997	5,050	2,053	68.5
Total revenue from Construction Segment	8,473	9,726	1,253	14.8
Others Segment:				
External revenue	3,213	4,724	1,511	47.0
Internal revenue	2,446	2,857	411	16.8
Total revenue from Others Segment	5,660	7,581	1,921	33.9
Total revenue prior to consolidation adjustments	99,046	96,589	(2,457)	(2.5)
Consolidation adjustments	(30,108)	(32,985)	(2,878)	9.6
Revenue	68,939	63,604	(5,335)	(7.7)

Our revenue decreased by 7.7%, or Won 5,335 billion, from Won 68,939 billion in 2011 to Won 63,604 billion in 2012 due to decreases in external revenues from the Steel Segment, the Trading Segment and the Construction Segment, which were offset in part by an increase in external revenue from the Others Segment. Specifically:

Steel Segment. External revenue from the Steel Segment, which does not include internal revenue from inter-company transactions that are eliminated during consolidation, decreased by 9.9%, or Won 3,893 billion, from Won 39,152 billion in 2011 to Won 35,259 billion in 2012 primarily due to a decrease in the average unit sales price per ton of the principal steel products produced by us and directly sold to external customers, the impact of which was partially offset by an increase in our sales volume of the principal steel products produced by us and directly sold to external customers. The weighted average unit sales price per ton of the principal steel products produced by us and directly sold to external customers decreased by 10.6% from Won 1,197,661 per ton in 2011 to Won 1,070,565 per ton in 2012, while the overall sales volume of the principal steel products produced by us and directly sold to external customers increased by 1.5% from 29.5 million tons in 2011 to 30.0 million tons in 2012. Such factors were principally attributable to the following:

The unit sales prices in Won for all of our principal product lines of steel products produced by us and directly sold to external customers decreased from 2011 to 2012, ranging from a decrease of 6.3% for wire rods to a decrease of 16.2% for plates. For a

Edgar Filing: POSCO - Form 20-F

discussion of changes in the unit sales prices of each of our principal product lines, see [Overview](#) [Sales Volume, Prices and Product Mix](#) above.

The sales volume of our stainless steel products produced by us and directly sold to external customers increased by 14.3% from 2011 to 2012, and the sales volume of our cold rolled products and silicon steel sheets produced by us and directly sold to external customers increased by 7.6% and 0.8%, respectively, from 2011 to 2012. On the other hand, our sales

Table of Contents

volume of wire rods, plates and hot rolled products produced by us and directly sold to external customers decreased by 9.2%, 5.2% and 4.1%, respectively, from 2011 to 2012. For a discussion of changes in sales volume of each of our principal product lines, see Item 4.B. Business Overview – Major Products.

Total revenue from the Steel Segment, which includes internal revenue from inter-company transactions, decreased by 6.1%, or Won 3,422 billion, from Won 56,291 billion in 2011 to Won 52,869 billion in 2012, as internal revenue from inter-company transactions increased from 2011 to 2012 due to an increased reliance on Daewoo International for our sale of steel products.

Trading Segment. External revenue from the Trading Segment, which does not include internal revenue from inter-company transactions that are eliminated during consolidation, decreased by 10.2%, or Won 2,152 billion, from Won 21,097 billion in 2011 to Won 18,946 billion in 2012 primarily due to a decrease in external revenue of Daewoo International from 2011 to 2012, reflecting market conditions related to the prolonged slowdown of the global economy that has been characterized by weaker demand and falling prices for export and import products and reduced trading volume.

Total revenue from the Trading Segment, which includes internal revenue from inter-company transactions, decreased by 7.7%, or Won 2,209 billion, from Won 28,623 billion in 2011 to Won 26,414 billion in 2012, primarily due to the reasons stated above, which was offset in part by an increase in reliance on Daewoo International by us on our steel trading activities.

Construction Segment. External revenue from the Construction Segment, which does not include internal revenue from inter-company transactions that are eliminated during consolidation, decreased by 14.6%, or Won 801 billion, from Won 5,476 billion in 2011 to Won 4,676 billion in 2012 primarily due to a general slowdown in the domestic construction market resulting in weaker demand.

Total revenue from the Construction Segment, which includes internal revenue from inter-company transactions, increased by 14.8%, or Won 1,253 billion, from Won 8,473 billion in 2011 to Won 9,726 billion in 2012 primarily due to an increase in revenue of POSCO E&C by 15.0%, or Won 1,129 billion, from Won 7,508 billion in 2011 to Won 8,637 billion in 2012. POSCO E&C's revenue increased primarily due to increases in revenues from plant works and architectural works operations, the impact of which was partially offset by a decrease in revenue from civil and environmental works operations.

Others Segment. The Others Segment includes power generation, LNG production, network and system integration, logistics and magnesium coil and sheet production. External revenue from the Others Segment, which does not include internal revenue from inter-company transactions that are eliminated during consolidation, increased by 47%, or Won 1,511 billion, from Won 3,213 billion in 2011 to Won 4,724 billion in 2012 primarily due to an increase in revenue of POSCO Energy Corporation. Revenue of POSCO Energy Corporation increased by 49.0%, or Won 939 billion, from Won 1,918 billion in 2011 to Won 2,857 billion in 2012 as it substantially increased its power generation capacity in 2012.

Total revenue from the Others Segment, which includes internal revenue from inter-company transactions, increased by 33.9%, or Won 1,921 billion, from Won 5,660 billion in 2011 to Won 7,581 billion in 2012, primarily due to the increase in revenue of POSCO Energy Corporation discussed above as well as increases in the revenues of POSCO Chemtech and POSCO M-Tech.

Cost of Sales

Our cost of sales decreased by 6.2%, or Won 3,681 billion, from Won 59,824 billion in 2011 to Won 56,143 billion in 2012. The decrease in cost of sales was primarily due to decreases in our sales volume of steel and non-steel products and trading activities as discussed above, as well as decreases in the average price in Won terms of key raw materials that were used to manufacture our finished goods sold.

Table of Contents

The following table presents a breakdown of our cost of sales by segment, prior to adjusting for inter-company transactions that are eliminated during consolidation, and changes therein for 2011 and 2012.

	For the Year Ended December 31,		Changes 2011 versus 2012	
	2011	2012	Amount	%
	(In billions of Won)			
Steel Segment	49,459	47,616	(1,843)	(3.7)%
Trading Segment	27,453	25,287	(2,166)	(7.9)
Construction Segment	7,706	8,937	1,231	16.0
Others Segment	5,301	6,771	1,470	27.7
Consolidation adjustments	(30,095)	(32,468)	(2,373)	7.9
Cost of sales	59,824	56,143	(3,681)	(6.2)

Steel Segment. The cost of sales of our Steel Segment, prior to consolidation adjustments, decreased by 3.7%, or Won 1,843 billion, from Won 49,459 billion in 2011 to Won 47,616 billion in 2012, primarily due to decreases in the average price in Won terms of key raw materials that were used to manufacture our finished goods sold, the impact of which was partially offset by an increase in our sales volume of the principal steel products produced by us and directly sold to external customers as well as. For a discussion of fluctuations in prices of our key raw materials, see Item 4.B. Business Overview Raw Materials.

Trading Segment. The cost of sales of our Trading Segment, prior to consolidation adjustments, decreased by 7.9%, or Won 2,166 billion, from Won 27,453 billion in 2011 to Won 25,287 billion in 2012, primarily due to a decrease in our trading volumes.

Construction Segment. The cost of sales of our Construction Segment, prior to consolidation adjustments, increased by 16.0%, or Won 1,231 billion, from Won 7,706 billion in 2011 to Won 8,937 billion in 2012, primarily due to an increase in the construction activities of POSCO E&C.

Others Segment. The cost of sales of our Others Segment, prior to consolidation adjustments, increased by 27.7%, or Won 1,470 billion, from Won 5,301 billion in 2011 to Won 6,771 billion in 2012, primarily due to costs related to substantial increase in POSCO Energy Corporation's power generation activities in 2012.

Gross Profit

Our gross profit decreased by 18.1%, or Won 1,654 billion, from Won 9,115 billion in 2011 to Won 7,461 billion in 2012. Our gross margin decreased from 13.2% in 2011 to 11.7% in 2012 as the decrease in revenue from 2011 to 2012 more than outpaced the decrease in cost of sales from 2011 to 2012, as described above. Our gross margin was negatively affected primarily by a decrease in the gross margin of our Steel Segment as described below.

The following table presents our gross profit by segment, prior to adjusting for inter-company transactions that are eliminated during consolidation, and changes therein for 2011 and 2012.

	For the Year Ended December 31,		Changes 2011 versus 2012	
	2011	2012	Amount	%
	(In billions of Won)			
Steel Segment	6,832	5,253	(1,579)	(23.1)%
Trading Segment	1,170	1,127	(43)	(3.7)
Construction Segment	767	789	22	2.8
Others Segment	359	810	452	125.8
Consolidation adjustments	(13)	(518)	(505)	4,025.9
Gross profit	9,115	7,461	(1,654)	(18.1)

Table of Contents

Steel Segment. As a result of the factors described above, the gross margin of our Steel Segment, which is gross profit as a percentage of total revenue prior to consolidation adjustments, decreased from 12.1% in 2011 to 9.9% in 2012.

Trading Segment. The gross margin of our Trading Segment, prior to consolidation adjustments, increased from 4.1% in 2011 to 4.3% in 2012 primarily due to Daewoo International's efforts to streamline its trading operations to focus on higher margin trades.

Construction Segment. The gross margin of our Construction Segment, prior to consolidation adjustments, decreased from 9.1% in 2011 to 8.1% in 2012 due to further weakening of market conditions in the domestic construction industry in 2012 that resulted in an increase in competition, which in turn increased the portion of construction contracts with lower profit margins.

Others Segment. The gross margin of our Others Segment, prior to consolidation adjustments, increased from 6.3% in 2011 to 10.7% in 2012 primarily due to an increase in gross margin of POSCO Energy Corporation, which initiated operations of additional power plants and substantially increased its power generation capacity in 2012.

Selling and Administrative Expenses

The following table presents a breakdown of our selling and administrative expenses and changes therein for 2011 and 2012.

	For the Year Ended December 31,		Changes	
	2011	2012	2011 versus 2012	
	(In billions of Won)		Amount	%
Freight	1,406	1,473	67	4.7%
Sales commissions	85	74	(11)	(13.0)
Sales insurance premium	20	32	12	61.0
Contract cost	63	52	(11)	17.2
Others	38	47	10	26.0
Total selling expenses	1,612	1,679	67	4.1
Wages and salaries	607	695	88	14.5%
Expenses related to defined benefit plan	60	61	1	1.6
Other employee benefits	165	171	6	3.8
Depreciation	173	219	46	26.6
Taxes and public dues	51	60	9	17.9
Rental	66	93	28	42.3
Advertising	71	56	(15)	(21.4)
Research and development	212	192	(20)	(9.5)
Service fees	287	264	(22)	(7.7)
Bad debt allowance	92	79	(13)	(14.0)
Others	252	239	(13)	(5.1)
Total administrative expenses	2,035	2,129	94	4.6
Total selling and administrative expenses	3,647	3,808	161	4.4

Our selling and administrative expenses increased by 4.4%, or Won 161 billion, from Won 3,647 billion in 2011 to Won 3,808 billion in 2012 primarily due to increases in labor-related expenses and freight expense. Such factors were principally attributable to the following:

Our labor-related expenses included in selling and administrative expenses, which consist of wages and salaries, expenses related to defined benefit plans and other employee benefits, increased by 11.4%, or Won 95 billion, from Won 832 billion in 2011 to Won 927 billion in 2012 primarily due to an increase in the number of employees and a rise in their wages.

Table of Contents

Our freight expense increased by 4.7%, or Won 67 billion, from Won 1,406 billion in 2011 to Won 1,473 billion in 2012 primarily due to an increase in freight rates, which was offset in part by a decrease in our export volume.

Other Operating Income and Expenses

The following table presents a breakdown of our other operating income and expenses and changes therein for 2011 and 2012.

	For the Year Ended December 31,		Changes	
	2011	2012	Amount	%
	(In billions of Won)			
Gain on disposals of property, plant and equipment	14	42	28	206.2%
Gain on disposals of investments in associates	2	39	37	1,655.3
Gain on disposals of assets held for sale		193	193	N.A.
Reversal of other bad debt allowance	58		(58)	(100.0)
Reversal of other provisions	36	16	(20)	(55.0)
Outsourcing income	42	29	(13)	(30.9)
Gain on disposals of wastes	11	39	27	240.1
Gain from claim compensation	69	32	(37)	(54.1)
Penalty income from early termination of contracts	39	15	(23)	(61.0)
Others	36	43	6	16.9
Total other operating income	307	448	141	46.0

N.A. means not applicable.

Our other operating income increased by 46.0%, or Won 141 billion, from Won 307 billion in 2011 to Won 448 billion in 2012 primarily due to our gain on disposals of assets held for sale of Won 193 billion in 2012. We recognized a gain of Won 146 billion from Daewoo International's disposal of Daewoo Cement (Shandong) Co., Ltd. to China United Cement Group Co., Ltd. in June 2012. In addition, we recognized a gain of Won 46 billion from Daewoo International's disposal of its interest in Kyobo Life Insurance Co., Ltd. (Kyobo Life Insurance), subsequent to our impairment of Won 258 billion of such asset as described below.

	For the Year Ended December 31,		Changes	
	2011	2012	Amount	%
	(In billions of Won)			
Loss on disposals of property, plant and equipment	61	65	5	8.2%
Idle tangible assets expenses	17	31	14	85.4
Impairment losses on other long-term assets	35	36	2	5.5
Impairment loss on assets held for sale		258	258	N.A.
Impairment loss of property, plant and equipment	26	13	(13)	(50.4)
Impairment loss of investment property	23	1	(22)	(95.5)
Other bad debt expenses	11	44	33	295.5
Donations	67	74	7	11.1
Penalty and default losses	40	149	110	277.8
Loss on disposal of wastes	31	45	15	48.7
Others	57	91	34	58.8
Total other operating expenses	367	809	443	120.8

N.A. means not applicable.

Edgar Filing: POSCO - Form 20-F

Our other operating expenses increased by Won 443 billion, from Won 367 billion in 2011 to Won 809 billion in 2012, primarily due to our impairment loss on assets held for sale in 2012 as well as an increase in our penalty and default losses. In 2012, we recorded an impairment loss on assets held

Table of Contents

for sale of Won 258 billion related to a decrease in market value of Daewoo International's interest in Kyobo Life Insurance. Our penalty and default losses increased by Won 110 billion, from Won 40 billion in 2011 to Won 149 billion in 2012, primarily due to a fine of Won 118 billion imposed by the Korea Fair Trade Commission for price fixing galvanized steel sheets.

Operating Profit

Due to the factors described above, our operating profit decreased by 39.1%, or Won 2,116 billion, from Won 5,408 billion in 2011 to Won 3,292 billion in 2012. Our operating margin decreased from 7.8% in 2011 to 5.2% in 2012.

Share of Profit of Equity-Accounted Investees

We recognized a net profit for our proportionate share of equity-accounted investees of Won 51 billion in 2011 primarily due to our share of profit of Kyobo Life Insurance, SNNC Co., Ltd. and KOBRASCO, which were offset in part by our share of loss of Sungjin Geotec, AMCI (WA) Pty Ltd. and USS-POSCO Industries. However, we recognized a net loss for our proportionate share of equity-accounted investees of Won 23 billion in 2012 primarily due to our share of loss of AMCI (WA) Pty Ltd. and Busan-Gimhae Light Rail Transit Co., Ltd., which were offset in part by our share of profit of Kyobo Life Insurance and KOBRASCO. For a discussion of our share of profits or losses of equity-accounted investees, see Note 11 of Notes to Consolidated Financial Statements.

Finance Income and Finance Costs

The following table presents a breakdown of our finance income and costs and changes therein for 2011 and 2012.

	For the Year Ended December 31,		Changes	
	2011	2012	2011 versus 2012	
			Amount	%
			(In billions of Won)	
Interest income	216	279	63	28.9%
Dividend income	144	124	(19)	(13.5)
Gain on foreign currency transactions	1,454	935	(519)	(35.7)
Gain on foreign currency translations	259	937	678	261.7
Gain on transactions of derivatives	549	408	(142)	(25.8)
Gain on valuations of derivatives	112	94	(17)	(15.4)
Gain on disposals of available-for-sale investments	455	112	(342)	(75.3)
Others	2	7	6	359.3
Total finance income	3,190	2,897	(293)	(9.2)
Interest expenses	788	871	83	10.5%
Loss on foreign currency transactions	1,620	839	(781)	(48.2)
Loss on foreign currency translations	530	243	(287)	(54.1)
Loss on transactions of derivatives	513	309	(204)	(39.7)
Loss on valuations of derivatives	189	160	(29)	(15.4)
Impairment loss on available-for-sale investments	153	224	71	46.7
Loss on disposals of available-for-sale investments	1	36	35	3,517.7
Loss on Financial guarantee	1	38	37	3,744.2
Others	72	76	5	6.5
Total finance costs	3,867	2,798	(1,069)	(27.6)

We recognized a net loss on foreign currency translations of Won 271 billion in 2011 compared to a net gain on foreign currency translations of Won 694 billion in 2012 and a net loss on foreign currency transactions of Won 166 billion in 2011 compared to a net gain on foreign currency transactions of Won 96 billion in 2012 as the Won depreciated against the Dollar and Yen in 2011 while it appreciated against the Dollar and Yen in 2012. In terms of the market average exchange rates

Table of Contents

announced by Seoul Money Brokerage Services, Ltd., the Won depreciated from Won 1,138.9 to US\$1.00 as of December 31, 2010 to Won 1,153.3 to US\$1.00 as of December 31, 2011 but appreciated to Won 1,071.1 to US\$1.00 as of December 31, 2012. The Won depreciated against the Yen from Won 1,397.1 per Yen 100 as of December 31, 2010 to Won 1,485.2 per Yen 100 as of December 31, 2011 but appreciated to Won 1,247.5 per Yen 100 as of December 31, 2012. Against such fluctuations, we recognized an increase of 170.1% in net gain on transactions of derivatives, or Won 62 billion, from Won 37 billion in 2011 to Won 99 billion in 2012 as well as a decrease of 15.6% in net loss on valuation of derivatives, or Won 12 billion, from Won 77 billion in 2011 to Won 65 billion in 2012.

On the other hand, our gain on disposals of available-for-sale investments decreased significantly from Won 455 billion in 2011 to Won 112 billion in 2012 primarily due to the recognition of a Won 332 billion gain in 2011 from our disposal of a minority investment in an iron ore manufacturer in Australia, compared to no comparable disposal of available-for-sale investments in 2012.

Our interest expenses increased by 10.5%, or Won 83 billion, from Won 788 billion in 2011 to Won 871 billion in 2012 primarily due to an increase in the average balance of our payables and financial liabilities, which was partially offset by a general decrease in interest rates in Korea.

Our impairment loss on available-for-sale investments increased by 46.7%, or Won 71 billion, from Won 153 billion in 2011 to Won 224 billion in 2012 primarily due to a significant decline in the fair value of shares of Jupiter Mines Ltd., SK Telecom and others for a prolonged period, which was considered as objective evidence of impairment.

Income Tax Expense

Our income tax expense decreased by 8.0%, or Won 85 billion, from Won 1,068 billion in 2011 to Won 983 billion in 2012 primarily due to a 29.6% decrease in profit before income tax expense, which was partially offset by increases in adjustments related to difference in tax rate and unrealized deferred tax assets. See Note 35 of Notes to Consolidated Financial Statements. Our effective tax rates increased from 22.3% in 2011 to 29.2% in 2012 primarily due to our disposition of Daewoo International's interest in Kyobo Life Insurance in September 2012.

Profit for the Period

Due to the factors described above, our profit for the period decreased by 35.8%, or Won 1,329 billion, from Won 3,714 billion in 2011 to Won 2,386 billion in 2012. Our net profit margin decreased from 5.4% in 2011 to 3.8% in 2012.

The following table presents our profit for the period by segment, prior to adjusting for inter-company transactions that are eliminated during consolidation, and changes therein for 2011 and 2012.

	For the Year Ended December 31,		Changes	
	2011	2012	2011 versus 2012	
	(In billions of Won)		Amount	%
Steel Segment	3,689	2,246	(1,443)	(39.1)%
Trading Segment	195	325	130	66.5
Construction Segment	155	345	191	123.3
Others Segment	155	301	146	94.3
Consolidation adjustments	(480)	(833)	(352)	73.3
Profit for the period	3,714	2,386	(1,329)	(35.8)

Table of Contents**Item 5.B. Liquidity and Capital Resources**

The following table sets forth the summary of our cash flows for the periods indicated.

	2011	For the Year Ended December 31, 2012	2013
		(In billions of Won)	
Net cash provided by operating activities	1,692	7,319	4,858
Net cash used in investing activities	(5,517)	(6,169)	(8,752)
Net cash provided by (used in) financing activities	4,900	(908)	3,532
Effect of exchange rate fluctuations on cash held	3	(161)	(111)
Cash and cash equivalents at beginning of period	3,521	4,599	4,681
Cash and cash equivalents at end of period	4,599	4,681	4,209
Net increase (decrease) in cash and cash equivalents	1,078	82	(472)

Capital Requirements

Historically, uses of cash consisted principally of purchases of property, plant and equipment and other assets and repayments of outstanding debt and payments of dividends. From time to time, we have also engaged in the acquisition of treasury shares.

Net cash used in investing activities was Won 5,517 billion in 2011, Won 6,169 billion in 2012 and Won 8,752 billion in 2013. These amounts included acquisition of property, plant and equipment of Won 5,331 billion in 2011, Won 7,055 billion in 2012 and Won 6,570 billion in 2013. We plan to spend between Won 6 trillion to Won 7 trillion in capital expenditures in 2014, which we may adjust on an on-going basis subject to market demand for our products, the production outlook of the global steel industry and global economic conditions in general. We may delay or not implement some of our current capital expenditure plans based on our assessment of such market conditions. We had net disposals of short-term financial instruments of Won 1,238 billion in 2011 and Won 232 billion in 2012, and net acquisition of short-term financial instruments of Won 548 billion in 2013. We also had net disposals of available-for-sale investments of Won 89 billion in 2011 and Won 393 billion in 2012, and net acquisition of available-for-sale investments of Won 40 billion in 2013.

In our financing activities, we used cash of Won 1,746 billion in 2011, Won 1,884 billion in 2012 and Won 2,846 billion in 2013 for repayments of borrowings. We paid dividends on common stock in the amount of Won 771 billion in 2011, Won 752 billion in 2012 and Won 649 billion in 2013.

In recent years, we have also selectively considered various opportunities to acquire or invest in companies that may complement our businesses, as well as invest in overseas resources development projects. For example, we acquired a controlling interest in Daewoo International on September 20, 2010 for Won 3.37 trillion, and we spent Won 390 billion in 2011 to acquire a controlling interest in Thainox Stainless Public Company Limited, a major stainless steel manufacturer in Thailand. We may require additional capital for such acquisitions or entering into other strategic relationships. Other than capital required for such activities, we anticipate that capital expenditures, repayments of outstanding debt and payments of cash dividends will represent the most significant uses of funds for the next several years.

Table of Contents

Payments of contractual obligations and commitments will also require considerable resources. In our ordinary course of business, we routinely enter into commercial commitments for various aspects of our operations, as well as issue guarantees for our related companies' indebtedness. The following table sets forth the amount of long-term debt, capital lease and operating lease obligations as of December 31, 2013.

Contractual Obligations	Total	Payments Due by Period			
		Less Than 1 Year	1 to 3 Years (In billions of Won)	4 to 5 Years	After 5 Years
Long-term debt obligations (a)	18,842	3,348	3,437	2,877	9,179
Interest payments on long-term debt (b)	1,942	499	774	386	282
Capital lease obligations (c)	28	9	10	10	
Operating lease obligations (d)	33	25	8		
Purchase obligations (e)	40,622	17,735	17,122	9,143	2,894
Accrued severance benefits (f)	1,488	79	199	263	948
Total	62,956	21,696	21,549	12,680	13,303

- (a) Includes the current portion and premium on bond redemption but excludes amortization of discount on debentures and issuance costs.
- (b) As of December 31, 2013, a portion of our long-term debt carried variable interest rates. We used the interest rate in effect as of December 31, 2013 in calculating the interest payments on long-term debt for the periods indicated.
- (c) We entered into a capital lease contract with Ilshin Shipping Co., Ltd. for a vessel for transporting plates and other products.
- (d) We acquired certain tools and equipment under operating lease agreements with Orix Rentec Korea Co., Ltd. and others.
- (e) Our purchase obligations include supply contracts to purchase iron ore, coal, LNG and other raw materials. These contracts generally have terms of one to ten years and the long-term contracts provide for periodic price adjustments according to the market prices. As of December 31, 2013, 193 million tons of iron ore and 14 million tons of coal remained to be purchased under long-term contracts. In addition, we entered into an agreement with Tangguh LNG Consortium in Indonesia to purchase 550 thousand tons of LNG for 20 years commencing in August 2005. The purchase price under the agreement with Tangguh LNG Consortium is variable based on the monthly standard oil price (as represented by the Japan Customs cleared Crude Price), subject to a ceiling. We used the market price and exchange rate in effect as of December 31, 2013 in calculating the iron ore, coal and LNG purchase obligations described above for the periods indicated.
- (f) Represents, as of December 31, 2013, the expected amount of severance benefits that we will be required to pay under applicable Korean law to all of our employees when they reach their normal retirement age. The amounts were determined based on the employees' current salary rates and the number of service years that will be accumulated upon their retirement. These amounts do not include amounts that may be paid to employees who cease to work at the company before their normal retirement age.

Capital Resources

We have traditionally met our working capital and other capital requirements principally from cash provided by operations, while raising the remainder of our requirements primarily through long-term debt and short-term borrowings. We expect that these sources will continue to be our principal sources of cash in the future. From time to time, we may also generate cash through sale of treasury shares and our holdings in available-for-sale securities.

Edgar Filing: POSCO - Form 20-F

Our net cash provided by operating activities increased by 332.7%, or Won 5,628 billion, from Won 1,692 billion in 2011 to Won 7,319 billion in 2012. Our gross cash inflow from our sales activities decreased as discussed above. However, our overall net cash provided by operating activities increased as a result of a decrease in our inventory and better management of outstanding trade accounts and notes receivables. Our inventory decreased primarily due to a decrease in the price of raw materials as well as our management of inventory levels in preparation for a decrease in demand due to continuing uncertainties in the global economy.

Our net cash provided by operating activities decreased by 33.6%, or Won 2,461 billion, from Won 7,319 billion in 2012 to Won 4,858 billion in 2013. Our gross cash flow from our sales activities

Table of Contents

decreased as discussed above. In addition, we continued to manage our inventory levels in 2013 in response to a decrease in demand resulting from continuing uncertainties in the global economy. The inventory turnover was faster in 2013 compared to 2012 as we maintained a relatively lower inventory level in 2013 compared to 2012. Our outstanding trade accounts and notes receivables also increased in 2013, as we extended payment terms for some of our key customers, which in turn negatively impacted our net cash provided by operating activities.

Net proceeds from borrowings, after deducting for repayment of borrowings, were Won 5,322 billion in 2011, Won 1,123 billion in 2012 and Won 2,253 billion in 2013. Net proceeds from short-term borrowings, after deducting for repayment of short-term borrowings, were Won 52 billion in 2011 and Won 87 billion in 2013. We had net repayments of short-term borrowings of Won 1,412 billion in 2012. We also raised Won 1,495 billion from our issuances of hybrid bonds in 2013, which are accounted for as part of our equity. Long-term borrowings, excluding current installments, were Won 16,020 billion as of December 31, 2011, Won 14,412 billion as of December 31, 2012 and Won 15,533 billion as of December 31, 2013. Total short-term borrowings and current installments of long-term borrowings were Won 10,792 billion as of December 31, 2011, Won 10,509 billion as of December 31, 2012 and Won 10,714 billion as of December 31, 2013. Outstanding hybrid bonds were Won 997 billion as of December 31, 2013. Our net borrowings-to-equity ratio, which is calculated by deducting cash and cash equivalents from total borrowings and dividing the net amount with our total equity, was 54.54% as of December 31, 2011, 47.70% as of December 31, 2012 and 48.09% as of December 31, 2013.

We periodically increase our short-term borrowings and adjust our long-term debt financing levels depending on changes in our capital requirements. We also generated cash of Won 164 billion in 2011 and Won 14 billion in 2013 from the sale of our treasury shares. We also generated cash of Won 580 billion from our disposal of a portion of our holdings of shares in SK Telecom, KB Financial Group and Hana Financial Group in 2012 and Won 128 billion from our disposal of additional shares in SK Telecom in 2013. In addition, we generated cash of Won 1,151 billion in September 2012 from Daewoo International's disposal of its interest in Kyobo Life Insurance.

We believe that we have sufficient working capital for our current requirements and that we have a variety of alternatives available to us to satisfy our liquidity requirements to the extent that they are not met by funds generated by operations, including the issuance of debt and equity securities and bank borrowings denominated in Won and various foreign currencies. However, our ability to rely on some of these alternatives could be affected by factors such as the liquidity of the Korean and the global financial markets, prevailing interest rates, our credit rating and the Government's policies regarding Won currency and foreign currency borrowings.

Liquidity

We had working capital (current assets minus current liabilities) of Won 13,952 billion as of December 31, 2011, Won 11,791 billion as of December 31, 2012 and Won 11,425 billion as of December 31, 2013. Our holding of cash and cash equivalents were Won 4,599 billion as of December 31, 2011, Won 4,681 billion as of December 31, 2012 and Won 4,209 billion as of December 31, 2013. Our holding of other receivables and other short-term financial assets were Won 3,656 billion as of December 31, 2011, Won 3,846 billion as of December 31, 2012 and Won 4,861 billion as of December 31, 2013. As of December 31, 2013, approximately 24.4% of our cash and cash equivalents, other receivables and other short-term financial assets were held outside of Korea, which we expect to use in our operations abroad, including capital expenditure activities. In the event that such assets are needed for our operations in Korea, such amounts are typically not restricted under local laws from being used in Korea. In addition, we believe that there are no material tax implications in the event our foreign subsidiaries elect to grant cash dividends to us. POSCO had total available credit lines of Won 2,533 billion as of December 31, 2013, none of which was used as of such date. We have not had, and do not believe that we will have, difficulty gaining access to short-term financing sufficient to meet our current requirements.

Table of Contents

Our liquidity is affected by exchange rate fluctuations. See [Overview](#) [Exchange Rate Fluctuations](#).

Capital Expenditures and Capacity Expansion

Cash used for acquisitions of property, plant and equipment was Won 5,331 billion in 2011, Won 7,055 billion in 2012 and Won 6,570 billion in 2013. We plan to spend between Won 6 trillion to Won 7 trillion in capital expenditures in 2014, which we may adjust on an on-going basis subject to market demand for our products, the production outlook of the global steel industry and global economic conditions in general. We may delay or not implement some of our current capital expenditure plans based on our assessment of such market conditions.

Our current plan for capital investment in production facilities emphasizes capacity rationalization, increased production of higher value-added products and improvements in the efficiency of older facilities in order to reduce operating costs. The following table sets out the major items of our capital expenditures as of December 31, 2013:

Project	Expected Completion Date	Total Cost of Project (In billions of Won)	Estimated Remaining Cost of Completion as of December 31, 2013
Steel Segment:			
Miscellaneous capital expenditures, including rationalization of furnace no. 2 and construction of production infrastructure for new businesses	December 2016	3,534	173
Optimization of Pohang Works facilities	January 2014	2,212	169
Construction of no. 4 hot rolling mill at Gwangyang Works	October 2014	1,626	448
Upgrading of raw materials treatment and transportation facilities	September 2016	1,301	247
Construction of cold rolling mill by POSCO Maharashtra Steel Private Limited	June 2014	629	108
Construction of steel manufacturing plant by POSCO SS-VINA	December 2014	617	174
Construction of off-gas power plant by POSCO Energy	March 2014	292	26
Rationalization of rolling mill by POSCO Specialty Steel	May 2014	167	17
Trading Segment:			
Construction of under-sea pipeline and on-land gas terminal by Daewoo International	April 2014	236	11
Acquisition of Northeast Asia Trade Tower by Daewoo International	July 2014	208	187
Others Segment:			
Construction of backup power plant no. 1 and no. 2 in Incheon by POSCO Energy	January 2015	1,063	433
Construction of power plant in Pohang by POSCO Energy	March 2014	595	29

Item 5.C. Research and Development, Patents and Licenses, Etc.

We maintain a research and development program to carry out basic research and applied technology development activities. As of December 31, 2013, POSCO Technical Research Laboratories employed 1,049 personnel, including 462 researchers. Our technology development department also works closely with the Pohang University of Science & Technology, Korea's first research-oriented college founded by us in 1986, and the Research Institute of Industrial Science and Technology, Korea's first private comprehensive research institute founded by us in 1987. We also established POSCO Research Institute (POSRI) in 1994, which engages in research activities and consulting services.

Table of Contents

We recorded research and development expenses of Won 380 billion as cost of sales in 2011, Won 385 billion in 2012 and Won 370 billion in 2013, as well as research and development expenses of Won 212 billion as selling and administrative expenses in 2011, Won 192 billion in 2012 and Won 193 billion in 2013.

Our research and development program has filed over thirty-two thousand industrial rights applications relating to steel-making technology, approximately one-third of which were registered as of December 31, 2013, and has successfully applied many of these to the improvement of our manufacturing process.

Item 5.D. *Trend Information*

These matters are discussed under Item 5.A. and Item 5.B. above where relevant.

Item 5.E. *Off-balance Sheet Arrangements*

As of December 31, 2012 and 2013, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Item 5.F. *Tabular Disclosure of Contractual Obligations*

These matters are discussed under Item 5.B. above where relevant.

Item 5.G. *Safe Harbor*

See Item 3. Key Information Item 3.D. Risk Factors This annual report contains forward-looking statements that are subject to various risks and uncertainties.

Item 6. *Directors, Senior Management and Employees*

Item 6.A. *Directors and Senior Management*

Board of Directors

Our board of directors has the ultimate responsibility for the management of our business affairs. Our board consists of five directors who are our executive officers (Inside Directors) and seven directors who are outside directors (Outside Directors). Our shareholders elect both the Inside Directors and Outside Directors at a general meeting of shareholders. Candidates for Inside Directors are recommended to shareholders by the board of directors after the board reviews such candidates' qualifications, and candidates for Outside Directors are recommended to the shareholders by a separate board committee consisting of three Outside Directors and one Inside Director (Director Candidate Recommendation Committee) after the committee reviews such candidates' qualifications. Any shareholder holding our outstanding shares with voting rights may suggest candidates for Outside Directors to the Director Candidate Recommendation Committee.

Our board of directors maintains the following six sub-committees:

the Director Candidate Recommendation Committee;

the Evaluation and Compensation Committee;

the Finance and Operation Committee;

the Executive Management Committee;

Table of Contents

the Audit Committee; and

the Related Party Transactions Committee.

Our board committees are described in greater detail below under Item 6.C. Board Practices.

Under the Commercial Code and our articles of incorporation, one Chairman should be elected among the Outside Directors and several Representative Directors may be elected among the Inside Directors by our board of directors resolution.

Inside Directors

Our current Inside Directors are:

Name	Position	Responsibilities and Division	Years as Director	Years with POSCO	Age	Expiration of Term of Office
Kwon, Oh-Joon	Chief Executive Officer and Representative Director		0	25	63	March 2017
Kim, Jin-Il	President and Representative Director	Head of Steel Production Division	2	37	61	March 2015
Chang, In-Hwan	Senior Executive Vice President and Representative Director	Head of Steel Business Division	1	31	59	March 2015
Yoon, Dong-Jun	Senior Executive Vice President	Head of Corporate Infrastructure Division	0	27	55	March 2016
Lee, Young-Hoon	Senior Executive Vice President	Head of Finance and Investment Division	0	27	54	March 2015

All Inside Directors are engaged in our business on a full-time basis.

Outside Directors

Our current Outside Directors are set out in the table below. Each of our Outside Directors meets the applicable independence standards set forth under the rules of the Financial Investment Services and Capital Markets of Korea (the FSCMA).

Name	Position	Principal Occupation	Years as Director	Age	Expiration of Term of Office
Lee, Chang-Hee	Chairman	Professor, Seoul National University	5	53	March 2015
Bemowski, James B.	Director	Vice Chairman, Doosan Co., Ltd.	2	60	March 2015
Shin, Chae-Chol	Director	Former Chairman and CEO, IBM Korea Inc.	1	66	March 2015
Lee, Myoung-Woo	Director	President, Dongwon Industries	1	60	March 2016
Kim, Il-Sup	Director	President, Seoul School of Integrated Sciences & Technologies	0	67	March 2017
Sunwoo, Young	Director	Representative Lawyer, Rhi & Partners	0	58	March 2017
Ahn, Dong-Hyun	Director	Professor, Seoul National University	0	50	March 2017

The term of office of the Directors elected in March 2014 is up to three (3) years. Each Director's term expires at the close of the ordinary general meeting of shareholders convened in respect of the fiscal year that is the last one to end during such Director's tenure.

Table of Contents**Senior Management**

In addition to the Inside Directors who are also our executive officers, we have the following executive officers:

Name	Position	Responsibility and Division	Years with POSCO	Age
Baek, Sung-Kwan	Senior Executive Vice President	General Superintendent, Gwangyang Works	33	58
Lee, Jung-Sik	Senior Executive Vice President	General Superintendent, Pohang Works	34	59
Park, Sung-Ho	Executive Vice President	Head of Technical Research Laboratories	31	57
Oh, In-Hwan	Executive Vice President	Department Manager of Steel Business Strategy Dept.	31	55
Yim, Chang-Hee	Executive Vice President	General Manager of Europe Office	28	57
Kim, Won-Ki	Executive Vice President	Department Manager of Global Marketing Coordination Dept.	32	57
Ko, Suk-Bum	Executive Vice President	Department Manager of Labor and Outside Services Dept.	29	56
Kim, Jhi-Yong	Executive Vice President	Center Manager of Steel Solution Center	21	52
Lee, Young-Ki	Executive Vice President	President, POSCO-Japan Co., Ltd.	28	54
Kim, Se-Hyun	Executive Vice President	Department Manager of Corporate Project Management Dept.	4	54
Chang, In-Hwa	Executive Vice President	Department Manager of New Business Development Dept.	3	58
Min, Kyung-Zoon	Senior Vice President	President, PT Krakatau POSCO Co., Ltd.	30	55
Shim, Tong-Wook	Senior Vice President	Department Manager of Corporate Audit Dept.	28	54
Kwon, Suk-Chul	Senior Vice President	President, POSCO-China Co., Ltd.	30	57
Lee, Tae-Ju	Senior Vice President	Department Manager of Steel Production Strategy Dept.	31	56
Yun, Ki-mok	Senior Vice President	Department Manager of Raw Materials Dept.	30	56
Kim, Jae-Yeol	Senior Vice President	President, Zhangjiagang Pohang Stainless Steel Co., Ltd.	28	54
Kim, Hong-Soo	Senior Vice President	Department Manager of Steel Investment & Technology Planning Dept.	31	56
Son, Chang Hwan	Senior Vice President	Department Manager of Automotive Materials Marketing Dept.	29	53
Sung, Gee-Woong	Senior Vice President	President, POSCO-India Private Ltd.	19	54
Jeong, Tak	Senior Vice President	Department Manager of Energy and Shipbuilding Materials Marketing Dept.	2	54
Chung, Chang-Hwa	Senior Vice President	Department Manager of Public Relations Dept.	18	52
Kim, Kwan Young	Senior Vice President	Deputy General Superintendent (Administration, Pohang Works)	26	52
Yi, Kyung-Jo	Senior Vice President	Deputy General Superintendent (Hot and Cold Rolling, Gwangyang Works)	28	53
Ha, Young-Sul	Senior Vice President	Department Manager of Plant, Equipment and Materials Procurement Dept.	27	55
Nam, Cheol-Soon	Senior Vice President	Department Manager of Stainless Steel Marketing Dept.	1	53
Hwangbo, Won	Senior Vice President	President, POSCO-Mexico Co., Ltd.	24	50
Kim, Byung-Hwi	Senior Vice President	President, POSCO-South Asia Co., Ltd.	24	50
Choi, Seung-Deug	Senior Vice President	Department Manager of New Business Investment & Technology Planning Dept.	6	52

Table of Contents

Name	Position	Responsibility and Division	Years with POSCO	Age
Kim, Jun-Hyung	Senior Vice President	Deputy General Superintendent (Hot and Cold Rolling, Pohang Works)	28	51
Oh, Hyoung-Soo	Senior Vice President	President, POSCO-Thainox Co., Ltd.	28	53
Park, Joo-Cheul	Senior Vice President	Deputy General Superintendent (Maintenance, Pohang Works)	27	53
Park, Young-Kwan	Senior Vice President	Deputy General Superintendent (Iron and Steel Making, Pohang Works)	28	55
Son, Geon-Jae	Senior Vice President	Deputy General Superintendent (Maintenance, Gwangyang Works)	26	52
Joo, Sang-Hoon	Senior Vice President	General Manager of Gwangyang Research Lab.	23	54
Kim, Dong-Ho	Senior Vice President	President, CSP	29	54
Yun, Han-Kuen	Senior Vice President	General Manager of Pohang Research Lab	31	55
Choi, Jong-Jin	Senior Vice President	Department Manager of Human Resources Dept.	26	50
Choi, Joo	Senior Vice President	Deputy General Superintendent (Iron and Steel Making, Gwangyang Works)	30	55
Kang, Seog-Beom	Senior Vice President	Department Manager of Wire Rod Marketing Dept.	28	53
Kwon, Woo-Taeck	Senior Vice President	Department Manager of Investment Planning & Engineering Dept.	28	54
Bang, Gil-Ho	Senior Vice President	Department Manager of Hot Rolled and Construction Steel Materials Marketing Dept.	25	52
Yun, Yang-Su	Senior Vice President	President, POSCO-Vietnam Co., Ltd	25	50
Yang, Weon-Jun	Senior Vice President	Deputy General Superintendent (Administration, Gwangyang Works)	25	48
Lee, Won-Hwi	Senior Vice President	Department Manager of Electrical and Electronic Materials Marketing Dept.	24	50
Noh, Min-Yong	Senior Vice President	Department Manager of Finance Dept.	24	50
Lee, Eun-Seok	Senior Vice President	Deputy General Superintendent (Stainless Steel Production, Pohang Works)	28	53
Song, Se-Bin	Executive Vice President	Legal Affairs Dept.	3	51
Lee, Hoo-Geun	Executive Vice President	Finance and Investment Division	31	56
An, Tong-Il	Executive Vice President	Steel Production Division	27	54
Jeong, Chul-Gyu	Executive Vice President	Steel Production Division	31	58
Yu-Seong	Executive Vice President	Finance and Investment Division	28	57
Hwang, Seok-Joo	Executive Vice President	Corporate Infrastructure Division	28	51
Cho, Chung-Myong	Executive Vice President	Value Management Department	24	53
Kim, Myoung- Kyun	Senior Vice President	Public Relations Department	35	59
Kim, Jeong-Sik	Senior Vice President	Steel Production Division	31	57
Lee, Yun-Yong	Senior Vice President	Finance and Investment Division	26	56
Chon, Jung-Son	Senior Vice President	Value Management Department	27	51
Chin, Kwang-Geun	Senior Vice President	Technical Research Laboratories	29	56
Cho, Yong-Doo	Senior Vice President	Value Management Department	4	53
Shin, Geon	Senior Vice President	Technical Research Laboratories	32	56
Kim, Jae-Seok	Senior Vice President	Finance and Investment Division	29	56
Moon, Hee-Kyung	Senior Vice President	Steel Production Division	31	56
Cho, Il-Hyun	Senior Vice President	Steel Production Division	27	52
Lee, Jong-Sub	Senior Vice President	Steel Business Division	30	57

Table of Contents

Name	Position	Responsibility and Division	Years with POSCO	Age
Park, Yong-Kyu .	Senior Vice President	Steel Production Division	29	54
Yoo, Sun-Hee	Senior Vice President	Corporate Infrastructure Division	2	52
Kwak Jeong-Shik	Senior Vice President	Value Management Department	26	56
Lee, Young-Woo	Senior Vice President	Steel Business Division	25	53
Lee, Chang-Sun	Senior Vice President	Technical Research Laboratories	26	56
Kim, Gyo-Sung	Senior Vice President	Steel Business Division	29	52
Yi, Sang-Ho	Senior Vice President	Technical Research Laboratories	29	53
Oh, Sung-Chel	Senior Vice President	Value Management Department	27	54
Hong, Moon-Hi	Senior Vice President	Steel Production Division	27	48
Yang, Seong-Sik	Senior Vice President	Steel Business Division	28	52
Yoo, Byeong-Og	Senior Vice President	Raw Materials Department	25	51
Shin, Hak Kyun	Senior Vice President	Raw Materials Department	2	51
Han Chan-Hee	Senior Vice President	Technical Research Laboratories	28	55
Lee, Ju-Tae	Senior Vice President	Secretariat Department	26	50
Bae, Jae-Tak	Senior Vice President	Steel Business Division	26	49
Ha, Kyung-Sik	Senior Vice President	Raw Materials Department	24	51
Won, Hyung-Il	Senior Vice President	Legal Affairs Department	2	45

Item 6.B. Compensation**Compensation of Directors and Officers**

Salaries and bonuses for Inside Directors and salaries for Outside Directors are paid in accordance with standards decided by the board of directors within the limitation of directors remuneration approved by the annual general meeting of shareholders. In addition, executive officers compensation is paid in accordance with standards decided by the board of directors. The aggregate compensation paid and accrued to all Directors and executive officers was approximately Won 31.4 billion in 2013 and the aggregate amount set aside or accrued by us to provide pension and retirement benefits to such persons was Won 6.3 billion in 2013.

The compensation of our directors and executive officers who received total annual compensation exceeding Won 500 million in 2013 were as follows:

Name	Position	Total Compensation in 2013	Long-term Incentive Compensation for Payment Subsequent to 2013 (In millions of Won)
Chung, Joon-Yang	Chief Executive Officer and Representative Director	1,954	343 in 2014 and 343 in 2015
Park, Ki-Hong	President and Representative Director	809	
Kim, Joon-Sik	President and Representative Director	809	
Chang, In-Hwan	Senior Executive Vice President and Representative Director	588	
Kim, Yeung Gyu	Senior Executive Vice President	576	
Park, Han-Yong ⁽¹⁾	President and Representative Director	1,204	225 in 2014 and 225 in 2015
Cho, Noi-Ha ⁽²⁾		1,298	68 in 2014 and 68 in 2015

Senior Executive Vice
President

Table of Contents

(1) Includes severance payment of Won 580 million.

(2) Includes severance payment of Won 1,027 million.

We have also granted stock options to some of our Directors and executive officers. See Item 6.E. Share Ownership for a list of stock options granted to our Directors and executive officers. At the annual shareholders meeting held in February 2006 our shareholders elected to terminate the stock option program. Stock options granted prior to this meeting remain valid and outstanding pursuant to the articles of incorporation in effect at the time of the issuance of the stock option.

Item 6.C. Board Practices

Director Candidate Recommendation Committee

The Director Candidate Recommendation Committee is composed of three Outside Directors, Lee, Myoung-Woo (committee chair), Kim, Il-Sup, Ahn, Dong-Hyun and one Inside Director, Yoon, Dong-Jun. The Director Candidate Recommendation Committee reviews the qualifications of potential candidates and proposes nominees to serve on our board of directors as an Outside Director. Any shareholder holding our outstanding shares with voting rights may suggest candidates for Outside Directors to the Director Candidate Recommendation Committee.

Evaluation and Compensation Committee

The Evaluation and Compensation Committee is composed of four Outside Directors, Shin, Chae-Chol (committee chair), Lee, Chang-Hee, Lee, Myoung-Woo and Sunwoo, Young. The Evaluation and Compensation Committee's primary responsibilities include establishing evaluation procedures and compensation plans for executive officers and taking necessary measures to execute such plans.

Finance and Operation Committee

The Finance and Operation Committee is composed of three Outside Directors, Shin, Chae-Chol (committee chair), James B. Bemowski, Ahn, Dong-Hyun and two Inside Directors, Chang, In-Hwan and Lee, Young-Hoon. This committee is an operational committee that oversees decisions with respect to finance and operational matters, including making assessments with respect to potential capital investments and evaluating prospective capital-raising activities.

Executive Management Committee

The Executive Management Committee is composed of five Inside Directors, Kwon, Oh-Joon (committee chair), Kim, Jin-II, Chang, In-Hwan, Yoon, Dong-Jun and Lee, Young-Hoon. This committee oversees decisions with respect to our operational and management matters, including review of management's proposals of new strategic initiatives, as well as deliberation over critical internal matters related to organization structure and development of personnel.

Audit Committee

Under Korean law and our articles of incorporation, we are required to have an Audit Committee. The Audit Committee may be composed of three or more directors; all members of the Audit Committee must be Outside Directors. Audit Committee members must also meet the applicable independence criteria set forth under the rules and regulations of the Sarbanes-Oxley Act of 2002. Members of the Audit Committee are elected by the shareholders at the ordinary general meeting of shareholders. We currently have an Audit Committee composed of three Outside Directors. Members of our Audit Committee are Kim, Il-Sup (committee chair), Lee, Chang-Hee and Sunwoo, Young.

Table of Contents

The duties of the Audit Committee include:

engaging independent auditors;

approving independent audit fees;

approving audit and non-audit services;

reviewing annual financial statements;

reviewing audit results and reports, including management comments and recommendations;

reviewing our system of controls and policies, including those covering conflicts of interest and business ethics; and

examining improprieties or suspected improprieties.

In addition, in connection with general meetings of stockholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors at each general meeting of stockholders. Our internal and external auditors report directly to the Audit Committee. The committee holds regular meetings at least once each quarter, and more frequently as needed.

Related Party Transactions Committee

The Related Party Transaction Committee is composed of three Outside Directors, Kim, Il-Sup (committee chair), Lee, Chang-Hee and Sunwoo, Young. This committee reviews related party and other internal transactions and ensures compliance with the Monopoly Regulation and Fair Trade Act.

Item 6.D. Employees

As of December 31, 2013, we had 34,713 employees, including 16,881 persons employed by our subsidiaries, almost all of whom were employed within Korea. Of the total number of employees, approximately 80% are technicians and skilled laborers and 20% are administrative staff. We use subcontractors for maintenance, cleaning and transport activities. We had 35,094 employees, including 17,471 persons employed by our subsidiaries, as of December 31, 2012, and 34,936 employees, including 17,383 persons employed by our subsidiaries, as of December 31, 2011. To improve operational efficiency and increase labor productivity, we plan to reduce the number of our employees in future years through natural attrition. However, we expect the number of persons employed by our subsidiaries in growth industries to increase in the future.

We consider our relations with our work force to be excellent. We have never experienced a work stoppage or strike. Wages of our employees are among the highest of manufacturing companies in Korea. In addition to a base monthly wage, employees receive periodic bonuses and allowances. Base wages are determined annually following consultation between the management and employee representatives, who are currently elected outside the framework of the POSCO labor union. A labor union was formed by our employees in June 1988. Union membership peaked at 19,026 employees at the beginning of 1991, but has steadily declined since then. As of December 31, 2013, only 12 of our employees were members of the POSCO labor union.

In accordance with the National Pension Act of Korea, we contribute an amount equal to 4.5% of an employee's standard monthly wages, and each employee contributes 4.5% of his or her standard monthly wages, into his or her personal pension account. Our employees, including executive officers as well as non-executive employees, are subject to a pension insurance system, under which we make monthly contributions to the pension accounts of the employees, and upon retirement, such employees

Table of Contents

are paid from their pension accounts. Prior to 2011, our executive and non-executive employees were subject to a lump-sum severance payment system, under which they were entitled to receive a lump-sum severance payment upon termination of their employment, based on their length of service and salary level at the time of termination. Starting in 2011, in accordance with the Korean Employee Retirement Income Security Act, we replaced such lump-sum severance payment system with our current pension insurance system in the form of either a defined benefit plan or a defined contribution plan, with a total unfunded portion of Won 133 billion as of December 31, 2013. Our employees have the option of choosing either the defined benefit plan or the defined contribution plan. Lump-sum severance amounts previously accrued prior to our adoption of the current pension insurance system continue to remain payable. We also provide a wide range of fringe benefits to our employees, including housing, housing loans, company-provided hospitals and schools, a company-sponsored pension program, an employee welfare fund, industrial disaster insurance, and cultural and athletic facilities.

As of December 31, 2013, our employees owned, through our employee stock ownership association, approximately 0.01% of our common stock in their association accounts and 1.70% of our common stock in their employee accounts.

Item 6.E. Share Ownership**Common Stock**

The persons who are currently our Directors or executive officers held, as a group, 21,850 common shares as of March 28, 2014, the most recent practicable date for which this information is available. The table below shows the ownership of our common shares by our Directors and executive officers.

Kwon, Oh-Joon	1,250
Lee, Hoo-Geun	672
Park, Joo-Chul	650
Park, Yong-Gyu	620
Shim, Tong-Wook	520
Yim, Chang-Hee	509
Lee, Yun-Yong	494
Hwang, Seok-Joo	480
Kwon, Suk-Chul	480
Kim, Jeong-Sik	464
Lee, Jung-Sik	453
Jeong, Chul-Gyu	450
Park, Sung-Ho	446
Min, Kyung-Zoon	430
Kim, Kwan-Young	420
Kwon, Woo-Taeck	420
Song, Sebin	400
Yoon, Dong-Jun	381
Baek, Sung-Kwan	381
Chang, In-Hwan	374
Kim, Won-Ki	372
Kim, Hong-Soo	371
Kim, Jae-Seok	370
Lee, Young-Ki	360
Lee, Tae-Ju	347
Yang, Seong-Sik	343
Lee, Chang-Sun	340
Kim, Myung-Kyun	325
Kim, Dong-Ho	320
Yi, Sang-Ho	320
Han, Chan-Hee	320
Lee, Eun-Seok	320

Table of Contents

Ko, Suk-Bum	306
Kim, Jin-Il	300
Yang, Weon-Jun	280
Yu, Seong	268
Yoo, Byeong-Og	265
Kang, Seog-Beom	264
Lee, Jong-Seob	261
Lee, Young-Woo	252
Cho, Il-Hyun	251
Choi, Joo	251
An, Tong-Il	250
Sung, Gee-Woong	247
Kim, Jhi-Yong	243
Park, Young-Kwan	221
Bae, Jae-Tak	212
Kwak, Jeong-Shik	209
Hwangbo, Won	202
Chon, Jung-Son	194
Lee, Young-Hoon	178
Kim, Gyo-Sung	175
Yun, Ki-Mok	172
Oh, In-Hwan	150
Shin, Geon	144
Moon, Hee-Kyung	143
Oh, Hyoung-Soo	143
Choi, Jong-Jin	141
Joo, Sang-Hoon	140
Yi, Kyung-Jo	130
Chung, Chang-Hwa	128
Chin, Kwang-Geun	112
Son, Chang-Hwan	104
Kim, Se-hyun	100
Chang, In-Hwa	100
Kim, Jae-Yeol	100
Yun, Yang-Su	100
Kim, Byung-Hwi	99
Kim, Jun-Hyung	99
Hong, Moon-Hi	76
Oh, Sung-Chel	59
Ha, Young-Sul	52
Cho, Yong-Doo	50
Jeong, Tak	50
Choi, Seung-Duk	50
Noh, Min-Yong	50
Yoo, Sun-Hee	49
Yun, Han-Keun	36
Nam, Cheol-Soon	30
Bang, Gil-Ho	12
Cho, Chung-Myong	
Son, Geon-Jae	
Shin, Hak-Kyun	
Lee, Ju-Tae	
Ha, Kyung-Sik	
Lee, Won-Hwi	
Won, Hyung-Il	
Total	21,850

Stock Options

With respect to the options granted, we may elect either to issue shares of common stock, distribute treasury stock or to pay in cash the difference between the exercise and the market price at the date of exercise. The options may be exercised by a person who has continued employment with

Table of Contents

POSCO for two or more years from the date on which the options are granted. Expiration date of options is seven years from the date on which the options are granted. All of the stock options below relate to our common stock.

At the annual shareholders meeting held in February 2006, our shareholders elected to terminate the stock option program. Stock options granted prior to this meeting remain valid and outstanding pursuant to the articles of incorporation in effect at the time of the issuance of the stock option. Currently, there are no outstanding exercisable stock options. The following table sets forth information regarding the stock options we have granted to our current Directors and executive officers as of May 9, 2014.

Director	Grant Date	Exercise Period		Exercise Price	Granted Options	Exercised Options	Exercisable Options
		From	To				
Kwon, Oh-Joon	April 26, 2003	4/27/2005	4/26/2010	102,900	9,604	9,604	0
Kim, Jin-II	April 25, 2003	4/27/2005	4/26/2010	102,900	9,604	9,604	0

Item 7. Major Shareholders and Related Party Transactions**Item 7.A. Major Shareholders**

The following table sets forth certain information relating to the shareholders of our common stock issued as of December 31, 2013.

Shareholders	Number of Shares	Percentage
	Owned	
National Pension Service	6,577,907	7.54%
Nippon Steel & Sumitomo Metal Corporation ⁽¹⁾	4,394,712	5.04
Hyundai Heavy Industries	2,197,707	2.52
Pohang University of Science and Technology	1,905,000	2.18
KB Financial Group Inc. and subsidiaries	1,846,994	2.12
Directors and executive officers as a group	20,618	0.02
Public ⁽²⁾	62,840,686	72.08
POSCO (held in the form of treasury stock)	7,403,211	8.49
Total issued shares of common stock	87,186,835	100.00%

(1) Held in the form of ADRs.

(2) Includes ADRs.

As of December 31, 2013, there were 13,437,266 shares of common stock outstanding in the form of ADRs, representing 15.41% of the total issued shares of common stock.

Item 7.B. Related Party Transactions

We have issued guarantees of Won 7,366 billion as of December 31, 2011, Won 9,140 billion as of December 31, 2012 and Won 9,704 billion as of December 31, 2013, in favor of affiliated and related companies. We have also engaged in various transactions with our subsidiaries and affiliated companies. See Notes 37 and 38 of Notes to Consolidated Financial Statements.

As of December 31, 2011, 2012 and 2013, we had no loans outstanding to our executive officers and Directors.

Item 7.C. Interests of Experts and Counsel

Not applicable

Table of Contents

Item 8. Financial Information

Item 8.A. Consolidated Statements and Other Financial Information

See Item 18. Financial Statements and pages F-1 through F-125.

Legal Proceedings

In recent years, we have become subject to a number of anti-dumping duties in India, Indonesia, Australia, Thailand, Brazil, Taiwan and Malaysia and a number of anti-dumping and countervailing duty investigations in several other countries, including the U.S., India and Canada. In addition, the Mexican government initiated an anti-dumping investigation in October 2012 relating to our exports of cold rolled steel products, and the investigation was suspended until 2018 on condition that we comply with supply undertakings. Our products that are subject to anti-dumping or countervailing duty proceedings in the aggregate currently do not account for a material portion of our total sales, and such proceedings have not had a material adverse impact on our business and operations in recent years. However, there can be no assurance that increases in, or new impositions of, anti-dumping duties, countervailing duties, quotas or tariffs on our exports of products abroad may not have a material adverse impact on our exports in the future. See Item 4. Information on the Company Item 4.B. Business Overview Markets Exports.

In 2012, the Korea Fair Trade Commission imposed a fine of Won 118 billion on us and POSCO Coated & Color Steel Co., Ltd., our consolidated subsidiary, for alleged antitrust violations, including price fixing of galvanization surcharge rates. We intend to vigorously defend against such administrative action and filed for judicial review of such administrative action in the Seoul High Court on February 28, 2013, which ruling is currently pending.

In April 2012, Nippon Steel & Sumitomo Metal Corporation filed civil lawsuits in Japan and the United States relating to claims of alleged improper acquisition and infringement of intellectual property rights related to production of grain oriented electrical steel sheets. Nippon Steel & Sumitomo Metal Corporation is seeking an injunction to prohibit us from manufacturing and selling the allegedly infringing products as well as seeking compensation of Won 991 billion. We plan to vigorously defend against such claims. With respect to the lawsuit in Japan, we have not recorded any provisions because we do not believe that we have any present obligations. With respect to the lawsuit in the United States, estimates of possible loss cannot be reliably determined because the lawsuit is still in the discovery stage and no claim amount has been specified. Since we do not believe that we have any present obligations, we have not recorded any provision for this lawsuit.

The National Tax Service conducts periodic audits of tax payments and refunds of corporations in Korea. The latest round of such audit on us began in September 2013 and is scheduled to be completed by the end of April 2014. As part of such audit, the National Tax Service completed its initial round of investigation in March 2014 and assessed payment of Won 190 billion. We accounted for such payments in the first quarter of 2014. The National Tax Service may assess additional payment upon completion of its audit. We cannot predict the ultimate outcome of such investigation, and we plan to review the merit of any additional tax assessment made by the National Tax Service.

In May 2002, Industrial Development Bank of India Limited filed lawsuits against Daewoo International, Daewoo Motors India Ltd., Daewoo Co., Ltd. and Daewoo Engineering & Construction Co., Ltd. in the India Delhi Mumbai Court, seeking judgment relating to its loans to Daewoo Motors India Ltd. guaranteed by Daewoo Co., Ltd. (predecessor of Daewoo International). The total claim amount of such lawsuits is Won 76 billion, and Daewoo International recorded provision of Won 18 billion relating to its portion of the guarantee. The outcome of such lawsuits remains uncertain and Daewoo International's provision is classified as a non-current liability as of December 31, 2013.

Except as described above, we are not involved in any pending or threatened legal or arbitration proceedings that may have, or have had during the last 12 months, a material adverse effect on our results of operations or financial position.

Table of Contents**Dividends**

The amount of dividends paid on our common stock is subject to approval at the annual general meeting of shareholders, which is typically held in February or March of the following year. In addition to our annual dividends, our board of directors is authorized to declare and distribute interim dividends once a year under our articles of incorporation. If we decide to pay interim dividends, our articles of incorporation authorize us to pay them in cash, shares or other form of property to the shareholders of record as of June 30 of the relevant fiscal year. We may pay cash dividends out of retained earnings that have not been appropriated to statutory reserves.

The table below sets out the annual dividends declared on the outstanding common stock to shareholders of record on December 31 of the years indicated and the interim dividends declared on the outstanding common stock to shareholders of record on June 30 of the years indicated. A total of 87,186,835 shares of common stock were issued as of December 31, 2013. Of these shares and as of such date, 79,783,624 shares were outstanding and 7,403,211 shares were held by us in treasury. The annual dividends set out for each of the years below were paid in the immediately following year.

Year	Annual Dividend per Common Stock to Public	Interim Dividend per Common Stock (In Won)	Average Total Dividend per Common Stock
2009	6,500	1,500	8,000
2010	7,500	2,500	10,000
2011	7,500	2,500	10,000
2012	6,000	2,000	8,000
2013	6,000	2,000	8,000

Owners of the ADSs are entitled to receive any dividends payable in respect of the underlying shares of common stock.

Historically, we have paid to holders of record of our common stock an annual dividend. However, we can give no assurance that we will continue to declare and pay any dividends in the future.

Item 8.B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our Consolidated Financial Statements included in this annual report.

Item 9. The Offer and Listing**Item 9.A. Offer and Listing Details****Market Price Information****Notes**

Not applicable

Table of Contents**Common Stock**

The principal trading market for our common stock is the KRX KOSPI Market. Our common stock, which is in registered form and has a par value of Won 5,000 per share, has been listed on the first section of the KRX KOSPI Market since June 1988 under the identifying code 005490. The table below shows the high and low trading prices and the average daily volume of trading activity on the KRX KOSPI Market for our common stock.

	Price		Average Daily Trading Volume (Number of Shares)
	High (In Won)	Low	
2009			
First Quarter	430,000	303,000	389,081
Second Quarter	435,000	369,000	390,866
Third Quarter	519,000	420,000	324,403
Fourth Quarter	619,000	472,500	293,724
2010			
First Quarter	625,000	516,000	255,173
Second Quarter	560,000	434,500	343,367
Third Quarter	524,000	460,500	257,784
Fourth Quarter	538,000	448,500	299,776
2011			
First Quarter	517,000	450,500	345,785
Second Quarter	565,000	421,000	282,070
Third Quarter	480,000	358,500	277,876
Fourth Quarter	351,000	308,000	235,063
2012			
First Quarter	424,000	376,000	198,239
Second Quarter	385,000	351,500	169,135
Third Quarter	391,000	353,500	159,508
Fourth Quarter	367,000	308,000	202,895
2013			
First Quarter	371,000	321,500	169,232
Second Quarter	326,000	292,500	182,277
Third Quarter	340,000	292,500	225,474
Fourth Quarter	338,000	307,500	183,055
October	321,500	307,500	178,051
November	330,000	317,000	181,486
December	338,000	326,500	189,957
2014			
First Quarter	328,500	268,500	215,243
January	322,000	297,500	181,589
February	295,500	284,000	214,757
March	303,000	272,500	268,821
Second Quarter (through May 9)	328,500	268,500	216,869
April	321,000	290,000	213,465
May (through May 9)	307,000	299,500	149,802

ADSs

Our common stock is also listed on the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange in the form of ADSs. The ADSs have been issued by The Bank of New York Mellon as ADR depository and are listed on the New York Stock Exchange under the symbol PKX. One ADS represents one-fourth of one share of common stock. As of December 31, 2013, 53,749,064 ADSs representing 13,437,266 common shares were outstanding, representing 15.41% shares of common stock.

Table of Contents

The table below shows the high and low trading prices and the average daily volume of trading activity on the New York Stock Exchange for our ADSs.

	Price		Average Daily Trading Volume (Number of ADSs)
	High	Low	
	(In US\$)		
2009			
First Quarter	79.11	47.14	212,268
Second Quarter	89.00	69.23	168,527
Third Quarter	108.08	80.73	491,455
Fourth Quarter	131.47	100.00	458,775
2010			
First Quarter	140.10	108.23	429,700
Second Quarter	124.83	88.78	559,765
Third Quarter	113.98	94.67	344,102
Fourth Quarter	120.47	95.34	376,905
2011			
First Quarter	117.57	100.50	403,646
Second Quarter	116.83	95.86	348,986
Third Quarter	112.41	76.01	344,454
Fourth Quarter	89.16	72.51	366,073
2012			
First Quarter	94.06	80.28	268,347
Second Quarter	85.09	74.82	262,176
Third Quarter	85.55	77.21	190,260
Fourth Quarter	82.97	71.85	187,932
2013			
First Quarter	86.69	72.41	258,130
Second Quarter	74.82	63.23	252,261
Third Quarter	78.75	64.29	186,347
Fourth Quarter	80.40	72.19	177,415
October	75.67	72.19	159,424
November	77.49	74.50	142,124
December	80.40	77.17	230,730
2014			
First Quarter	75.88	64.03	298,320
January	75.88	67.97	301,742
February	69.90	66.40	275,099
March	70.05	64.03	315,906
Second Quarter (through May 9)	76.56	69.60	271,052
April	76.56	69.60	296,096
May (through May 9)	74.50	73.76	195,920

Item 9.B. Plan of Distribution

Not applicable

Item 9.C. Markets**The Korean Securities Market**

On January 27, 2005, the Korea Exchange was established pursuant to the Korea Securities and Futures Exchange Act by consolidating the Korea Stock Exchange, the Korea Futures Exchange, the KOSDAQ Stock Market, Inc., or the KOSDAQ, and the KOSDAQ Committee of the Korea Securities Dealers Association, which had formerly managed the KOSDAQ. There are three different markets operated by the Korea Exchange: the KRX KOSPI Market, the KRX KOSDAQ Market, and the KRX Derivatives Market. The Korea Exchange has two trading floors located in Seoul, one for the KRX KOSPI Market and one for the KRX KOSDAQ Market, and one trading floor in Busan for the KRX

Edgar Filing: POSCO - Form 20-F

Derivatives Market. The Korea Exchange is a limited liability company, the shares of which are held by (i) investment brokers and investment dealers that were formerly members of the Korea Futures Exchange or the Korea Stock Exchange and (ii) the stockholders of the KOSDAQ. Currently, the Korea Exchange is the only stock exchange in Korea and is operated by membership, having as its members most of the Korean investment brokers and investment dealers and some Korean branches of foreign investment brokers and investment dealers.

Table of Contents

According to data published by the Korea Exchange, as of December 31, 2013, the aggregate market value of equity securities listed on the KRX KOSPI Market and the KRX KOSDAQ Market was approximately Won 1,304 trillion, and the average daily trading volume of equity securities for 2013 was approximately 723 million shares with an average transaction value of Won 5,816 billion. The Korea Exchange has the power in some circumstances to suspend trading in the shares of a given company or to de-list a security pursuant to the Regulation on Listing on the Korea Exchange. The Korea Exchange also restricts share price movements. All listed companies are required to file accounting reports annually, semi-annually and quarterly and to release immediately all information that may affect trading in a security.

The Government has in the past exerted, and continues to exert, substantial influence over many aspects of the private sector business community that can have the intention or effect of depressing or boosting the market. In the past, the Government has informally both encouraged and restricted the declaration and payment of dividends, induced mergers to reduce what it considers excess capacity in a particular industry and induced private companies to offer publicly their securities.

The Korea Exchange publishes the Korea Composite Stock Price Index, or KOSPI, every ten seconds, which is an index of all equity securities listed on the Korea Exchange. On January 1, 1983, the method of computing KOSPI was changed from the Dow Jones method to the aggregate value method. In the new method, the market capitalizations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalization of all listed companies as of the base date, January 4, 1980.

Movements in KOSPI are set out in the following table together with the associated dividend yields and price earnings ratios.

Year	Opening	High	Low	Closing	Period Average	
					Dividend Yield ⁽¹⁾⁽²⁾ (Percent)	Price Earnings Ratio ⁽²⁾⁽³⁾
1985	139.53	163.37	131.40	163.37	5.3	5.2
1986	161.40	279.67	153.85	272.61	4.3	7.6
1987	264.82	525.11	264.82	525.11	2.6	10.9
1988	532.04	922.56	527.89	907.20	2.4	11.2
1989	919.61	1,007.77	844.75	909.72	2.0	13.9
1990	908.59	928.82	566.27	696.11	2.2	12.8
1991	679.75	763.10	586.51	610.92	2.6	11.2
1992	624.23	691.48	459.07	678.44	2.2	10.9
1993	697.41	874.10	605.93	866.18	1.6	12.7
1994	879.32	1,138.75	855.37	1,027.37	1.2	16.2
1995	1,027.45	1,016.77	847.09	882.94	1.2	16.4
1996	882.29	986.84	651.22	651.22	1.3	17.8
1997	647.67	792.29	350.68	376.31	1.5	17.0
1998	374.41	579.86	280.00	562.46	1.9	10.8
1999	565.10	1,028.07	498.42	1,028.07	1.1	13.5
2000	1,028.33	1,059.04	500.60	504.62	1.6	18.6
2001	503.31	704.50	468.76	693.70	2.0	14.2
2002	698.00	937.61	584.04	627.55	1.4	17.8
2003	633.03	822.16	515.24	810.71	2.2	10.9
2004	821.26	936.06	719.59	895.92	2.1	15.8
2005	896.00	1,379.37	870.84	1,379.37	1.7	11.0
2006	1,383.32	1,464.70	1,203.86	1,434.46	1.7	11.4
2007	1,438.89	2,015.48	1,345.08	1,897.13	1.4	16.8
2008	1,891.45	1,888.88	938.75	1,124.47	2.6	8.9
2009	1,132.87	1,718.88	1,018.81	1,682.77	1.2	23.7
2010	1,681.71	2,052.97	1,552.79	2,051.00	1.1	19.0
2011	2,063.69	2,231.47	1,644.11	1,825.12	1.3	13.1
2012	1,831.69	2,057.28	1,758.99	1,997.05	1.3	12.9
2013	2,031.10	2,059.58	1,780.63	2,011.34	1.1	15.0
2014 (through May 9)	2,013.11	2,013.89	1,885.53	1,956.55	1.2	15.2

Table of Contents

Source: The KRX KOSPI Market

- (1) Dividend yields are based on daily figures. Before 1983, dividend yields were calculated at the end of each month. Dividend yields after January 3, 1984 include cash dividends only.
- (2) Starting in April 2000, dividend yield and price earnings ratio are calculated based on KOSPI 200, an index of 200 equity securities listed on the KRX KOSPI Market. Starting in April 2000, KOSPI 200 excludes classified companies, companies which did not submit annual reports to the KRX KOSPI Market, and companies which received qualified opinion from external auditors.
- (3) The price earnings ratio is based on figures for companies that record a profit in the preceding year. Shares are quoted ex-dividend on the first trading day of the relevant company's accounting period. Since the calendar year is the accounting period for the majority of listed companies, this may account for the drop in KOSPI between its closing level at the end of one calendar year and its opening level at the beginning of the following calendar year.

With certain exceptions, principally to take account of a share being quoted ex-dividend and ex-rights, permitted upward and downward movements in share prices of any category of shares on any day are limited under the rules of the Korea Exchange to 15% of the previous day's closing price of the shares, rounded down as set out below:

Previous Day's Closing Price (Won)	Rounded Down to (Won)
Less than 5,000	5
5,000 to less than 10,000	10
10,000 to less than 50,000	50
50,000 to less than 100,000	100
100,000 to less than 500,000	500
500,000 or more	1,000

As a consequence, if a particular closing price is the same as the price set by the fluctuation limit, the closing price may not reflect the price at which persons would have been prepared, or would be prepared to continue, if so permitted, to buy and sell shares. Orders are executed on an auction system with priority rules to deal with competing bids and offers.

Due to deregulation of restrictions on brokerage commission rates, the brokerage commission rate on equity securities transactions may be determined by the parties, subject to commission schedules being filed with the Korea Exchange by the financial investment companies with a brokerage license. In addition, a securities transaction tax of 0.15% of the sales price will generally be imposed on the transfer of shares or certain securities representing rights to subscribe for shares. An agricultural and fishery special surtax of 0.15% of the sales prices will also be imposed on transfer of these shares and securities on the Korea Exchange. See Item 10. Additional Information Item 10.E. Taxation Korean Taxation.

The number of companies listed on the KRX KOSPI Market, the corresponding total market capitalization at the end of the periods indicated and the average daily trading volume for those periods are set forth in the following table:

Year	Market Capitalization on the Last Day of Each Period			Average Daily Trading Volume, Value		
	Number of	(Billions of Won)	(Millions of US\$) ⁽¹⁾	Thousands of	(Millions of Won)	(Thousands of US\$) ⁽¹⁾

Edgar Filing: POSCO - Form 20-F

	Listed Companies			Shares			
1985	342	6,570	US\$ 7,381	18,925	12,315	US\$ 13,834	
1986	355	11,994	13,924	31,755	32,870	38,159	
1987	389	26,172	33,033	20,353	70,185	88,583	
1988	502	64,544	94,348	10,367	198,364	289,963	
1989	626	95,477	140,490	11,757	280,967	414,430	

Table of Contents

Year	Market Capitalization on the Last Day of Each Period			Average Daily Trading Volume, Value		
	Number of Listed Companies	(Billions of Won)	(Millions of US\$) ⁽¹⁾	Thousands of Shares	(Millions of Won)	(Thousands of US\$) ⁽¹⁾
1990	669	79,020	110,301	10,866	183,692	256,411
1991	686	73,118	96,107	14,022	214,263	281,629
1992	688	84,712	107,448	24,028	308,246	390,977
1993	693	112,665	139,420	35,130	574,048	710,367
1994	699	151,217	191,730	36,862	776,257	984,223
1995	721	141,151	182,201	26,130	487,762	629,613
1996	760	117,370	139,031	26,571	486,834	576,680
1997	776	70,989	50,162	41,525	555,759	392,707
1998	748	137,799	114,091	97,716	660,429	546,803
1999	725	349,504	305,137	278,551	3,481,620	3,039,655
2000	704	188,042	149,275	306,163	2,602,211	2,065,739
2001	689	255,850	192,934	473,241	1,997,420	1,506,237
2002	683	258,681	215,496	857,245	3,041,598	2,533,815
2003	684	355,363	296,679	542,010	2,216,636	1,850,589
2004	683	412,588	395,275	372,895	2,232,109	2,138,445
2005	702	655,075	646,158	467,629	3,157,662	3,114,679
2006	731	704,588	757,948	279,096	3,435,180	3,695,331
2007	745	951,900	1,016,770	363,741	5,539,653	5,917,168
2008	763	576,888	458,758	352,599	3,211,039	2,553,510
2009	770	887,935	762,503	485,657	5,595,552	4,976,859
2010	777	1,141,885	1,006,243	380,859	5,619,768	4,952,210
2011	791	1,041,999	904,670	353,760	6,836,146	5,935,185
2012	930	1,154,294	1,078,578	486,479	4,823,642	4,507,234
2013	777	1,185,974	1,123,720	328,425	3,993,422	3,783,800
2014 (through May 9)	770	1,165,867	1,138,098	205,209	3,484,373	3,401,380

Source: The Korea Exchange

(1) Converted at the Concentration Base Rate of The Bank of Korea or the Market Average Exchange Rate, as the case may be, at the end of the periods indicated.

The Korean securities markets are principally regulated by the Financial Services Commission and under the regulations set forth in the FSCMA. In July 2007, the National Assembly of Korea enacted the FSCMA. The FSCMA, which came into effect on February 4, 2009, comprehensively regulates the Korean capital markets, the financial investment business (including collective investment businesses and trust businesses) and financial investment products (such as securities and derivatives). The FSCMA imposes restrictions on insider trading and price manipulation, requires specified information to be made available by listed companies to investors and establishes rules regarding margin trading, proxy solicitation, takeover bids, acquisition of treasury shares and reporting requirements for shareholders holding substantial interests. The FSCMA regulates the operation and monitoring of the securities and derivatives markets.

Protection of Customer's Interest in Case of Insolvency of Investment Brokers or Investment Dealers

Under Korean law, the relationship between a customer and an investment broker or an investment dealer in connection with a securities sell or buy order is deemed to be a consignment and the securities acquired by a consignment agent (i.e., the investment broker or the investment dealer) through such sell or buy order are regarded as belonging to the customer in so far as the customer and the consignment agent's creditors are concerned. Therefore, in the event of a bankruptcy or reorganization procedure involving an investment broker or an investment dealer, the customer of the investment broker or the investment dealer is entitled to the proceeds of the securities sold by the investment broker or the investment dealer.

Table of Contents

When a customer places a sell order with an investment broker or an investment dealer that is not a member of the KRX KOSPI Market or the KRX KOSDAQ Market and this investment broker or investment dealer places a sell order with another investment broker or investment dealer that is a member of the KRX KOSPI Market or the KRX KOSDAQ Market, the customer is still entitled to the proceeds of the securities sold and received by the non-member company from the member company regardless of the bankruptcy or reorganization of the non-member company.

Under the FSCMA, the Korea Exchange is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by members of the KRX KOSPI Market or the KRX KOSDAQ Market. If an investment broker or an investment dealer that is a member of the KRX KOSPI Market or the KRX KOSDAQ Market breaches its obligation in connection with a buy order, the Korea Exchange is obliged to pay the purchase price on behalf of the breaching member. Therefore, the customer can acquire the securities that have been ordered to be purchased by the breaching member.

When a customer places a buy order with a non-member company and the non-member company places a buy order with a member company, the customer has the legal right to the securities received by the non-member company from the member company because the purchased securities are regarded as belonging to the customer in so far as the customer and the non-member company's creditors are concerned.

As the cash deposited with an investment broker or an investment dealer is regarded as belonging to the investment broker or investment dealer, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from the investment broker or the investment dealer if a bankruptcy or rehabilitation procedure is instituted against the investment broker or the investment dealer and, therefore, can suffer from loss or damage as a result. However, in case of the investment broker or the investment dealer's bankruptcy, liquidation, cancellation of investment broker or investment dealer license or other insolvency events, the Depositor Protection Act provides that the Korea Deposit Insurance Corporation will, upon the request of the investors, pay each investor up to a total of Won 50 million, which shall represent both actual cash deposited and any interest accrued thereon. Pursuant to the FSCMA, as amended, investment brokers or investment dealers are required to deposit the cash received from its customers at the securities finance company established pursuant to the FSCMA. Set-off or attachment of cash deposits by investment brokers or investment dealers is prohibited. The premiums related to this insurance are paid by investment brokers or investment dealers.

Clearance and Settlement

The settlement of trades on the Korea Exchange is required to be handled by a settlement agency of the Korea Exchange. The Korea Securities Depository is the institution commissioned by the Korea Exchange to handle all such settlement of trades. The settlement of trades on the Korea Exchange takes place through a clearance and settlement procedure. The Korea Exchange has adopted the multilateral netting system and carries out the clearance of the trades by netting the sales and purchases of each Korea Securities Depository participant. The Korea Exchange is required to provide the daily net settlement results of the trades to the Korea Securities Depository one business day after the day of the sale and purchase contract. The Korea Securities Depository then handles settlement of the securities and the funds based on the information received from the Korea Exchange. The securities are settled through book-entry changes in the accounts of Korea Securities Depository participants and the funds are settled by transfer to an account at a bank designated by the Korea Securities Depository. Settlement of trades is generally required to take place on the third day following the day of the sale and purchase contract.

Item 9.D. *Selling Shareholders*

Not applicable

Table of Contents**Item 9.E. *Dilution***

Not applicable

Item 9.F. *Expenses of the Issuer*

Not applicable

Item 10. *Additional Information***Item 10.A. *Share Capital***

Currently, our authorized share capital is 200,000,000 shares, which consists of shares of common stock, par value Won 5,000 per share (Common Shares) and shares of non-voting stock, par value Won 5,000 per share (Non-Voting Preferred Shares). Our Non-Voting Preferred Shares have a preferential right to dividend payments. Common Shares and Non-Voting Preferred Shares together are referred to as Shares. Under our articles of incorporation, we are authorized to issue Non-Voting Preferred Shares up to the limit prescribed by applicable law, the aggregate of which currently is one-quarter of our total issued and outstanding capital stock. As of December 31, 2013, 87,186,835 Common Shares were issued, of which 7,403,211 shares were held by us in treasury. We have never issued any Non-Voting Preferred Shares. All of the issued and outstanding Common Shares are fully-paid and non-assessable and are in registered form. We issue share certificates in denominations of 1, 3, 4, 5, 10, 50, 100, 500, 1,000 and 10,000 shares.

Item 10.B. *Memorandum and Articles of Association*

This section provides information relating to our capital stock, including brief summaries of material provisions of our articles of incorporation, the FSCMA, the Commercial Code and related laws, all as currently in effect. The following summaries are subject to, and are qualified in their entirety by reference to, our articles of incorporation and the applicable provisions of the FSCMA and the Commercial Code. We have filed copies of our articles of incorporation and these laws (except for the newly enacted the FSCMA) as exhibits to registration statements under the Securities Act or the Securities Exchange Act previously filed by us.

Dividends

We distribute dividends to our shareholders in proportion to the number of shares owned by each shareholder. The Common Shares represented by the ADSs have the same dividend rights as other outstanding Common Shares.

Holders of Non-Voting Preferred Shares are entitled to receive dividends in priority to the holders of Common Shares in an amount not less than 9% of the par value of the Non-Voting Preferred Shares as determined by the board of directors at the time of their issuance. If the amount available for dividends is less than the aggregate amount of such minimum dividend, we do not have to declare dividends on the Non-Voting Preferred Shares.

We may declare dividends annually at the annual general meeting of shareholders which is held within three months after the end of the fiscal year. We pay the annual dividend shortly after the annual general meeting to the shareholders of record as of the end of the preceding fiscal year. We may distribute the annual dividend in cash, Shares or other form of property. However, a dividend of Shares must be distributed at par value. Dividends in Shares may not exceed one-half of the annual dividend. In addition, we may declare, and distribute in cash, interim dividends pursuant to a board resolution once a fiscal year. We have no obligation to pay any annual dividend unclaimed for five years from the payment date.

Table of Contents

Under the Commercial Code, we may pay an annual dividend only to the extent the net asset amount in our balance sheets exceeds the sum of the following: (i) our stated capital, (ii) the total amount of our capital surplus reserve and legal reserve accumulated up to the end of the relevant dividend period, (iii) the legal reserve to be set aside for annual dividend, and (iv) unrealized profits determined in the Presidential Decree to the Commercial Code. We may not pay an annual dividend unless we have set aside as earned surplus reserve an amount equal to at least 10% of the cash portion of the annual dividend or unless we have accumulated earned surplus reserve of not less than one-half of our stated capital. We may not use legal reserve to pay cash dividends but may transfer amounts from legal reserve to capital stock or use legal reserve to reduce an accumulated deficit.

Distribution of Free Shares

In addition to paying dividends in Shares out of our retained or current earnings, we may also distribute to our shareholders an amount transferred from our capital surplus or legal reserve to our stated capital in the form of free shares. We must distribute such free shares to all our shareholders in proportion to their existing shareholdings.

Preemptive Rights and Issuance of Additional Shares

We may issue authorized but unissued shares at the times and, unless otherwise provided in the Commercial Code, on the terms our board of directors may determine. All our shareholders are generally entitled to subscribe for any newly issued Shares in proportion to their existing shareholdings. We must offer new Shares on uniform terms to all shareholders who have preemptive rights and are listed on our shareholders register as of the relevant record date. Under the Commercial Code, we may vary, without shareholders' approval, the terms of these preemptive rights for different classes of shares. We must give public notice of the preemptive rights regarding new Shares and their transferability at least two weeks before the relevant record date. Our board of directors may determine how to distribute Shares for which preemptive rights have not been exercised or where fractions of Shares occur.

Under our articles of incorporation, we may issue new Shares pursuant to a board resolution to persons other than existing shareholders, who in these circumstances will not have preemptive rights, if the new Shares are:

offered publicly or to underwriters for underwriting pursuant to the FSCMA;

issued to members of our employee stock ownership association pursuant to the FSCMA;

represented by depositary receipts pursuant to the FSCMA;

issued in a general public offering pursuant to a board resolution in accordance with the FSCMA, the amount of which is no more than 10% of the outstanding Shares;

issued to our creditors pursuant to a debt-equity swap;

issued to domestic or foreign corporations pursuant to a joint venture agreement, strategic coalition or technology inducement agreement when deemed necessary for management purposes; or

issued to domestic or foreign financial institutions when necessary for raising funds in emergency cases.

In addition, we may issue convertible bonds or bonds with warrants, each up to an aggregate principal amount of Won 2 trillion, to persons other than existing shareholders.

Edgar Filing: POSCO - Form 20-F

Members of our employee stock ownership association, whether or not they are our shareholders, generally have a preemptive right to subscribe for up to 20% of the Shares publicly offered pursuant to the FSCMA. This right is exercisable only to the extent that the total number of

Table of Contents

Shares so acquired and held by members of our employee stock ownership association does not exceed 20% of the total number of Shares then issued. As of December 31, 2013, our employees owned, through our employee stock ownership association, approximately 0.01% of our common stock in their association accounts and 1.70% of our common stock in their employee accounts.

General Meeting of Shareholders

We hold the annual general meeting of shareholders within three months after the end of each fiscal year. The record date of the register of shareholders is December 31 of each year, and such shareholders listed on the register of shareholder as of the record date are entitled to exercise their right at the general meeting of shareholders. Subject to a board resolution or court approval, we may hold an extraordinary general meeting of shareholders:

as necessary;

at the request of holders of an aggregate of 3% or more of our outstanding Shares;

at the request of shareholders holding an aggregate of 1.5% or more of our outstanding Shares for at least six months; or

at the request of our audit committee.

Holders of Non-Voting Preferred Shares may request a general meeting of shareholders only after the Non-Voting Preferred Shares become entitled to vote or enfranchised, as described under **Voting Rights** below.

We must give shareholders written notice setting out the date, place and agenda of the meeting at least two weeks before the date of the general meeting of shareholders. However, for holders of 1% or less of the total number of issued and outstanding voting Shares, we may give notice by placing at least two public notices in at least two daily newspapers or by notices to be posted on the electronic disclosure database system maintained by the Financial Supervisory Service or the Korea Exchange at least two weeks in advance of the meeting. Currently, we use *The Seoul Shinmun* published in Seoul, *The Maeil Shinmun* published in Taegu and *The Kwangju Ilbo* published in Kwangju for this purpose. Shareholders not on the shareholders' register as of the record date are not entitled to receive notice of the general meeting of shareholders or attend or vote at the meeting. Holders of Non-Voting Preferred Shares, unless enfranchised, are not entitled to receive notice of general meetings of shareholders, but may attend such meetings. Our general meetings of shareholders are held either in Pohang or Seoul.

Voting Rights

Holders of our Common Shares are entitled to one vote for each Common Share, except that voting rights of Common Shares held by us, or by a corporate shareholder that is more than 10% owned by us either directly or indirectly, may not be exercised. The Commercial Code permitted cumulative voting, under which voting method each shareholder would have multiple voting rights corresponding to the number of directors to be appointed in the voting and may exercise all voting rights cumulatively to elect one director.

Our shareholders may adopt resolutions at a general meeting by an affirmative majority vote of the voting Shares present or represented at the meeting, where the affirmative votes also represent at least one-fourth of our total voting Shares then issued and outstanding. However, under the Commercial Code and our articles of incorporation, the following matters, among others, require approval by the holders of at least two-thirds of the voting Shares present or represented at a meeting, where the affirmative votes also represent at least one-third of our total voting Shares then issued and outstanding:

amending our articles of incorporation;

removing a director;

Table of Contents

effecting any dissolution, merger or consolidation of us;

transferring the whole or any significant part of our business;

acquisition of all or a part of the business of any other company that may have a material impact on our business;

issuing any new Shares at a price lower than their par value; or

approving matters required to be approved at a general meeting of shareholders, which have material effects on our assets, as determined by the Board of Directors.

In general, holders of Non-Voting Preferred Shares are not entitled to vote on any resolution or receive notice of any general meeting of shareholders. However, in the case of amendments to our articles of incorporation, or any merger or consolidation of us, or in some other cases that affect the rights or interests of the Non-Voting Preferred Shares, approval of the holders of Non-Voting Preferred Shares is required. We may obtain the approval by a resolution of holders of at least two-thirds of the Non-Voting Preferred Shares present or represented at a class meeting of the holders of Non-Voting Preferred Shares, where the affirmative votes also represent at least one-third of our total issued and outstanding Non-Voting Preferred Shares.

Shareholders may exercise their voting rights by proxy. When a shareholder is a corporate entity, such shareholder may give proxies to its officers or directors.

Holders of ADRs exercise their voting rights through the ADR depository, an agent of which is the record holder of the underlying Common Shares. Subject to the provisions of the deposit agreement, ADR holders are entitled to instruct the ADR depository how to vote the Common Shares underlying their ADSs.

Rights of Dissenting Shareholders

In some limited circumstances, including the transfer of the whole or any significant part of our business and our merger or consolidation with another company, dissenting shareholders have the right to require us to purchase their Shares. Only the shareholders who have executed a share purchase agreement evidencing their acquisition of the relevant Shares on or prior to the day immediately following the public disclosure of the board resolutions approving any of the aforementioned transactions have the rights to require us to purchase their Shares. To exercise this right, shareholders, including holders of Non-Voting Preferred Shares, must submit to us a written notice of their intention to dissent before the general meeting of shareholders. Within 20 days after the relevant resolution is passed at a meeting, the dissenting shareholders must request us in writing to purchase their Shares. We are obligated to purchase the Shares of dissenting shareholders within one month after the expiration of the 20-day period. The purchase price for the Shares is required to be determined through negotiation between the dissenting shareholders and us. If we cannot agree on a price through negotiation, the purchase price will be the average of (1) the weighted average of the daily Share prices on the Korea Exchange for the two-month period before the date of the adoption of the relevant board resolution, (2) the weighted average of the daily Share price on the Korea Exchange for the one month period before the date of the adoption of the relevant resolution and (3) the weighted average of the daily Share price on the Korea Exchange for the one week period before such date of the adoption of the relevant resolution. However, the court may determine this price if we or dissenting shareholders do not accept the purchase price. Holders of ADSs will not be able to exercise dissenters' rights unless they have withdrawn the underlying common stock and become our direct shareholders.

Register of Shareholders and Record Dates

Our transfer agent, Kookmin Bank, maintains the register of our shareholders at its office in Seoul, Korea. It registers transfers of Shares on the register of shareholders on presentation of the Share certificates.

Table of Contents

The record date for annual dividends is December 31. For the purpose of determining the shareholders entitled to annual dividends, the register of shareholders may be closed for the period from January 1 to January 15 of each year. Further, for the purpose of determining the shareholders entitled to some other rights pertaining to the Shares, we may, on at least two weeks' public notice, set a record date and/or close the register of shareholders for not more than three months. The trading of Shares and the delivery of share certificates may continue while the register of shareholders is closed.

Annual Report

At least one week before the annual general meeting of shareholders, we must make our annual report and audited financial statements available for inspection at our principal office and at all of our branch offices. In addition, copies of annual reports, the audited financial statements and any resolutions adopted at the general meeting of shareholders will be available to our shareholders.

Under the FSCMA, we must file with the Financial Services Commission and the Korea Exchange (1) an annual business report within 90 days after the end of our fiscal year, (2) a half-year report within 45 days after the end of the first six months of our fiscal year, and (3) quarterly reports within 45 days after the end of the third month and the ninth month of our fiscal year. Copies of these reports are or will be available for public inspection at the Financial Services Commission and the Korea Exchange.

Transfer of Shares

Under the Commercial Code, the transfer of Shares is effected by delivery of share certificates. However, to assert shareholders' rights against us, the transferee must have his name and address registered on our register of shareholders. For this purpose, a shareholder is required to file his name, address and seal with our transfer agent. A non-Korean shareholder may file a specimen signature in place of a seal, unless he is a citizen of a country with a sealing system similar to that of Korea. In addition, a non-resident shareholder must appoint an agent authorized to receive notices on his behalf in Korea and file a mailing address in Korea. The above requirements do not apply to the holders of ADSs.

Under current Korean regulations, the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a brokerage, dealing or collective investment license and internationally recognized custodians may act as agents and provide related services for foreign shareholders. Certain foreign exchange controls and securities regulations apply to the transfer of Shares by non-residents or non-Koreans. See Item 10. Additional Information - Item 10.D. Exchange Controls.

Our transfer agent is Kookmin Bank, located at 26, Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul, Korea.

Acquisition of Shares by Us

We may acquire our own Shares, subject to the approval by the general meeting of shareholders. In addition, we may acquire Shares through purchases on the Korea Exchange or through a tender offer or by acquiring the interests in a trust account holding our own Shares through agreements with trust companies and asset management companies. The aggregate purchase price for the Shares may not exceed the total amount available for distribution of dividends available at the end of the preceding fiscal year less the amount of dividends and mandatory reserves required to be set aside for that fiscal year, subject to certain procedural requirements.

In accordance with the Commercial Code, we may resell or transfer any Shares acquired by us to a third party, subject to the approval by the Board of Directors. In general, corporate entities in which we own more than 50% equity interest may not acquire our Shares. Under the FSCMA, we are subject to certain selling restrictions for the Shares acquired by us.

Table of Contents**Liquidation Rights**

In the event of our liquidation, after payment of all debts, liquidation expenses and taxes, our remaining assets will be distributed among shareholders in proportion to their shareholdings. Holders of Non-Voting Preferred Shares have no preference in liquidation.

Item 10.C. *Material Contracts*

None.

Item 10.D. *Exchange Controls***Shares and ADSs**

The Foreign Exchange Transaction Act and the Presidential Decree and regulations under that Act and Decree (collectively, Foreign Exchange Transaction Laws) and the Foreign Investment Promotion Law regulate investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. Under the Foreign Exchange Transaction Laws, non-residents may invest in Korean securities subject to procedural requirements in accordance with these laws. The Financial Services Commission has also adopted, pursuant to its authority under the FSCMA, regulations that restrict investment by foreigners in Korean securities.

Subject to certain limitations, the Ministry of Strategy and Finance has the authority to take the following actions under the Foreign Exchange Transaction Laws:

if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden and significant changes in domestic or foreign economic circumstances or similar events or circumstances, the Ministry of Strategy and Finance may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit, safe-keep or sell any means of payment to The Bank of Korea, a foreign exchange stabilization fund, certain other governmental agencies or financial companies; and

if the Government concludes that the international balance of payments and international financial markets are experiencing or are likely to experience significant disruption or that the movement of capital between Korea and other countries is likely to adversely affect the Won, exchange rates or other macroeconomic policies, the Ministry of Strategy and Finance may take action to require any person who intends to effect a capital transaction to obtain permission or to require any person who effects a capital transaction to deposit a portion of the means of payment acquired in such transactions with The Bank of Korea, a foreign exchange stabilization fund, certain other governmental agencies or financial companies.

Government Review of Issuance of ADSs

In order for us to issue shares represented by ADSs, we are required to file a prior report of the issuance with our designated foreign exchange bank or the Ministry of Strategy and Finance, depending on the issuance amount. No further Korean governmental approval is necessary for the initial offering and issuance of the ADSs.

Under current Korean laws and regulations, the depository bank is required to obtain our prior consent for the number of shares to be deposited in any given proposed deposit which exceeds the difference between (1) the aggregate number of shares deposited by us for the issuance of ADSs (including deposits in connection with the initial and all subsequent offerings of ADSs and stock dividends or other distributions related to these ADSs) and (2) the number of shares on deposit with the depository bank at the time of such proposed deposit. We can give no assurance that we would grant our consent, if our consent is required.

Table of Contents

Reporting Requirements for Holders of Substantial Interests

Under the FSCMA, any person whose direct or beneficial ownership of shares with voting rights, whether in the form of shares or ADSs, certificates representing the rights to subscribe for Shares and equity-related debt securities including convertible bonds and bonds with warrants (collectively, Equity Securities) together with the Equity Securities beneficially owned by certain related persons or by any person acting in concert with the person accounts for 5% or more of the total outstanding Equity Securities is required to report the status and the purpose (whether or not to exert an influence on management control over the issuer) of the holdings to the Financial Services Commission and the Korea Exchange within five business days after reaching the 5% ownership interest. In addition, any change in the purpose of holding such ownership interest or a change in the ownership interest subsequent to the report which equals or exceeds 1% of the total outstanding Equity Securities is required to be reported to the Financial Services Commission and the Korea Exchange within five business days from the date of the change. However, the reporting deadline of such reporting requirement is extended to the tenth day of the month immediately following the month of such change in their shareholding for (1) certain professional investors, as specified under the FSCMA, or (2) persons who hold shares for purposes other than management control. Those who report the purpose of shareholding as management control of the issuer are prohibited from exercising their voting rights and acquiring additional shares for five days subsequent to their report under the FSCMA.

Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment and may result in a loss of voting rights with respect to the ownership of Equity Securities exceeding 5%. Furthermore, the Financial Services Commission may issue an order to dispose of non-reported Equity Securities.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of a company's shares accounts for 10% or more of the total issued and outstanding shares with voting rights (a major stockholder) must report the status of his or her shareholding to the Securities and Futures Commission and the Korea Exchange within five business days after he or she becomes a major stockholder. In addition, any change in the ownership interest subsequent to the report must be reported to the Securities and Futures Commission and the Korea Exchange by the fifth business day of any changes in his or her shareholding. Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment.

Under the KRX regulations, if a company listed on the KRX KOSPI Market has submitted public disclosure of material matters to a foreign financial investment supervisory authority pursuant to the laws of the foreign jurisdiction, then it must submit a copy of the public disclosure and a Korean translation thereof to the Korea Exchange. In addition, if a company listed on the KRX KOSPI Market is approved for listing on a foreign stock exchange or determined to be de-listed from the foreign stock exchange or actually lists on, or de-lists from, a foreign stock exchange, then it must submit to the Korea Exchange a copy, together with a Korean translation thereof, of all documents submitted to, or received from, the relevant foreign government, supervisory authority or stock exchange.

Restrictions Applicable to ADSs

No Korean governmental approval is necessary for the sale and purchase of ADSs in the secondary market outside Korea or for the withdrawal of shares underlying ADSs and the delivery inside Korea of shares in connection with the withdrawal, provided that a foreigner who intends to acquire the shares must obtain an investment registration card from the Financial Supervisory Service as described below. The acquisition of the shares by a foreigner must be immediately reported by the foreigner or his standing proxy in Korea to the Governor of the Financial Supervisory Service (Governor).

Persons who have acquired shares as a result of the withdrawal of shares underlying the ADSs may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further governmental approval.

Table of Contents

In addition, under the Financial Services Commission regulations, effective as of November 30, 2006, we are required to file a securities registration statement with the Financial Services Commission and such securities registration statement has to become effective pursuant to the FSCMA in order for us to issue shares represented by ADSs, except in certain limited circumstances.

Restrictions Applicable to Shares

Under the Foreign Exchange Transaction Laws and the Financial Services Commission regulations (together, the Investment Rules), foreigners may invest, with limited exceptions and subject to procedural requirements, in all shares of Korean companies, whether listed on the KRX KOSPI Market or the KRX KOSDAQ Market, unless prohibited by specific laws. Foreign investors may trade shares listed on the KRX KOSPI Market or the KRX KOSDAQ Market only through the KRX KOSPI Market or the KRX KOSDAQ Market, except in limited circumstances, including, among others:

odd-lot trading of shares;

acquisition of shares (Converted Shares) by exercise of warrant, conversion right under convertible bonds or withdrawal right under depositary receipts issued outside of Korea by a Korean company;

acquisition of shares as a result of inheritance, donation, bequest or exercise of shareholders rights, including preemptive rights or rights to participate in free distributions and receive dividends;

over-the-counter transactions between foreigners of a class of shares for which the ceiling on aggregate acquisition by foreigners, as explained below, has been reached or exceeded with certain exceptions;

shares acquired by direct investment as defined in the Foreign Investment Promotion Law;

disposal of shares pursuant to the exercise of appraisal rights of dissenting shareholders;

disposal of shares in connection with a tender offer;

acquisition of shares by a foreign depository in connection with the issuance of depository receipts;

acquisition and disposal of shares through overseas stock exchange market if such shares are simultaneously listed on the KRX KOSPI Market or the KRX KOSDAQ Market and such overseas stock exchange; and

arm s length transactions between foreigners, if all of such foreigners belong to an investment group managed by the same person. The Investment Rules require a foreign investor who wishes to invest in shares for the first time on the Korea Exchange (including Converted Shares) to register its identity with the Financial Supervisory Service prior to making any such investment; however, the registration requirement does not apply to foreign investors who acquire Converted Shares with the intention of selling such Converted Shares within three months from the date of acquisition of the Converted Shares or who acquire the shares in an over-the-counter transaction or dispose of shares where such acquisition or disposal is deemed to be a foreign direct investment pursuant to the Foreign Investment Promotion Law. Upon registration, the Financial Supervisory Service will issue to the foreign investor an investment registration card which must be presented each time the foreign investor opens a brokerage account with a financial investment company with a brokerage license or dealing license in Korea. Foreigners

Edgar Filing: POSCO - Form 20-F

eligible to obtain an investment registration card include foreign nationals who are individuals residing abroad for more than six months, foreign governments, foreign municipal

Table of Contents

authorities, foreign public institutions, international financial institutions or similar international organizations, corporations incorporated under foreign laws and any person in any additional category designated by the Enforcement Decree to the FSCMA. All Korean offices of a foreign corporation as a group are treated as a separate foreigner from the offices of the corporation outside Korea. However, a foreign corporation or depository issuing depository receipts may obtain one or more investment registration cards in its name in certain circumstances as described in the relevant regulations.

Upon a foreign investor's purchase of shares through the Korea Exchange, no separate report by the investor is required because the investment registration card system is designed to control and oversee foreign investment through a computer system. However, a foreign investor's acquisition or sale of shares outside the Korea Exchange (as discussed above) must be reported by the foreign investor or his standing proxy to the Governor at the time of each such acquisition or sale; *provided, however*, that a foreign investor must ensure that any acquisition or sale by it of shares outside the Korea Exchange in the case of trades in connection with a tender offer, odd-lot trading of shares or trades of a class of shares for which the aggregate foreign ownership limit has been reached or exceeded, is reported to the Governor by the Korea Securities Depository, financial investment companies with a dealing or brokerage license or securities finance companies engaged to facilitate such transaction. A foreign investor must appoint one or more standing proxies from among the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks) financial investment companies with a dealing, brokerage or collective investment license and internationally recognized custodians which will act as a standing proxy to exercise shareholders' rights or perform any matters related to the foregoing activities if the foreign investor does not perform these activities himself. However, a foreign investor may be exempted from complying with these standing proxy rules with the approval of the Governor in cases deemed inevitable by reason of conflict between laws of Korea and those of the home country of the foreign investor.

Certificates evidencing shares of Korean companies must be kept in custody with an eligible custodian in Korea. Only foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license, the Korea Securities Depository and internationally recognized custodians are eligible to act as a custodian of shares for a non-resident or foreign investor. A foreign investor must ensure that his custodian deposits its shares with the Korea Securities Depository. However, a foreign investor may be exempted from complying with this deposit requirement with the approval of the Governor in circumstances where compliance with that requirement is made impracticable, including cases where compliance would contravene the laws of the home country of such foreign investor.

Under the Investment Rules, with certain exceptions, foreign investors may acquire shares of a Korean company without being subject to any foreign investment ceiling. As one such exception, designated public corporations are subject to a 40% ceiling on the acquisition of shares by foreigners in the aggregate. Designated public corporations may set a ceiling on the acquisition of shares by a single person according to its articles of incorporation. We set this ceiling at 3% until the discontinuation of our designation as a public corporation on September 28, 2000. As a result, we currently do not have any ceiling on the acquisition of shares by a single person or by foreigners in the aggregate. Furthermore, an investment by a foreign investor of not less than 10% of the outstanding shares with voting rights of a Korean company is defined as a direct foreign investment under the Foreign Investment Promotion Law, which is, in general, subject to the report to, and acceptance by, the Ministry of Trade, Industry & Energy. The acquisition of shares of a Korean company by a foreign investor may also be subject to certain foreign shareholding restrictions in the event that the restrictions are prescribed in each specific law which regulates the business of the Korean company.

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to acquire shares must designate a foreign exchange bank at which he must open a foreign currency account and a Won account exclusively for stock investments. No approval is required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be

Table of Contents

transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened in the name of a financial investment company with a dealing, brokerage or collective investment license. Funds in the foreign currency account may be remitted abroad without any governmental approval.

Dividends on Shares are paid in Won. No governmental approval is required for foreign investors to receive dividends on, or the Won proceeds of the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any shares held by a non-resident of Korea must be deposited either in a Won account with the investor's financial investment company with a dealing, brokerage or collective investment license or his Won Account. Funds in the investor's Won Account may be transferred to his foreign currency account or withdrawn for local living expenses up to certain limitations. Funds in the Won Account may also be used for future investment in shares or for payment of the subscription price of new shares obtained through the exercise of preemptive rights.

Financial investment companies with a dealing, brokerage or collective investment license are allowed to open foreign currency accounts with foreign exchange banks exclusively for accommodating foreign investors' stock investments in Korea. Through these accounts, these financial investment companies and asset management companies may enter into foreign exchange transactions on a limited basis, such as conversion of foreign currency funds and Won funds, as counterparty to foreign investors, without the investors having to open their own accounts with foreign exchange banks.

Item 10.E. *Taxation*

The following summary is based upon tax laws of the United States and Korea as in effect on the date of this annual report on Form 20-F, and is subject to any change in United States or Korean law that may come into effect after such date. Investors in the shares of common stock or ADSs are advised to consult their own tax advisers as to the United States, Korean or other tax consequences of the purchase, ownership and disposition of such securities, including the effect of any foreign, state or local tax laws.

Korean Taxation

The following is a summary of the principal Korean tax consequences to owners of the common shares or ADSs, as the case may be, who are non-resident individuals or non-Korean corporations without a permanent establishment in Korea to which the relevant income is attributable or with which the relevant income is effectively connected (Non-resident Holders). The statements regarding Korean tax laws set forth below are based on the laws in force and as interpreted by the Korean taxation authorities as of the date hereof. This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the common shares or ADSs, including specifically the tax consequences under Korean law, the laws of the jurisdiction of which they are resident, and any tax treaty between Korea and their country of residence, by consulting their own tax advisers.

Tax on Dividends

Dividends on the common shares or ADSs paid (whether in cash or in shares) to a Non-resident Holder will be subject to Korean withholding taxes at the rate of 22% (including local income tax) or such lower rate as is applicable under a treaty between Korea and such Non-resident Holder's country of tax residence. Free distributions of shares representing a capitalization of certain capital surplus reserves may be subject to Korean withholding taxes.

Table of Contents

The tax is withheld by the payer of the dividend. Since the payer is required to withhold the tax, Korean law does not entitle the person who was subject to the withholding of Korean tax to recover from the Government any part of the Korean tax withheld, even if it subsequently produces evidence that it was entitled to have tax withheld at a lower rate, except in certain limited circumstances.

Tax on Capital Gains

As a general rule, capital gains earned by Non-resident Holders upon transfer of the common shares or ADSs are subject to Korean withholding tax at the lower of (i) 11% (including local income tax) of the gross proceeds realized or (ii) 22% (including local income tax) of the net realized gains (subject to the production of satisfactory evidence of the acquisition costs and certain direct transaction costs), unless exempt from Korean income taxation under the effective Korean tax treaty with the Non-resident Holder's country of tax residence.

However, a Non-resident Holder will not be subject to Korean income taxation on capital gains realized upon the sale of the common shares through the KRX KOSPI Market if the Non-resident Holder (i) has no permanent establishment in Korea and (ii) did not or has not owned (together with any shares owned by any entity with a specified special relationship with such Non-resident Holder) 25% or more of the total issued and outstanding shares of us at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

It should be noted that capital gains earned by you (regardless of whether you have a permanent establishment in Korea) from a transfer of ADSs outside Korea will generally be exempt from Korean income taxation, provided that the ADSs are deemed to have been issued overseas. If and when an owner of the underlying common shares transfers the ADSs following the conversion of the underlying shares for ADSs, such person will not be exempt from Korean income taxation.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (1) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea and (2) all property located in Korea which passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and vary according to the identity of the parties involved.

Under Korean inheritance and gift tax laws, securities issued by a Korean corporation are deemed to be located in Korea irrespective of where they are physically located or by whom they are owned.

Securities Transaction Tax

Securities transaction tax is imposed on the transfer of shares issued by a Korean corporation or the right to subscribe for such shares generally at the rate of 0.5% of the sales price. In the case of the transfer of shares listed on the KRX KOSPI Market (such as the common shares), the securities transaction tax is imposed generally at the rate of (i) 0.3% of the sales price of such shares (including agricultural and fishery special surtax thereon) if traded on the KRX KOSPI Market or (ii) subject to certain exceptions, 0.5% of the sales price of such shares if traded outside the KRX KOSPI Market.

Securities transaction tax or the agricultural and fishery special surtax is not applicable if (i) the shares or rights to subscribe for shares are listed on a designated foreign stock exchange and (ii) the sale of the shares takes place on such exchange.

Securities transaction tax, if applicable, must be paid by the transferor of the shares or rights, in principle. When the transfer is effected through a securities settlement company, such settlement company is generally required to withhold and pay (to the tax authority) the tax, and when such

Table of Contents

transfer is made through a financial investment company with a brokerage license only, such company is required to withhold and pay the tax. Where the transfer is effected by a Non-resident Holder without a permanent establishment in Korea, other than through a securities settlement company or a financial investment company with a brokerage license, the transferee is required to withhold the securities transaction tax. Failure to do so will result in the imposition of penalties equal to the sum of (i) between 10% to 40% of the tax amount due, depending on the nature of the improper reporting, and (ii) 10.95% per annum on the tax amount due for the default period.

Tax Treaties

Currently, Korea has income tax treaties with a number of countries, inter alia, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, Ireland, the Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America under which the rate of withholding tax on dividend and interest is reduced, generally to between 5% and 16.5% (including local income tax), and the tax on capital gains derived by a non-resident from the transfer of securities issued by a Korean company is often eliminated.

Each Non-resident Holder of common shares should inquire for itself whether it is entitled to the benefits of a tax treaty with Korea. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest, dividend, capital gains or other income to submit to us (or our agent), the purchaser or the financial investment company with a brokerage license, as the case may be, prior to or at the time of payment, such evidence of tax residence of the party claiming the treaty benefit as the Korean tax authorities may require in support of its claim for treaty protection. In the absence of sufficient proof, we (or our agent), the purchaser or the financial investment company with a brokerage license, as the case may be, must withhold tax at the normal rates.

Furthermore, in order for a non-resident of Korea to obtain the benefits of tax exemption on certain Korean source income (e.g., capital gains and interest) under an applicable tax treaty, Korean tax law requires such non-resident (or its agent) to submit to the payer of such Korean source income an application for a tax exemption along with a certificate of tax residency of such non-resident issued by a competent authority of the non-resident's country of tax residence, subject to certain exceptions. The payer of such Korean source income, in turn, is required to submit such application to the relevant district tax office by the ninth day of the month following the date of the first payment of such income.

For a non-resident of Korea to obtain the benefits of treaty-reduced tax rates on certain Korean source income (e.g., capital gains and interest) under an applicable tax treaty, Korean tax law requires such non-resident (or its agents) to submit to the payer of such Korean source income an application for treaty-reduced tax rates prior to receipt of such Korean source income; provided, however, that an owner of ADSs who is a non-resident of Korea is not required to submit such application, if the Korean source income on the ADSs is paid through an account opened at the Korea Securities Depository by a foreign depository.

At present, Korea has not entered into any tax treaty relating to inheritance or gift tax.

United States Taxation

This summary describes the material U.S. federal income tax consequences for a U.S. holder (as defined below) of owning our shares of common stock or ADSs. This summary applies to you only if you hold shares of common stock or ADSs as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

a dealer in securities or currencies;

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;

a bank;

Table of Contents

a life insurance company;

a tax-exempt organization;

a person that holds shares of common stock or ADSs that are a hedge or that are hedged against interest rate or currency risks;

a person that holds shares of common stock or ADSs as part of a straddle or conversion transaction for tax purposes;

a person whose functional currency for tax purposes is not the Dollar;

a person that owns or is deemed to own 10% or more of any class of our stock; or

a partnership that holds shares of common stock or ADSs, or partners therein.

This summary is based on laws, treaties and regulatory interpretations in effect on the date hereof, all of which are subject to change, possibly on a retroactive basis.

Please consult your own tax advisers concerning the U.S. federal, state, local and other foreign tax consequences of purchasing, owning and disposing of shares of common stock or ADSs in your particular circumstances.

For purposes of this summary, you are a U.S. holder if you are a beneficial owner of a share of common stock or ADS that is:

a citizen or resident of the United States;

a U.S. domestic corporation; or

subject to U.S. federal income tax on a net income basis with respect to income from the share of common stock or ADS.

Shares of Common Stock and ADSs

In general, if you are the beneficial owner of ADSs, you will be treated as the beneficial owner of the shares of common stock represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange an ADS for the shares of common stock represented by that ADS.

Dividends

The gross amount of cash dividends that you receive (prior to deduction of Korean taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income. Dividends paid in Won will be included in your income in a Dollar amount calculated by reference to the exchange rate in effect on the date of your (or, in the case of ADSs, the depository's) receipt of the dividend, regardless of whether the payment is in fact converted into Dollars. If such a dividend is converted into Dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. U.S. holders should consult their own tax advisers regarding the treatment of any foreign currency gain or loss on any Won received by U.S. holders that are converted into Dollars on a date subsequent to receipt.

Edgar Filing: POSCO - Form 20-F

Subject to certain exceptions for short-term and hedged positions, the Dollar amount of dividends received by an individual with respect to the ADSs and common stock will be subject to taxation at a preferential rate applicable to long-term capital gains if the dividends are qualified dividends. Dividends paid on the ADSs and common stock will be treated as qualified dividends if (i) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the

Table of Contents

Internal Revenue Service has approved for the purposes of the qualified dividend rules and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). The income tax treaty between Korea and the United States (Treaty) has been approved for the purposes of the qualified dividend rules, and we believe we are eligible for benefits under the Treaty. Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2012 or 2013 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2014 taxable year. You should consult your own tax advisers regarding the availability of the reduced dividend tax rate in the light of your own particular circumstances.

Distributions of additional shares in respect of shares of common stock or ADSs that are made as part of a pro-rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

Sales and Other Dispositions

For U.S. federal income tax purposes, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of common stock or ADSs equal to the difference, if any, between the amount realized (Dollars) on the sale or exchange and your adjusted tax basis in the common stock or ADSs. Any gain realized by a U.S. holder on the sale or other disposition of common stock or ADSs generally will be treated as U.S. source income for U.S. foreign tax credit purposes. This gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the shares of common stock or ADSs were held for more than one year. Your ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at a reduced rate.

Foreign Tax Credit Considerations

You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits, including the possible adverse impact of failing to take advantage of benefits under the income tax treaty between the United States and Korea. If no such rules apply, you generally may claim a credit, up to any applicable reduced rates provided under the Treaty, against your U.S. federal income tax liability for Korean taxes withheld from dividends on shares of common stock or ADSs, so long as you have owned the shares of common stock or ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming a credit, you may, at your election, deduct such Korean taxes in computing your taxable income, provided that you do not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant tax year and subject to generally applicable limitations under U.S. tax law. Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain hedged positions in securities and may not be allowed in respect of arrangements in which your expected economic profit is insubstantial. You may not be able to use the foreign tax credit associated with any Korean withholding tax imposed on a distribution of additional shares that is not subject to U.S. tax unless you can use the credit against United States tax due on other foreign-source income.

Any Korean securities transaction tax or agriculture and fishery special tax that you pay will not be creditable for foreign tax credit purposes.

The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involves the application of complex rules that depend on a U.S. holder's particular circumstances. You should consult your own tax advisers regarding the creditability or deductibility of such taxes.

Table of Contents***U.S. Information Reporting and Backup Withholding Rules***

Payments in respect of the notes, shares of common stock or ADSs that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (1) is a corporation or other exempt recipient or (2) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Item 10.F. Dividends and Paying Agents

See Item 8.A. Consolidated Statements and Other Financial Information – Dividends above for information concerning our dividend policies and our payment of dividends. See Item 10.B. Memorandum and Articles of Association – Dividends for a discussion of the process by which dividends are paid on shares of our common stock. The paying agent for payment of our dividends on ADSs in the United States is the Bank of New York Mellon.

Item 10.G. Statements by Experts

Not applicable

Item 10.H. Documents on Display

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at the Public Reference Rooms in Washington, D.C., New York, New York and Chicago, Illinois. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any filings we make electronically will be available to the public over the Internet at the SEC's web site at <http://www.sec.gov>.

Item 10.I. Subsidiary Information

Not applicable

Item 11. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to foreign exchange rate and interest rate risk primarily associated with underlying liabilities, and to changes in the commodity prices of principal raw materials. Following evaluation of these positions, we selectively enter into derivative financial instruments to manage the related risk exposures, primarily with respect to foreign exchange rate and interest rate risks, which are entered into with major financial institutions in order to minimize the risk of credit loss. Our market risk management policy determines the market risk tolerance level, measuring period, controlling responsibilities, management procedures, hedging period and hedging ratio very specifically. We also prohibit all speculative hedging transactions and evaluate and manage foreign exchange exposures to receivables and payables.

None of our loss exposures related to derivative contracts are unlimited, and we do not believe that our net derivative positions could result in a material loss to our profit before income tax or total equity due to significant fluctuations of major currencies against the Korean Won. Due to the nature of our derivative contracts primarily as hedging instruments that manage foreign exchange risks, net gain or net loss on derivatives transactions and valuation of derivatives are typically offset by net loss or net gain on foreign currency transaction and translation. We recorded net gain on derivatives transactions

Table of Contents

of Won 98 billion and net loss on valuation of derivatives of Won 65 billion in 2012, and we recorded net gain on derivatives transactions of Won 84 billion and net loss on valuation of derivatives of Won 219 billion in 2013.

Exchange Rate Risk

Korea is our most important market and, therefore, a substantial portion of our cash flow is denominated in Won. Most of our exports are denominated in Dollars. Japan is also an important market for us, and we derive significant cash flow denominated in Yen. We are exposed to foreign exchange risk related to foreign currency denominated liabilities and anticipated foreign exchange payments. Anticipated foreign exchange payments, which represent a substantial sum and are mostly denominated in Dollars, relate primarily to imported raw material costs and freight costs. Foreign currency denominated liabilities relate primarily to foreign currency denominated debt.

We strive to naturally offset our foreign exchange risk by matching foreign currency receivables with our foreign currency payables and our overseas subsidiaries have sought to further mitigate the adverse impact of exchange rate fluctuations by conducting business transactions in the local currency of the respective market in which the transactions occur. In particular, Daewoo International's exposure to fluctuations in exchange rates, including the Won/Dollar exchange rate, is limited because trading transactions typically involve matched purchase and sale contracts, which result in limited settlement exposure, and because Daewoo International's contracts with domestic suppliers of products for export and with domestic purchasers of imported products are generally denominated in Dollars. Although the impact of exchange rate fluctuations is partially mitigated by such strategies, we and our subsidiaries, particularly Daewoo International and POSCO E&C, also periodically enter into derivative contracts, primarily foreign currency swaps and forward exchange contracts, to further hedge our foreign exchange risks.

Our foreign currency exposure and changes in gain or loss resulting from a 10% foreign exchange rate change against the Korean Won are as follows:

	For the Years Ended December 31,					
	2011		2012		2013	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	(In billions of Won)					
US Dollars	(706)	706	(519)	519	(503)	503
Japanese Yen	(212)	212	(178)	178	(4)	4
Euro	(34)	34	(1)	1	(125)	125

Interest Rate Risk

We are also subject to market risk exposure arising from changing interest rates. In particular, we are exposed to interest rate risk on our existing floating rate borrowings and on additional debt financings that we may periodically undertake for various reasons, including capital expenditures and refinancing of our existing borrowings. A rise in interest rates will increase the cost of our existing variable rate borrowings. If interest rates on borrowings with floating rates had been 1% higher or lower with all other variables held constant, the impact on the gain or loss of the applicable period would be as follows:

	For the Years Ended December 31,		
	2011	2012	2013
	(In billions of Won)		
Increase or decrease in annual profit and net equity	26	96	106

A reduction of interest rates also increases the fair value of our debt portfolio, which is primarily of a fixed interest nature. From time to time, we use, to a limited extent, interest rate swaps to reduce interest rate volatility on some of our debt and manage our interest expense by achieving a balanced mixture of floating and fixed rate debt.

Table of Contents

The following table summarizes the carrying amounts, fair values, principal cash flows by maturity date and weighted average interest rates of our short-term and long-term liabilities as of December 31, 2013 which are sensitive to exchange rates and/or interest rates. The information is presented in Won, which is our reporting currency.

	Maturities						December 31, 2013	December 31, 2012		
	2014	2015	2016	2017	2018	Thereafter	Total	Fair Value	Total	Fair Value
(In billions of Won except rates)										
Local currency:										
Fixed rate	3,026	666	707	568	573	3,900	9,439	9,523	6,995	7,113
Average weighted rate ⁽¹⁾	4.83%	3.93%	3.83%	4.66%	3.73%	4.20%	4.35%		3.68%	
Variable rate	920	84	33	20	0	268	1,327	1,345	3,316	3,316
Average weighted rate ⁽¹⁾	3.71%	4.50%	4.93%	2.03%	2.69%	2.27%	3.47%		2.56%	
Sub-total	3,946	750	740	588	573	4,169	10,766	10,868	10,311	10,429
Foreign currency, principally Dollars and Yen:										
Fixed rate	2,283	155	846	169	928	2,533	6,913	6,988	7,666	8,069
Average weighted rate ⁽¹⁾	4.50%	1.88%	2.58%	4.72%	3.16%	3.64%	3.72%		2.90%	
Variable rate	4,485	512	442	265	361	2,501	8,568	8,634	6,182	6,089
Average weighted rate ⁽¹⁾	1.64%	2.36%	1.34%	2.08%	1.99%	2.03%	1.81%		2.12%	
Sub-total	6,768	667	1,288	434	1,289	5,034	15,481	15,623	13,848	14,158
Total	10,714	1,417	2,028	1,023	1,862	9,203	26,247	26,490	24,159	24,587

(1) Weighted average rates of the portfolio at the period end.

Item 12. Description of Securities Other than Equity Securities

Not applicable

Item 12.A. Debt Securities

Not applicable

Item 12.B. Warrants and Rights

Not applicable

Item 12.C. Other Securities

Not applicable

Table of Contents**Item 12.D. American Depositary Shares****Fees and Charges**

We switched our depository from The Bank of New York Mellon to Citibank, N.A. in July 2013. Holders of our ADSs are required to pay the following service fees to the depository:

Services	Fees
Issuance of ADSs upon deposit of shares	Up to \$5.00 per 100 ADSs issued
Delivery of deposited shares against surrender of ADSs	Up to \$5.00 per 100 ADSs surrendered
Distributions of cash dividends or other cash distributions	None
Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs	None
Distribution of securities other than ADSs or rights to purchase additional ADSs	None
General depository services	None

Holders of our ADSs are also responsible for paying certain fees and expenses incurred by the depository and certain taxes and governmental charges such as:

fees for the transfer and registration of shares charged by the registrar and transfer agent for the shares in Korea (*i.e.*, upon deposit and withdrawal of shares);

expenses incurred for converting foreign currency into Dollars;

expenses for cable, telex and fax transmissions and for delivery of securities;

taxes and duties upon the transfer of securities (*i.e.*, when shares are deposited or withdrawn from deposit);

fees and expenses incurred in connection with compliance with exchange control regulations and other regulatory requirements; and

fees and expenses incurred in connection with the delivery or servicing of shares on deposit.

Depository fees payable upon the issuance and surrender of ADSs are typically paid to the depository by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository and by the brokers (on behalf of their clients) delivering the ADSs to the depository for surrender. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository to the holders of record of ADSs as of the applicable ADS record date.

The depository fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (*i.e.*, stock dividend, rights), the depository charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depository sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via the Korea Securities Depository, or KSD), the depository generally collects its fees through the systems provided by KSD (whose nominee is the registered holder of the ADSs held in KSD) from the brokers and custodians holding ADSs in their KSD accounts. The brokers and custodians who hold their clients ADSs in KSD accounts in turn charge their clients' accounts the amount of the fees paid to the depository.

Edgar Filing: POSCO - Form 20-F

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to such holder of ADSs.

Table of Contents

The fees and charges that holders of our ADSs may be required to pay may vary over time and may be changed by us and by the depository. Holders of our ADSs will receive prior notice of such changes.

Fees and Payments from the Depository to Us

In 2013, we received the following payments from the depository

Reimbursement of NYSE listing fees:	\$ 50,289.00
Reimbursement of London Stock Exchange listing fees:	\$ 5,773.80
Reimbursement of proxy process expenses (printing, postage and distribution):	\$ 73,997.19
Contributions toward our investor relations efforts:	\$ 108,820.97

In addition, as part of its service to us, the depository waives its fees for the standard costs associated with the administration of the ADS facility, associated operating expenses, investor relations advice and access to an internet-based tool used in our investor relations activities.

PART II**Item 13. Defaults, Dividend Arrearages and Delinquencies**

Not applicable

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable

Item 15. Controls and Procedures**a. Disclosure Controls and Procedures**

Our management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2013. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

b. Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed by, and under the supervision of, our principal executive, principal operating and principal financial officers, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Table of Contents

Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management has completed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2013 based on criteria in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992). Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2013.

c. Report of the Independent Registered Public Accounting Firm

KPMG Samjong Accounting Corp. (KPMG Samjong), an independent registered public accounting firm, which audited our consolidated financial statements as of, and for the year ended, December 31, 2013, has issued an audit report on the effectiveness of our internal control over financial reporting, which report is included in Item 18 of this Form 20-F.

d. Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the year covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

The board of directors has approved the members of our audit committee. Kim, Il-Sup is an audit committee financial expert and is independent within the meaning of applicable SEC rules.

Item 16B. Code of Ethics

We have adopted a code of business conduct and ethics, as defined in Item 16B. of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of business conduct and ethics, called Code of Conduct, applies to our chief executive officer and chief financial officer, as well as to our directors, other officers and employees. Our Code of Conduct is available on our web site at www.posco.com. If we amend the provisions of our Code of Conduct that apply to our chief executive officer or chief financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our web site at the same address.

Table of Contents**Item 16C. Principal Accountant Fees and Services****Audit and Non-Audit Fees**

The following table sets forth the fees billed to us by our independent auditor, KPMG, in 2011, 2012 and 2013:

	For the Year Ended December 31,		
	2011	2012	2013
	(In millions of Won)		
Audit fees	5,846	6,501	5,356
Audit-related fees	946	170	90
Tax fees	687	1,730	1,110
Other fees	222	48	25
Total fees	7,701	8,449	6,581

Audit fees in 2013 as set forth in the above table are the aggregate fees billed by KPMG in connection with the audit of our annual financial statements and the annual financial statements of other related companies and review of interim financial statements.

Audit-related fees in 2013 as set forth in the above table are the aggregate fees billed by KPMG for comfort letter services related to our securities offering.

Tax fees in 2013 as set forth in the above table are fees billed by KPMG for our tax compliance and tax planning, as well as tax planning and preparation of other related companies.

Other fees in 2013 as set forth in the above table are fees billed by KPMG primarily related to agreed-upon procedures for sales transactions of certain products.

Audit Committee Pre-Approval Policies and Procedures

Our audit committee has not established pre-approval policies and procedures for the engagement of our independent auditors for services. Our audit committee expressly approves on a case-by-case basis any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or us.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable

Table of Contents**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table sets forth the repurchases of common shares by us or any affiliated purchasers during the fiscal year ended December 31, 2013:

Period	Total Number of Shares Purchased	Average Price Paid Per Share (In Won)	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans
January 1 to January 31				
February 1 to February 29				
March 1 to March 31				
April 1 to April 30				
May 1 to May 31				
June 1 to June 30				
July 1 to July 31				
August 1 to August 31				
September 1 to September 30				
October 1 to October 31				
November 1 to November 30				
December 1 to December 31				
Total				

Item 16F. Change in Registrant's Certifying Accountant

Not applicable

Item 16G. Corporate Governance

Pursuant to the rules of the New York Stock Exchange applicable to foreign private issuers like us that are listed on the New York Stock Exchange, we are required to disclose significant differences between the New York Stock Exchange's corporate governance standards and those that we follow under Korean law and in accordance with our own internal procedures. The following is a summary of such significant differences.

**NYSE Corporate Governance Standards
Director Independence**

Listed companies must have a majority of independent directors

POSCO's Corporate Governance Practice

Our articles of incorporation provide that our board of directors must comprise no less than a majority of Outside Directors. Our Outside Directors must meet the criteria for outside directorship set forth under the Korean Securities and Exchange Act.

The majority of our board of directors is independent (as defined in accordance with the New York Stock Exchange's standards), and 6 out of 12 directors are Outside Directors. Under our articles of incorporation, we may

have up to five Inside Directors and seven Outside Directors.

Nomination/Corporate Governance Committee

A nomination/corporate governance committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities (including development of corporate governance guidelines) and annual performance evaluation of the committee

We have not established a separate nomination corporate governance committee. However, we maintain a Director Candidate Recommendation Committee composed of three Outside Directors and one Inside Director.

Table of Contents

NYSE Corporate Governance Standards

Compensation Committee

A compensation committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities and annual performance evaluation of the committee. The charter must be made available on the company's website. In addition, in accordance with the U.S. Securities and Exchange Commission rules adopted pursuant to Section 952 of the Dodd-Frank Act, the New York Stock Exchange listing standards were amended to expand the factors relevant in determining whether a committee member has a relationship with the company that will materially affect that member's duties to the compensation committee.

Additionally, the committee may obtain or retain the advice of a compensation adviser only after taking into consideration all factors relevant to determining that adviser's independence from management

Executive Session

Non-management directors must meet in regularly scheduled executive sessions without management. Independent directors should meet alone in an executive session at least once a year

Audit Committee

Listed companies must have an audit committee that satisfies the independence and other requirements of Rule 10A-3 under the Exchange Act. All members must be independent. The committee must have a charter addressing the committee's purpose, an annual performance evaluation of the committee, and the duties and responsibilities of the committee. The charter must be made available on the company's website

Audit Committee Additional Requirements

Listed companies must have an audit committee that is composed of at least three directors.

Shareholder Approval of Equity Compensation Plan

Listed companies must allow their shareholders to exercise their voting rights with respect to any material revision to the company's equity compensation plan

Corporate Governance Guidelines

Listed companies must adopt and disclose corporate governance guidelines

Code of Business Conduct and Ethics

Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers

Item 16H. Mine Safety Disclosure

Not applicable

POSCO's Corporate Governance Practice

We maintain an Evaluation and Compensation Committee composed of four Outside Directors.

Our Outside Directors hold meetings solely attended by Outside Directors in accordance with operation guidelines of our board of directors.

We maintain an Audit Committee comprised of three Outside Directors who meet the applicable independence criteria set forth under Rule 10A-3 under the Exchange Act.

Our Audit Committee has three members, as described above.

We currently have an Employee Stock Ownership Program.

We previously provided a stock options program for officers and directors, as another equity compensation plan. However, during our annual shareholders' meeting in February 2006, our shareholders resolved to terminate the stock option program and amended our articles of incorporation to delete the provision allowing grant of stock options to officers and directors. Consequently, since February 24, 2006, we have not granted stock options to officers and directors. Matters related to the Employee Stock Ownership Program are not subject to shareholders approval under Korean law.

We have adopted a Corporate Governance Charter setting forth our practices with respect to relevant corporate governance matters. Our Corporate Governance Charter is in compliance with Korean law but does not meet all requirements established by the New York Stock Exchange for U.S. companies listed on the exchange. A copy of our Corporate Governance Charter is available on our website at www.posco.com.

We have adopted a Code of Conduct for all directors, officers and employees. A copy of our Code of Conduct is available on our website at www.posco.com.

Table of Contents

PART III

Item 17. *Financial Statements*

Not applicable

Item 18. *Financial Statements*

	Page
<u>Report of Independent Registered Public Accounting Firm, KPMG Samjong Accounting Corp., on Consolidated Financial Statements</u>	F-1
<u>Report of Independent Registered Public Accounting Firm, KPMG Samjong Accounting Corp., on Internal Control over Financial Reporting</u>	F-2
<u>Consolidated Statements of Financial Position as of December 31, 2012 and 2013</u>	F-3
<u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2011, 2012 and 2013</u>	F-5
<u>Consolidated Statements of Changes in Equity for the Years Ended December 31, 2011, 2012 and 2013</u>	F-6
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2012 and 2013</u>	F-9
<u>Notes to Consolidated Financial Statements</u>	F-11

Item 19. *Exhibits*

- 1.1 Articles of Incorporation of POSCO (English translation)
- 2.1 Form of Common Stock Certificate (including English translation) (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement No. 333-189473)*
- 2.2 Form of Deposit Agreement (including Form of American Depositary Receipts) (incorporated by reference to the Registrant's Registration Statement (File No. 33-84318) on Form F-6)*
- 8.1 List of consolidated subsidiaries
- 12.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 12.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 13.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed previously

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

POSCO:

We have audited the accompanying consolidated statements of financial position of POSCO and subsidiaries as of December 31, 2012 and 2013 and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of POSCO's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of POSCO and subsidiaries as of December 31, 2012 and 2013 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of POSCO's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992), and our report dated May 9, 2014 expressed an unqualified opinion on the effectiveness of POSCO's internal control over financial reporting.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

May 9, 2014

Table of Contents

**Report of Independent Registered Public Accounting Firm
on Internal Control over Financial Reporting**

The Board of Directors and Stockholders

POSCO:

We have audited POSCO's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992). POSCO's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on POSCO's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, POSCO maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of POSCO and subsidiaries as of December 31, 2012 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated May 9, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

May 9, 2014

Table of Contents**POSCO and Subsidiaries****Consolidated Statements of Financial Position****As of December 31, 2012 and 2013**

	Notes	December 31, 2012 (in millions of Won)	December 31, 2013
Assets			
Cash and cash equivalents	4,5,23	4,680,526	4,208,562
Trade accounts and notes receivable, net	6,17,23,28,29,37	11,037,973	11,492,601
Other receivables, net	7	1,997,152	1,890,423
Other short-term financial assets	8,23,37	1,849,281	2,970,665
Inventories	9	10,584,646	9,798,381
Current income tax assets	35	17,168	32,417
Assets held for sale	10	1,190	2,494
Other current assets	16	1,398,180	1,270,668
Total current assets		31,566,116	31,666,211
Long-term trade accounts and notes receivable, net	6,23	142,204	97,000
Other receivables, net	7	808,903	797,455
Other long-term financial assets	8,23	3,860,966	4,465,730
Investments in associates and joint ventures	11	3,039,261	3,808,693
Investment property, net	13	521,191	425,229
Property, plant and equipment, net	14	32,276,379	35,760,119
Intangible assets, net	15	5,662,361	5,929,840
Deferred tax assets	35	994,684	1,139,932
Other long-term assets	16	393,786	365,198
Total non-current assets		47,699,735	52,789,196
Total assets		79,265,851	84,455,407

See accompanying notes to the consolidated financial statements.

Table of Contents**POSCO and Subsidiaries****Consolidated Statements of Financial Position, Continued****As of December 31, 2012 and 2013**

	Notes	December 31, 2012 (in millions of Won)	December 31, 2013
Liabilities			
Trade accounts and notes payable	23,37	4,389,195	4,231,322
Short-term borrowings and current installments of long-term borrowings	4,17,23	10,509,348	10,713,646
Other payables	18	1,834,904	2,128,854
Other short-term financial liabilities	19,23,37	92,741	135,904
Current income tax liabilities	35	559,328	358,930
Provisions	20	77,831	107,329
Other current liabilities	22,29	2,311,654	2,565,174
Total current liabilities		19,775,001	20,241,159
Long-term trade accounts and notes payable	23,37	2,593	559
Long-term borrowings, excluding current installments	4,17,23	14,412,085	15,532,959
Other payables	18	243,922	206,634
Other long-term financial liabilities	19,23	117,713	260,021
Net defined benefit liabilities	21	345,688	273,160
Deferred tax liabilities	35	1,461,519	1,711,762
Long-term provisions	20	100,098	146,272
Other long-term liabilities	22	377,814	260,851
Total non-current liabilities		17,061,432	18,392,218
Total liabilities		36,836,433	38,633,377
Equity			
Share capital	24	482,403	482,403
Capital surplus	24	1,104,814	1,078,266
Hybrid bonds	25	996,919	996,919
Reserves	26	(88,150)	(23,076)
Treasury shares	27	(2,391,406)	(1,579,124)
Retained earnings		40,346,481	41,090,649
Equity attributable to owners of the controlling company		39,454,142	42,046,037
Non-controlling interests	25	2,975,276	3,775,993
Total equity		42,429,418	45,822,030
Total liabilities and equity		79,265,851	84,455,407

See accompanying notes to the consolidated financial statements.

Table of Contents**POSCO and Subsidiaries****Consolidated Statements of Comprehensive Income****For the years ended December 31, 2011, 2012 and 2013**

	Notes	2011	2012	2013
	(in millions of Won, except per share information)			
Revenue	28,29,37	68,938,725	63,604,151	61,864,650
Cost of sales	29,31,34,37	(59,823,850)	(56,142,892)	(55,004,591)
Gross profit		9,114,875	7,461,259	6,860,059
Selling and administrative expenses	30,34			
Administrative expenses	31	(2,035,053)	(2,129,463)	(2,231,805)
Selling expenses		(1,612,128)	(1,678,688)	(1,632,120)
		(3,647,181)	(3,808,151)	(3,863,925)
Other operating income	32	306,941	448,120	229,073
Other operating expenses	32,34,37	(366,533)	(809,465)	(650,806)
Operating profit		5,408,102	3,291,763	2,574,401
Share of gain (loss) of equity-accounted investees, net	11	50,569	(22,702)	(179,809)
Finance income	23,33	3,190,419	2,897,063	2,380,838
Finance costs	23,33	(3,866,695)	(2,797,638)	(2,829,253)
Profit before income taxes		4,782,395	3,368,486	1,946,177
Income tax expense	35	(1,068,109)	(982,879)	(590,997)
Profit for the period		3,714,286	2,385,607	1,355,180
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit pension plans	21	(30,577)	(62,527)	6,224
Items that are or may be reclassified subsequently to profit or loss :				
Capital adjustment arising from investments in equity-method investees		(11,240)	(130,836)	(183,836)
Net changes in the unrealized fair value of available-for-sale investments	23	(1,231,758)	(81,471)	412,346
Foreign currency translation differences		1,666	(363,088)	(220,464)
Other comprehensive income (loss), net of tax		(1,271,909)	(637,922)	14,270
Total comprehensive income for the period		2,442,377	1,747,685	1,369,450
Profit (loss) attributable to:				
Owners of the controlling company		3,648,136	2,462,081	1,376,396
Non-controlling interests		66,150	(76,474)	(21,216)
Profit for the period		3,714,286	2,385,607	1,355,180
Total comprehensive income (loss) attributable to:				
Owners of the controlling company		2,530,437	1,911,506	1,444,262

Edgar Filing: POSCO - Form 20-F

Non-controlling interests		(88,060)	(163,821)	(74,812)
Total comprehensive income for the period		2,442,377	1,747,685	1,369,450
Basic and diluted earnings per share	36	47,224	31,874	17,409
<i>See accompanying notes to the consolidated financial statements.</i>				

F-5

Table of Contents**POSCO and Subsidiaries****Consolidated Statements of Changes in Equity****For the years ended December 31, 2011, 2012 and 2013**

	Attributable to owners of the controlling company						Sub total	Non-controlling interests	Total
	Share capital	Capital surplus	Hybrid bonds	Reserves	Treasury shares (in millions of Won)	Retained earnings			
Balance as of January 1, 2011	482,403	1,101,561		1,507,288	(2,403,263)	35,887,697	36,575,686	1,961,481	38,537,167
Comprehensive income:									
Profit for the period						3,648,136	3,648,136	66,150	3,714,286
Net changes in accumulated comprehensive income of investments in associates, net of tax				(12,276)			(12,276)	1,036	(11,240)
Net changes in the unrealized fair value of available-for-sale investments, net of tax				(1,227,050)			(1,227,050)	(4,708)	(1,231,758)
Foreign currency translation differences, net of tax				146,622			146,622	(144,956)	1,666
Remeasurements of defined benefit pension plans, net of tax						(24,995)	(24,995)	(5,582)	(30,577)
Total comprehensive income				(1,092,704)		3,623,141	2,530,437	(88,060)	2,442,377
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends						(577,747)	(577,747)	(16,831)	(594,578)
Interim dividends						(193,111)	(193,111)		(193,111)
Changes in subsidiaries								247,483	247,483
Changes in ownership interests in subsidiaries		(20,694)					(20,694)	266,643	245,949
Acquisition of treasury shares					(61,296)		(61,296)		(61,296)
Disposal of treasury shares		69,153			73,153		142,306		142,306
Others		432		(9,158)		(30,505)	(39,231)	2,854	(36,377)
Total transactions with owners of the controlling company		48,891		(9,158)	11,857	(801,363)	(749,773)	500,149	(249,624)
Balance as of December 31, 2011	482,403	1,150,452		405,426	(2,391,406)	38,709,475	38,356,350	2,373,570	40,729,920

See accompanying notes to the consolidated financial statements.

Table of Contents**POSCO and Subsidiaries****Consolidated Statements of Changes in Equity, Continued****For the years ended December 31, 2011, 2012 and 2013**

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

See accompanying notes to the consolidated financial statements.

Table of Contents**POSCO and Subsidiaries****Consolidated Statements of Changes in Equity, Continued****For the years ended December 31, 2011, 2012 and 2013**

	Share capital	Attributable to owners of the controlling company				Sub total	Non-controlling interests	Total	
		Capital surplus	Hybrid bonds	Reserves	Treasury shares				Retained earnings
Balance as of January 1, 2013	482,403	1,104,814		(88,150)	(2,391,406)	40,346,481	39,454,142	2,975,276	42,429,418
Comprehensive income:									
Profit for the period						1,376,396	1,376,396	(21,216)	1,355,180
Net changes in accumulated comprehensive income of investments in associates, net of tax				(166,787)			(166,787)	(17,049)	(183,836)
Net changes in the unrealized fair value of available-for-sale investments, net of tax				412,453			412,453	(107)	412,346
Foreign currency translation differences, net of tax				(180,839)			(180,839)	(39,625)	(220,464)
Remeasurements of defined benefit pension plans, net of tax						3,039	3,039	3,185	6,224
Total comprehensive income				64,827		1,379,435	1,444,262	(74,812)	1,369,450
Transactions with owners of the controlling company, recognized directly in equity:									
Year-end dividends						(463,467)	(463,467)	(30,544)	(494,011)
Interim dividends						(154,490)	(154,490)		(154,490)
Changes in subsidiaries								40,506	40,506
Changes in ownership interests in subsidiaries		(31,417)					(31,417)	373,963	342,546
Issuance of hybrid bonds			996,919				996,919	498,468	1,495,387
Interest of hybrid bonds						(24,161)	(24,161)	(6,228)	(30,389)
Disposal of treasury shares		5,348			812,282		817,630		817,630
Others		(479)		247		6,851	6,619	(636)	5,983
Total transactions with owners of the controlling company		(26,548)	996,919	247	812,282	(635,267)	1,147,633	875,529	2,023,162
Balance as of December 31, 2013	482,403	1,078,266	996,919	(23,076)	(1,579,124)	41,090,649	42,046,037	3,775,993	45,822,030

See accompanying notes to the consolidated financial statements.

F-8

Table of Contents**POSCO and Subsidiaries****Consolidated Statements of Cash Flows****For the years ended December 31, 2011, 2012 and 2013**

	Note	2011	2012	2013
		(in millions of Won)		
Cash flows from operating activities				
Profit for the period		3,714,286	2,385,607	1,355,180
Adjustments for:				
Depreciation		2,133,010	2,405,769	2,505,536
Amortization		133,289	157,991	180,014
Finance income		(1,734,280)	(1,553,200)	(1,012,281)
Finance costs		2,245,957	1,605,414	1,585,778
Income tax expense		1,068,109	982,879	590,997
Gain on disposal of property, plant and equipment		(13,812)	(42,290)	(14,177)
Loss on disposal of property, plant and equipment		60,550	65,486	121,133
Share of loss of equity-accounted investees		(50,569)	22,702	179,809
Cost for defined benefit plans		236,999	226,132	247,748
Warranty expense		(7,202)	25,127	111,364
Bad debt expenses		45,477	123,373	201,185
Loss on valuation of inventories		140,361	76,484	49,172
Impairment loss of assets held for sale			258,451	1,814
Impairment loss of goodwill and intangible assets		14,959	21,776	125,316
Gain on disposals of assets held for sale			(193,333)	(101,611)
Gain on disposals of investments in associates		(2,247)	(39,441)	(7,668)
Loss on disposals of investments in associates			15,119	19,404
Impairment loss of property, plant and equipment		26,171	12,977	9,742
Others, net		(32,406)	(2,314)	19,343
		4,264,366	4,169,102	4,812,618
Changes in operating assets and liabilities	39	(4,850,747)	1,933,358	(116,432)
Interest received		218,682	238,231	227,989
Interest paid		(745,111)	(874,711)	(797,316)
Dividends received		308,692	178,317	193,008
Income taxes paid		(1,218,602)	(710,448)	(816,912)
Net cash provided by operating activities		1,691,566	7,319,456	4,858,135
Cash flows from investing activities				
Acquisitions of short-term financial instruments		(4,556,340)	(3,616,118)	(4,449,312)
Proceeds from disposal of short-term financial instruments		5,794,770	3,847,682	3,901,527
Increase in loans		(962,099)	(434,156)	(575,343)
Collection of loans		896,656	318,745	417,971
Acquisitions of available-for-sale investments		(322,046)	(307,712)	(309,469)
Proceeds from disposal of available-for-sale investments		411,061	700,686	269,363
Acquisitions of investments of equity-accounted investees		(740,971)	(492,681)	(1,076,763)
Proceeds from disposal of investments of equity-accounted investees		2,404	18,428	89,533
Acquisitions of property, plant and equipment		(5,330,968)	(7,054,543)	(6,569,613)
Proceeds from disposal of property, plant and equipment		140,221	272,948	82,153
Acquisitions of intangible assets		(574,753)	(448,214)	(543,666)
Proceeds from disposal of intangible assets		55,899	10,945	5,429

Edgar Filing: POSCO - Form 20-F

Proceeds from disposal of assets held for sale		1,268,545	126,809
Acquisitions of other investment assets	(450)	(128)	(9,258)
Proceeds from disposal of other investment assets	137,116	19,566	31,295
Cash received from (paid in) acquisition of business, net of cash acquired	(437,464)	(98,880)	5,729
Cash received from disposal of business		13,041	5,962
Acquisition of investment property	(157,072)	(29,689)	(20,945)
Disposal of investment property	107,443	42,616	8,464
Acquisition of long-term financial instruments	(34,374)	(178,163)	(123,703)
Other, net	54,101	(21,921)	(17,833)
Net cash used in investing activities	(5,516,866)	(6,169,003)	(8,751,670)

See accompanying notes to the consolidated financial statements.

F-9

Table of Contents**POSCO and Subsidiaries****Consolidated Statements of Cash Flows, Continued****For the years ended December 31, 2011, 2012 and 2013**

	Note	2011	2012 (in millions of Won)	2013
Cash flows from financing activities				
Proceeds from borrowings		7,068,322	3,007,017	5,098,702
Repayment of borrowings		(1,746,487)	(1,884,140)	(2,845,957)
Proceeds from (repayment of) short-term borrowings, net		51,808	(1,412,138)	86,475
Proceeds from disposal of treasury shares		164,384		14,019
Payment of cash dividends		(770,858)	(751,908)	(648,580)
Proceeds from issuance of hybrid bonds				1,495,387
Payment of interest of hybrid bonds				(26,088)
Increase in non-controlling interests		146,264	208,187	363,044
Government grant received		64,603	1,631	6,371
Repayment of government grants			(64,263)	(139)
Other, net		(78,151)	(12,013)	(10,898)
Net cash provided (used in) by financing activities		4,899,885	(907,627)	3,532,336
Effect of exchange rate changes on cash held		3,052	(160,982)	(110,765)
Net increase in cash and cash equivalents		1,077,637	81,844	(471,964)
Cash and cash equivalents at beginning of the period		3,521,045	4,598,682	4,680,526
Cash and cash equivalents at end of the period		4,598,682	4,680,526	4,208,562

See accompanying notes to the consolidated financial statements.

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements****As of December 31, 2011, 2012 and 2013****1. General Information**

General information about POSCO, its 39 domestic subsidiaries including POSCO Engineering & Construction Co., Ltd., 172 foreign subsidiaries including POSCO America Corporation (collectively, the Company) and its 100 associates and joint ventures 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 eight of its overseas liaison offices.

As of December 31, 2012 and 2013, POSCO's shareholders are as follows:

Shareholder's name	2012		2013	
	Number of shares	Ownership (%)	Number of shares	Ownership (%)
National Pension Service	5,225,654	5.99	6,577,907	7.54
Nippon Steel & Sumitomo Metal Corporation (*1)	4,394,712	5.04	4,394,712	5.04
Hyundai Heavy Industries Co., Ltd. and subsidiaries (*2)	2,183,997	2.50	2,197,707	2.52
Pohang University of Science and Technology	1,905,000	2.18	1,905,000	2.18
KB Financial Group Inc. and subsidiaries (*2)	1,919,773	2.20	1,846,994	2.12
Others	71,557,699	82.09	70,264,515	80.60
	87,186,835	100.00	87,186,835	100.00

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

(*2) Includes shares held by subsidiaries pursuant to Articles of Incorporation.

As of December 31, 2013, the shares of the Company are listed on the Korea Exchange, while its depository shares are listed on the New York, Tokyo and London Stock Exchanges.

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(b) Consolidated subsidiaries

Details of consolidated subsidiaries as of December 31, 2012 and 2013 are as follows:

	Principal Operations	2012		Ownership (%)		2013		Region
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
[Domestic]								
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	Engineering and construction	89.53		89.53	89.53		89.53	Pohang
POSCO Processing & Service	Steel sales and service	95.31		95.31	95.31		95.31	Seoul
POSCO COATED & COLOR STEEL Co., Ltd.	Coated steel manufacturing	56.87		56.87	56.87		56.87	Pohang
POSCO PLANTEC Co., Ltd.	Steel work maintenance and machinery installation	100.00		100.00				Pohang
POSCO ICT	Computer hardware and software distribution	72.54		72.54	65.38		65.38	Seongnam
POSCO Research Institute	Economic research and consulting	100.00		100.00	100.00		100.00	Seoul
POSMATE (former Seoung Gwang Co., Ltd.)	Business facility maintenance	69.38	30.62	100.00	54.46	11.77	66.23	Suncheon
POSCO A&C	Architecture and consulting	100.00		100.00	100.00		100.00	Seoul
POSCO Specialty Steel Co., Ltd.	Steel manufacturing and sales	94.74		94.74	72.09		72.09	Changwon
POSTECH Venture Capital Co., Ltd.	Investment in venture companies	95.00		95.00	95.00		95.00	Pohang
eNtoB Corporation	Electronic commerce	32.19	30.20	62.39	32.19	30.20	62.39	Seoul
POSCO CHEMTECH	Manufacturing and sellings of refractories	60.00		60.00	60.00		60.00	Pohang
POSCO-Terminal Co., Ltd.	Transporting and warehousing	51.00		51.00	51.00		51.00	Gwangyang
POSCO M-TECH (*1)	Packing materials manufacturing	48.85		48.85	48.85		48.85	Pohang
POSCO ENERGY CO., LTD.	Generation of electricity	89.02		89.02	89.02		89.02	Seoul
Postech 2006 Energy Fund (*2)	Investment in new technologies		22.11	22.11				Seoul
POSCO TMC Co., Ltd.	Component manufacturing	34.20	33.56	67.76	34.20	40.36	74.56	Cheonan
POSCO NIPPON STEEL RHF JOINT VENTURE.CO., Ltd.	Steel manufacturing and sales	70.00		70.00	70.00		70.00	Pohang
MegaAsset Co., Ltd.	Real estate rental and sales		100.00	100.00		100.00	100.00	Cheonan
POSCO Engineering CO., Ltd	Construction and engineering service		95.56	95.56		95.56	95.56	Seongnam
Pohang SPFC Co., Ltd.	Steel manufacturing		90.00	90.00				Pohang
POSWITH Co., Ltd.	Industrial clean service	100.00		100.00				Pohang
POSCO AST		100.00		100.00	100.00		100.00	Ansan

Edgar Filing: POSCO - Form 20-F

	Steel manufacturing and sales						
POSHIMETAL Co., Ltd.	Steel manufacturing and sales	65.00	65.00	65.00		65.00	Gwangyang
Poscoene	Handling & disposal of waste matter		100.00	100.00		100.00	100.00
							Seoul
POSFINE Co., Ltd.	Non metallic minerals manufacturing	69.23	69.23	69.23		69.23	Gwangyang
POSCO Humans	Construction	85.25	85.25	90.30		90.30	Pohang
Mapo Hibroad Parking co., Ltd.	Construction		71.00	71.00		71.00	71.00
							Seoul
Dakos Co., Ltd.	Railway equipment manufacturing		81.00	81.00			
							Seongnam

F-12

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

	Principal Operations	Ownership (%)						Region
		2012		2013		2013		
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
Steel Processing and Fabricating Center Co., LTD	Steel manufacturing		65.84	65.84		70.52	70.52	Gwangyang
POSCALCIUM Company, Ltd.	Non metallic minerals manufacturing		86.87	86.87				Pohang
Plant Engineering service Technology Co., Ltd.	Engineering service		100.00	100.00		100.00	100.00	Pohang
9Digit Co., Ltd.	Steel manufacturing		86.48	86.48				Incheon
Postech Early Stage Fund (*2)	Financial investment		10.00	10.00				Pohang
Busan E&E Co., Ltd.	Handling & disposal of waste matter	70.00		70.00	70.00		70.00	Busan
POSCO Family Strategy Fund	Financial investment	60.79	39.21	100.00	60.79	39.21	100.00	Pohang
POREKA Co., Ltd.	Advertising agency	100.00		100.00	100.00		100.00	Seoul
Daewoo International Corporation	Trading and Energy & Resource development	60.31		60.31	60.31		60.31	Seoul
POSCO LED Co., Ltd.	LED lightening	16.70	63.30	80.00	16.70	63.30	80.00	Seongnam
Gunsan SPFC Co., Ltd.	Steel processing and sales		70.09	70.09				Gunsan
Pohang Scrap Recycling Distribution Center Co., Ltd.	Steel processing and sales		51.00	51.00		51.00	51.00	Pohang
PSC Energy Global Co., Ltd.	Investment in energy industry		100.00	100.00		100.00	100.00	Pohang
Suncheon Eco Trans Co., Ltd	Train manufacturing & management	100.00		100.00	100.00		100.00	Suncheon
Reco Metal Co., Ltd.	Smelting of metal		100.00	100.00				Hwasung
New Altec Co., Ltd	Aluminum products manufacturing and sales		60.10	60.10		60.10	60.10	Incheon
PONUtech Co., Ltd.	Nuclear power plant design and repair service		100.00	100.00		100.00	100.00	Ulsan
BLUE O&M Co., Ltd.	Service		100.00	100.00				Ulsan
Tamra Offshore Wind Power Co., Ltd	Cogeneration plant operation		64.00	64.00		64.00	64.00	Jeju
POS-HIAL	Aluminum products manufacturing and sales		65.30	65.30		51.00	51.00	Youngam
MCM Korea	Iron ore sales & mine development		100.00	100.00				Seoul
Tancheonene Co., Ltd	Sewage heat energy supply	5.00	95.00	100.00				Seoul
IT Engineering (*2)	Automotive engineering service					17.00	17.00	Seoul
[Foreign]								
POSCO America Corporation	Steel trading	99.45	0.55	100.00	99.45	0.55	100.00	USA
POSCO AUSTRALIA PTY LTD	Iron ore sales & mine development	100.00		100.00	100.00		100.00	Australia
POSCO Canada Ltd.	Coal sales		100.00	100.00		100.00	100.00	Canada
POSCAN Elkveiw Coal Ltd.	Coal sales		100.00	100.00		100.00	100.00	Canada
POSCO Asia Co., Ltd.	Steel and raw material trading	100.00		100.00	100.00		100.00	Hong Kong
Dalian POSCO Steel Co., Ltd	Steel manufacturing	30.00	55.00	85.00				China

Edgar Filing: POSCO - Form 20-F

POSCO-CTPC Co., Ltd.	Steel manufacturing	56.60	43.40	100.00	56.60	43.40	100.00	China
POSCO-JKPC Co., Ltd.	Steel manufacturing		95.00	95.00		95.00	95.00	Japan
INTERNATIONAL BUSINESS CENTER CORPORATION	Leasing service		60.00	60.00		60.00	60.00	Vietnam
POSCO E&C Vietnam Co., Ltd.	Steel manufacturing		100.00	100.00		100.00	100.00	Vietnam

F-13

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

	Principal Operations	Ownership (%)						Region
		POSCO	2012 Subsidiaries	Total	POSCO	2013 Subsidiaries	Total	
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	58.60	23.88	82.48	58.60	23.88	82.48	China
POSCO (Guangdong) Steel Co., Ltd.	Plating steel sheet manufacturing	87.04	10.04	97.08	87.04	10.04	97.08	China
POSCO (Thailand) Company Limited	Steel manufacturing	85.62	14.38	100.00	85.62	14.38	100.00	Thailand
Myanmar POSCO Steel Co., Ltd.	Zinc relief manufacturing	70.00		70.00	70.00		70.00	Myanmar
POSCO-JOPC Co., Ltd.	Steel manufacturing		56.84	56.84		56.84	56.84	Japan
POSCO Investment Co., Ltd.								Hong Kong
POSCO-MKPC SDN BHD	Financial Service	100.00		100.00	100.00		100.00	Hong Kong
Qingdao Pohang Stainless Steel Co., Ltd.	Steel manufacturing	44.69	25.31	70.00	44.69	25.31	70.00	Malaysia
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	Stainless steel manufacturing	70.00	30.00	100.00	70.00	30.00	100.00	China
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China
POSCO BIOVENTURES I, L.P.	Bio tech Industry		100.00	100.00		100.00	100.00	USA
PT. POSNESIA Stainless Steel Industry	Steel manufacturing	70.00		70.00	70.00		70.00	Indonesia
POSEC Hawaii, Inc.	Real estate Industry		100.00	100.00		100.00	100.00	USA
POSCO-China Qingdao Processing Center Co., Ltd.	Steel manufacturing		100.00	100.00		100.00	100.00	China
POS-ORE PTY LTD	Iron ore sales & mine development		100.00	100.00		100.00	100.00	Australia
POSCO-China Holding Corp.	Holding company	100.00		100.00	100.00		100.00	China
POSCO JAPAN Co., Ltd.	Steel trading	100.00		100.00	100.00		100.00	Japan
POS-CD PTY LTD	Coal sales		100.00	100.00		100.00	100.00	Australia
POS-GC PTY LTD	Coal sales		100.00	100.00		100.00	100.00	Australia
POSCO-India Private Limited	Steel manufacturing	100.00		100.00	100.00		100.00	India
POSCO-India Pune Processing Center. Pvt. Ltd.	Steel manufacturing	65.00		65.00	65.00		65.00	India
POSCO-JEPC Co., Ltd.	Steel manufacturing		88.02	88.02		88.02	88.02	Japan
POSCO-CFPC Co., Ltd.	Steel manufacturing	39.60	60.40	100.00	39.60	60.40	100.00	China
POSCO E&C CHINA Co., Ltd.	Construction and civil engineering		100.00	100.00		100.00	100.00	China
POSCO MPCC S.A. de C.V.	Steel manufacturing		95.00	95.00		95.00	95.00	Mexico
Zhangjiagang Pohang Port Co., Ltd.	Loading and unloading service		100.00	100.00		100.00	100.00	China
Qingdao Pos-metal Co., Ltd.	Steel manufacturing		100.00	100.00		100.00	100.00	China
POSCO-VIETNAM Co., Ltd.	Steel manufacturing	85.00		85.00	85.00		85.00	Vietnam
POSCO MEXICO S.A. DE C.V.	Automotive steel sheet manufacturing	84.84	15.16	100.00	84.84	15.16	100.00	Mexico
POSCO India Delhi Steel Processing Centre Private Limited	Steel manufacturing	66.40	10.00	76.40	66.40	10.00	76.40	India
POSCO-Poland Wroclaw Processing Center Sp. z o. o.	Steel manufacturing	60.00		60.00	60.00		60.00	Poland
POS-NP PTY LTD	Coal sales		100.00	100.00		100.00	100.00	Australia
POSCO-Vietnam Processing Center Co., Ltd.	Steel manufacturing	91.63		91.63	91.63		91.63	Vietnam
	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

	Principal Operations	Ownership (%)						Region
		2012 POSCO	2012 Subsidiaries	Total	2013 POSCO	2013 Subsidiaries	Total	
SUZHOU POSCO-CORE TECHNOLOGY CO., LTD.	Component manufacturing		100.00	100.00		100.00	100.00	China
POSCO-Malaysia SDN. BHD.	Steel manufacturing	80.07	13.34	93.41	80.07	13.34	93.41	Malaysia
POS-Minerals Corporation	Mine development & sales		100.00	100.00		100.00	100.00	USA
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	Steel manufacturing	68.57	31.43	100.00	68.57	31.43	100.00	China
POSCO Engineering and Construction India Private Limited	Construction and engineering		100.00	100.00		100.00	100.00	India
POSCO E&C SMART S DE RL DE CV	Construction and engineering		100.00	100.00		100.00	100.00	Mexico
POSCO Philippine Manila Processing Center, Inc.	Steel manufacturing		100.00	100.00		100.00	100.00	Philippines
POSCO Gulf SFC LLC	Steel manufacturing		81.93	81.93		81.93	81.93	UAE
Dalian POSCO ICT-DONGFANG Engineering Co., Ltd.	Electric control equipment manufacturing		100.00	100.00		100.00	100.00	China
SANPU TRADING Co., Ltd.	Raw material trading		70.00	70.00		70.00	70.00	China
Zhangjiagang BLZ Pohang International Trading	Steel transit trading		100.00	100.00		100.00	100.00	China
POSCO MEXICO HUMAN TECH S.A. de C.V.	Service	80.00	20.00	100.00	80.00	20.00	100.00	Mexico
POSCO MESDC S.A. DE C.V.	Steel product sales		56.80	56.80		56.80	56.80	Mexico
POSCO ICT-China	IT service and DVR business		100.00	100.00		100.00	100.00	China
DWEMEX, S.A. DE. C.V.	Construction		99.00	99.00		99.00	99.00	Mexico
POSCO MPC Servicios S.A. de C.V.	Steel manufacturing		61.00	61.00		61.00	61.00	Mexico
POSCO-Uruguay S.A	Lumber manufacturing & sales	98.00		98.00	98.00		98.00	Uruguay
Pos-Sea Pte Ltd	Steel transit trading		67.54	67.54		67.54	67.54	Singapore
POSCO Europe Steel Distribution Center	Steel product sales	50.00	20.00	70.00	50.00	20.00	70.00	Slovenia
VECTUS LIMITED	PRT test track construction		99.57	99.57		99.57	99.57	England
Zeus (Cayman)	Service	100.00		100.00	100.00		100.00	Cayman Islands
POSCO VST CO., LTD.	Stainless steel manufacturing	95.65		95.65	95.65		95.65	Vietnam
POSCO Maharashtra Steel Private Limited	Steel manufacturing	100.00		100.00	100.00		100.00	India
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	Steel manufacturing	100.00		100.00	100.00		100.00	India
POSCO TNPC Otomotiv Celik San. Ve Tic. A.S	Steel manufacturing	100.00		100.00	100.00		100.00	Turkey
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	Steel manufacturing	70.00		70.00	70.00		70.00	Vietnam
POSCO (Liaoning) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China
POSCO-Indonesia Jakarta Processing Center	Steel manufacturing	65.00	20.00	85.00	65.00	20.00	85.00	Indonesia
POSCO E&C VENEZUELA C.A.	Construction and engineering		100.00	100.00		100.00	100.00	Venezuela

Edgar Filing: POSCO - Form 20-F

Motta Resources Indonesia	Mine development	65.00	65.00	65.00	65.00	Indonesia
---------------------------	------------------	-------	-------	-------	-------	-----------

F-15

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

	Principal Operations	Ownership (%)						Region
		2012		2013		Total	Region	
		POSCO	Subsidiaries	POSCO	Subsidiaries			
POSCO TMC INDIA PRIVATE LIMITED	Steel manufacturing		100.00	100.00		100.00	100.00	India
POSCO America Alabama Processing Center Co., Ltd.	Steel manufacturing		100.00	100.00		100.00	100.00	USA
PT PEN INDONESIA	Construction		95.00	95.00		95.00	95.00	Indonesia
POSCO (Yantai) Automotive Processing Center Co., Ltd.	Steel manufacturing	90.00	10.00	100.00	90.00	10.00	100.00	China
POSCO India Steel Distribution Center Private Ltd.	Steel logistics		100.00	100.00		100.00	100.00	India
POSCO China Dalian Plate Processing Center Co., Ltd.	Steel manufacturing	80.00	10.00	90.00	80.00	10.00	90.00	China
POSCO-South Asia Company Limited	Steel product sales	100.00		100.00	100.00		100.00	Thailand
POSCO SS-VINA	Steel manufacturing		100.00	100.00		100.00	100.00	Vietnam
POSCO-NCR Coal Ltd.	Coal sales		100.00	100.00		100.00	100.00	Canada
POSCO WA PTY LTD	Iron ore sales & mine development	100.00		100.00	100.00		100.00	Australia
POSCO Engineering and Construction UZ	Construction		100.00	100.00		100.00	100.00	Uzbekistan
POSCO AUSTRALIA GP PTY LIMITED	Resource development		100.00	100.00		100.00	100.00	Australia
Daewoo International (America) Corp.	Trading business		100.00	100.00		100.00	100.00	USA
Daewoo International (Deutschland) GmbH.	Trading business		100.00	100.00		100.00	100.00	Germany
Daewoo International Japan Corp.	Trading business		100.00	100.00		100.00	100.00	Japan
DAEWOO INTERNATIONAL SINGAPORE PTE. LTD.	Trading business		100.00	100.00		100.00	100.00	Singapore
Daewoo Italia S.r.l.	Trading business		100.00	100.00		100.00	100.00	Italy
Daewoo (China) Co., Ltd.	Trading business		100.00	100.00		100.00	100.00	China
DAEWOO TEXTILE FERGANA LLC	Textile manufacturing		100.00	100.00		100.00	100.00	Uzbekistan
DAEWOO TEXTILE BUKHARA LLC	Textile manufacturing		100.00	100.00		100.00	100.00	Uzbekistan
DAEWOO INTERNATIONAL AUSTRALIA HOLDINGS PTY LTD	Resource development		100.00	100.00		100.00	100.00	Australia
Daewoo Paper Manufacturing Co., Ltd.	Paper manufacturing		66.70	66.70		66.70	66.70	China
Tianjin Daewoo Paper Manufacturing Co., Ltd.	Paper manufacturing		68.30	68.30		68.30	68.30	China
POSCO MAURITIUS LIMITED	Mine development & sales		100.00	100.00		100.00	100.00	Mauritius
PT. KRAKATAU POSCO	Steel manufacturing	70.00		70.00	70.00		70.00	Indonesia
Myanmar Daewoo Limited	Trading business		100.00	100.00		100.00	100.00	Myanmar
DAEWOO INTERNATIONAL MEXICO S.A. DE C.V.	Trading business		100.00	100.00		100.00	100.00	Mexico
Daewoo International Guangzhou Corp.	Trading business		100.00	100.00		100.00	100.00	China
DAEWOO STC VINA LTD.	Textile manufacturing		100.00	100.00				Vietnam
Daewoo (M) SDN. BHD.	Trading business		100.00	100.00		100.00	100.00	Malaysia
Daewoo CANADA LTD.	Trading business		100.00	100.00				Canada
Daewoo EL SALVADOR S.A. DE C.V.	Trading business		88.00	88.00		88.00	88.00	El Salvador
GEZIRA TANNERY CO., LTD.	Leather manufacturing		60.00	60.00				Sudan

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

	Principal Operations	Ownership (%)						Region
		2012 POSCO Subsidiaries	Total	2013 POSCO Subsidiaries	Total			
POSCO (Zhangjiagang) STS Processing Center Co., Ltd	Steel manufacturing	100.00	100.00	100.00	100.00		China	
Daewoo International (M) SDN BHD	Trading business	100.00	100.00	100.00	100.00		Malaysia	
Daewoo International SHANGHAI CO., LTD.	Trading business	100.00	100.00	100.00	100.00		China	
DAEWOO POWER AND INFRA (PTY) LTD.	Electricity					100.00	Republic of South Africa	
PGSF, L.P.	Investment in Bio tech Industry	100.00	100.00	100.00	100.00		USA	
Xenesys Inc.	Power generation equipment manufacturing	29.58	21.35	50.93	29.58	21.35	50.93	Japan
Daewoo International INDIA Private Ltd.	Trading business	100.00	100.00	100.00	100.00	100.00	India	
TECHREN Solar, LLC	Electrical Industry	99.92	99.92	99.92	99.92	99.92	USA	
PT. POSCO E&C INDONESIA	Construction	100.00	100.00	100.00	100.00	100.00	Indonesia	
HUME COAL PTY LTD	Raw material manufacturing	70.00	70.00			100.00	100.00	Australia
Daewoo HANDELS GmbH	Trading business	100.00	100.00					Germany
POSCO FOUNDATION	Non-profit charitable organization	100.00	100.00			100.00	100.00	India
EPC EQUITIES LLP	Construction	70.00	70.00			70.00	70.00	England
SANTOS CMI CONSTRUCTION TRADING LLP	Construction	99.90	99.90			99.90	99.90	England
SANTOS CMI INC. USA	Construction	100.00	100.00			100.00	100.00	USA
SANTOS CMI ENGENHARIA E CONSTRUcoes LTDA	Construction	99.98	99.98			99.98	99.98	Brazil
SANTOS CMI PERU S.A.	Construction	99.99	99.99			99.99	99.99	Peru
SANTOS CMI COSTA RICA S.A.	Construction	100.00	100.00					Coasta Rica
SANTOS CMI CONSTRUCCIONES S.A.	Construction	100.00	100.00			100.00	100.00	Uruguay
GENTECH INTERNATIONAL INC.	Construction	90.00	90.00			90.00	90.00	Panama
EPC INVESTMENTS C.V.	Construction	99.99	99.99			99.99	99.99	Netherlands
INGENIERIA Y CONSTRUCCION HOLAND CO S.A.	Construction	99.90	99.90					Ecuador
ASESORIA Y SERVICIOS EPC S.A CHILE	Construction	99.90	99.90					Chile
SANTOS CMI S.A.	Construction	70.00	70.00			70.00	70.00	Ecuador
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	Construction	99.90	99.90			99.90	99.90	Chile
S&K -SANTOS CMI S.A. DE C.V.	Construction	99.90	99.90			99.90	99.90	Mexico
COMPANIA DE AUTOMATI ZACION & CONTROL, GENESYS S.A.	Construction	90.00	90.00			90.00	90.00	Ecuador
VAUTIDAMERICAS S.A.	Construction	51.00	51.00			51.00	51.00	Ecuador
SANTOS CMI Constructions Argentina S.A.	Construction	95.00	95.00					Argentina
POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA.	Construction	100.00	100.00			100.00	100.00	Brazil

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

	Principal Operations	Ownership (%)						Region
		2012 POSCO	2012 Subsidiaries	Total	2013 POSCO	2013 Subsidiaries	Total	
POSCO Electrical Steel India Private Limited	Electrical Steel manufacturing	100.00		100.00	100.00		100.00	India
Daewoo International Cameroon S.A.	Resource Development		100.00	100.00		100.00	100.00	Cameroon
POSCO ASSAN TST STEEL INDUSTRY	Steel manufacturing	60.00	10.00	70.00	60.00	10.00	70.00	Turkey
HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	Investment		100.00	100.00		100.00	100.00	Hong Kong
POSCO Klappan Coal Ltd.	Coal sales		100.00	100.00		100.00	100.00	Canada
DAESAN (CAMBODIA) Co., Ltd.	Investment		100.00	100.00		100.00	100.00	Cambodia
Brazil Sao Paulo Steel Processing Center	Steel manufacturing		76.00	76.00		76.00	76.00	Brazil
POSCO(Dalian) IT Center Development Co., Ltd.	Investment		100.00	100.00		100.00	100.00	China
PT. POSCO RESOURCES INDONESIA	Mine development	100.00		100.00	100.00		100.00	Indonesia
PT.POSCO ICT INDONESIA	IT service and Electric Control Engineering		66.99	66.99		66.99	66.99	Indonesia
PT. POSCO MTECH INDONESIA	Steel manufacturing		60.00	60.00		60.00	60.00	Indonesia
PT. KRAKATAU POSCO ENERGY	Manufacturing & management		90.00	90.00		90.00	90.00	Indonesia
POSCO RUS LLC	Trading business	90.00	10.00	100.00	90.00	10.00	100.00	Russia
POSCO Thainox Public Company Limited	Steel manufacturing	84.93		84.93	84.93		84.93	Thailand
DAEWOO INTERNATIONAL SHANGHAI WAIGAOQIAO CO., LTD.	Merchandising trade		100.00	100.00		100.00	100.00	China
PT. Bio Inti Agrindo	Forest resources development		85.00	85.00		85.00	85.00	Indonesia
POSCO ENGINEERING AND CONSTRUCTION AUSTRALIA (POSCO E&C AUSTRALIA) PTY LTD	Iron ore sales		100.00	100.00		100.00	100.00	Australia
POSCO-TISCO (JILIN) PROCESSING CENTER Co., Ltd.	Steel manufacturing	50.00	10.00	60.00	50.00	10.00	60.00	China
Hunchun Posco Hyundai International Logistics Complex Development Co., Ltd	Logistics		78.15	78.15		72.93	72.93	China
USA-SRDC	Scrap sales		100.00	100.00		100.00	100.00	USA
Daewoo International Vietnam Co., Ltd.	Trading business		100.00	100.00		100.00	100.00	Vietnam
PT.Krakatau Posco Chemtech Calcination	Manufacturing and selling of quicklime		80.00	80.00		80.00	80.00	Indonesia
POSCO AFRICA (PROPRIETARY) LIMITED	Trading business	100.00		100.00	100.00		100.00	South Africa
EPC INGENIERIA & SERVICIOS DE COSTA RICA SA	Construction and engineering service		100.00	100.00		100.00	100.00	Costa Rica
POSCO ICT BRASIL	IT service and engineering		100.00	100.00		100.00	100.00	Brazil
LA-SRDC	Scrap manufacturing		68.41	68.41		68.41	68.41	USA
DONG FANG JIN HONG	Real estate development, rental and management		99.00	99.00		99.00	99.00	China

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

	Principal Operations	Ownership (%)						Region
		2012		2013				
		POSCO	Subsidiaries	Total	POSCO	Subsidiaries	Total	
PRODUCTOS OFERTAS SISTEMAS Y COMERCIALIZADORA ORIENTAL S DE RL DE CV	Steel sales		100.00	100.00		100.00	100.00	Mexico
POSCO(Guangdong) Automotive Steel Co., Ltd.	Steel manufacturing and sales	83.64	10.00	93.64	83.64	10.00	93.64	China
POSCO MAPC SA DE CV	Steel manufacturing and sales	80.00	20.00	100.00	80.00	20.00	100.00	Mexico
POSCO AMERICA COMERCIALIZADORA S DE RL DE CV	Human-resource service		100.00	100.00		100.00	100.00	Mexico
POSCO ENGINEERING (THAILAND) CO., LTD. (*2)	Chemical plant					48.90	48.90	Thailand
POSCO YongXin Rare Earth Metal Co., Ltd.	Magnet material manufacturing and sales					51.67	51.67	China
POSCO-Mory-Maruyasu PIPE	Common steel welded pipe manufacturing and selling					50.00	50.00	Japan
PT KRAKATAU BLUE WATER	Wastewater treatment facilities operation and maintenance					67.00	67.00	Indonesia
KRAKATAU POS-CHEM DONG-SUH CHEMICAL (*2)	Chemical by-product manufacturing and sales					45.00	45.00	Indonesia
Myanmar Daewoo International Corporation	Trading business					100.00	100.00	Myanmar
POSCO-Italy Processing Center	Stainless steel sheet manufacturing and sales				80.00	10.00	90.00	Italy
DAEWOO E&P CANADA CORPORATION	Crude oil and natural gas mining					100.00	100.00	Canada
Yingkou Puxiang Trade Co., Ltd.	Refractory quality test and import and export trade					100.00	100.00	China
Myanmar POSCO C&C Company, Limited.	Steel manufacturing and sales					70.00	70.00	Myanmar
POSCO ICT VIETNAM	IT service and electric control engineering					100.00	100.00	Vietnam
Daewoo Global Development. Pte., Ltd	Real estate development					51.00	51.00	Myanmar
Myanmar POSCO Engineering & Construction Company, Limited.	Construction and engineering service					100.00	100.00	Myanmar
POSCO COATED STEEL (THAILAND) CO., LTD.	Automotive steel sheet manufacturing and sales				100.00		100.00	Thailand

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

Edgar Filing: POSCO - Form 20-F

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

The amounts recognized in equity as a result of changes in the Company's ownership interests in subsidiaries that did not result in a loss of control (2011 : POSCO ENGINEERING CO., LTD, Guangdong Pohang Coated Steel Co., Ltd., POSCO VST Co., Ltd., etc., 2012: POSCO Specialty Steel Co., Ltd., POSCO ENERGY Co., Ltd., POSCO-Thainox Public Company Limited, etc., 2013: POSCO Specialty Steel Co., Ltd., POSCO ICT Co., Ltd., POSCO TMC Co., Ltd. etc.) were 20,694 million, 41,924 million and 31,417 million for the years ended December 31, 2011, 2012 and 2013, respectively.

F-19

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

Cash flows from increase in non-controlling interest, net for the years ended December 31, 2011, 2012 and 2013 amounted to 155,785 million, 375,850 million and 385,122 million, respectively.

Cash dividends paid to POSCO by subsidiaries for the years ended December 31, 2011, 2012 and 2013 amounted to 45,675 million, 22,581 million and 71,970 million, respectively.

As of December 31, 2013, there are no restrictions on the ability of subsidiaries to transfer funds to the controlling company, such as in the form of cash dividends, repayment of loans or payment of advances.

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(c) Summarized financial information of subsidiaries as of December 31, 2011 2012 and 2013 are as follows:

1) December 31, 2011

Company	Sales	Net income (loss)
	(in millions of Won)	
[Domestic]		
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	6,142,026	109,921
POSCO Processing & Service	3,141,999	19,234
POSCO COATED & COLOR STEEL Co., Ltd.	956,179	(24,713)
POSCO Plant Engineering Co., Ltd.	597,508	6,758
POSCO ICT	983,649	30,578
POSCO Research Institute	30,844	216
POSMATE (formerly Seoung Gwang Co., Ltd.)	14,652	2,522
POSCO A&C	196,794	7,236
POSCO Specialty Steel Co., Ltd.	1,662,896	127,573
POSTECH Venture Capital Co., Ltd.		1,041
eNtoB Corporation	634,830	1,249
POSCO CHEMTECH	1,186,623	92,391
POSCO-Terminal Co., Ltd.	100,710	22,955
POSCO M-TECH	602,155	12,447
POSCO ENERGY CO., LTD.	1,863,670	25,152
Postech 2006 Energy Fund		(202)
PHP Co., Ltd.	4,456	483
POSCO TMC Co., Ltd.	219,580	5,746
POSCO NIPPON STEEL RHF JOINT VENTURE. CO., Ltd.	74,013	13,366
MegaAsset Co., Ltd.	63,667	5,794
POSCO Engineering CO., Ltd	980,340	3,225
Pohang Feul Cell Co. Ltd.	2,235	(286)
Pohang SPFC Co., Ltd.	38,117	1,170
POSWITH Co., Ltd.	13,745	151
BASYS INDUSTRY Co., Ltd.	2,500	369
POSTECH BD Newundertaking fund		(1)
POSBRO Co., Ltd.		(54)
POSCO AST	365,682	4,972
DaiMyung TMS Co., Ltd.	6,265	(3,695)
POSHIMETAL Co., Ltd.	34,682	(28,857)
Poscoene		508
POMIC Co., Ltd.	21,111	317
POSFINE Co., Ltd.	2,285	(3,847)
POS ECO HOUSING Co., Ltd.	13,629	265
Mapo high broad parking Co., Ltd.		(355)
Dakos Co., Ltd.	225	(58)
Steel Processing and Fabricating Center Co., LTD	4,686	(2,156)
POSCALCIUM Company, Ltd.	106	(1,353)

Edgar Filing: POSCO - Form 20-F

Plant Engineering service Technology Co., Ltd.	6,259	354
9Digit Co., Ltd.	58,341	(308)
Postech Early Stage Fund		(31)
Busan E&E Co., Ltd.		127
POSCO Family Strategy Funds		290
POREKA Co., Ltd.	20,785	1,158
Songdo SE Co., Ltd.	2,761	77
Posgreen Co., Ltd.	2,944	(33)
Daewoo International Corporation	18,758,511	160,088
POSCO LED Co., Ltd.	14,063	(5,355)
Gunsan SPFC Co., Ltd.	53,797	(236)

F-21

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Company	Sales	Net income (loss)
	(in millions of Won)	
POSCO NST Co., Ltd.	202,334	(803)
Pohang Scrap Recycling Distribution Center Co., Ltd.	1,748	143
PSC Energy Global Co., Ltd.		(1,595)
Suncheon Eco Trans Co., Ltd.		48
Shinan Energy Co., Ltd.		(56)
Reco Metal Co., Ltd.	6,761	(2,658)
New Altec Co., Ltd.	92,849	638
PONUtech Co., Ltd.		(263)
BLUE O&M Co., Ltd.		(12)
[Foreign]		
POSCO America Corporation	419,258	8,866
POSCO AUSTRALIA PTY LTD	136,144	283,875
POSCO Canada Ltd.	304,274	133,660
POSCAN Elkveiw Coal Ltd.		
POSCO Asia Co., Ltd.	2,968,097	6,523
Dalian POSCO Steel Co., Ltd.	90,990	(8,711)
POSCO-CTPC Co., Ltd.	134,930	1,320
POSCO-JKPC Co., Ltd.	87,203	1,405
INTERNATIONAL BUSINESS CENTER CORPORATION	25,889	11,655
POSCO E&C Vietnam Co., Ltd.	114,350	6,670
Zhangjiagang Pohang Stainless Steel Co., Ltd.	2,808,722	4,444
POSCO (Guangdong) Steel Co., Ltd.	275,521	(7,849)
POSCO (Thailand) Company Ltd.	231,144	1,227
Myanmar POSCO Steel Co., Ltd.	30,967	5,885
POSCO-JOPC Co., Ltd.	92,296	768
POSCO Investment Co., Ltd.	10,792	10,509
POSCO-MKPC SDN BHD	177,822	1,763
Qingdao Pohang Stainless Steel Co., Ltd.	615,532	(3,110)
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	384,705	11,046
POSCO BIOVENTURES I, L.P.		(4,226)
PT. POSNESIA Stainless Steel Industry		(28)
POSEC Hawaii, Inc.		(304)
POSCO-China Qingdao Processing Center Co., Ltd.	117,470	65
POS-ORE PTY LTD	250,347	132,737
POSCO-China Holding Corp.	173,639	3,617
POSCO JAPAN Co., Ltd.	1,686,385	13,518
POS-CD PTY LTD	22,575	557
POS-GC PTY LTD	10,263	(4,344)
POSCO-India Private Limited		(1,034)
POSCO-India Pune Processing Center. Pvt. Ltd.	211,417	(16,626)
POSCO-JNPC Co., Ltd.	207,654	716
POSCO-CFPC Co., Ltd.	529,788	227
POSCO E&C CHINA Co., Ltd.	104,055	1,898
POSCO MPPC S.A. de C.V.	316,446	(6,587)
Zhangjiagang Pohang Port Co., Ltd.	6,244	222
Qingdao Pos-metal Co., Ltd.	79,732	13
POSCO-VIETNAM Co., Ltd.	962,490	(46,976)

Edgar Filing: POSCO - Form 20-F

POSCO MEXICO S.A. DE C.V.	396,897	(43,298)
POSCO India Delhi Steel Processing Centre Private Limited	129,434	(9,824)
POSCO-Poland Wroclaw Processing Center Sp. z o. o.	71,871	(1,483)
POS-NP PTY LTD	48,404	9,480
POSCO-Vietnam Processing Center Co., Ltd.	159,369	26
POSCO (Chongqing) Automotive Processing Center Co, Ltd.	62,795	(1,622)
SUZHOU POSCO-CORE TECHNOLOGY CO., LTD.	96,008	781
POSCO-JYPC Co., Ltd.	102,700	781
POSCO-Malaysia SDN. BHD.	140,709	(4,114)

F-22

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Company	Sales	Net income (loss) (in millions of Won)
POS-Minerals Corporation		(808)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	92,554	618
POSCO Engineering and Construction India Private Limited	4,966	1,135
POSCO E&C SMART S DE RL DE CV	4,421	135
POSCO Philippine Manila Processing Center, Inc.	45,680	266
Dalian POSCO ICT-DONGFANG Engineering Co., Ltd.	5,104	382
SANPU TRADING Co., Ltd.	73	3
Zhangjiagang BLZ Pohang International Trading	100,833	116
POSCO MEXICO HUMAN TECH S.A. de C.V.	5,378	221
POSCO MESDC S.A. DE C.V.	5,638	110
POSCO Gulf Logistics LLC.		
POSCO ICT-China	4,920	114
DWEMEX, S.A.DE.C.V.	2	(29)
POSCO MPC Servicios S.A. de C.V.	4,902	90
EUROTALY S.A.	24	(898)
Pos-Sea Pte Ltd	62,235	256
POSCO Europe Steel Distribution Center	13,354	322
VECTUS LIMITED	3,560	(1,530)
POSCO VST CO., LTD.	264,616	(10,669)
POSCO Maharashtra Steel Private Limited	44	2,036
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	134,409	(3,232)
POSCO TNPC Otomotiv Celik San. Ve Tic. A.S	38,729	(3,971)
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	55,239	902
POSCO (Liaoning) Automotive Processing Center Co., Ltd.	117,395	3,267
POSCO-Indonesia Jakarta Processing Center	64,597	216
POSCO E&C VENEZUELA C.A.		
Motta Resources Indonesia	458	(3,854)
POSCO TMC INDIA PRIVATE LIMITED	15,186	(48)
POSCO America Alabama Processing Center Co., Ltd.	85,381	(858)
PT PEN INDONESIA	13,962	(267)
POSCO (Yantai) Automotive Processing Center Co., Ltd.	32,301	172
POSCO India Steel Distribution Center Private Ltd.	786	(427)
POSCO China Dalian Plate Processing Center Co., Ltd.	66,113	(165)
POSCO-South Asia Company Limited	8,015	1,039
POSCO SS-VINA		(1,122)
POSCO NCR Coal Ltd.		
POSCO WA PTY LTD		(33,142)
POSCO Engineering and Construction UZ	2,046	104
POSCO AUSTRALIA GP PTY LIMITED		(8)
Daewoo International (America) Corp.	984,378	5,372
Daewoo International (Deutschland) GmbH.	482,585	314
Daewoo International Japan Corp.	804,864	981
DAEWOO INTERNATIONAL SINGAPORE PTE. LTD.	902,315	481
Daewoo Italia S.r.l.	361,821	145
Daewoo Cement (Shandong) Co., Ltd.	133,502	20,361
Daewoo (China) Co., Ltd.	54,521	726
PT. RISMAR Daewoo Apparel	58,182	1,246

Edgar Filing: POSCO - Form 20-F

DAEWOO TEXTILE FERGANA LLC	132,866	(11,994)
DAEWOO TEXTILE BUKHARA LLC	51,312	(11,500)
DAEWOO INTERNATIONAL AUSTRALIA HOLDINGS PTY LTD	1,935	199
Daewoo Paper Manufacturing Co., Ltd.	76,632	(5,210)
Tianjin Daewoo Paper Manufacturing Co., Ltd.		
POSCO MAURITIUS LIMITED		(22)
PT. KRAKATAU POSCO		(2,385)
Myanmar Daewoo Limited	1,373	152
DAEWOO INTERNATIONAL MEXICO S.A. DE C.V.	240,448	299
Daewoo International Guangzhou Corp.	61,554	(1,265)

F-23

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Company	Sales	Net income (loss) (in millions of Won)
Daewoo Energy Central Asia		
DAEWOO STC VINA LTD.	9,435	94
MYANMAR Daewoo International Ltd.	11,947	759
DAYTEK ELECTRONICS CORP.		
Daewoo (M) SDN. BHD.		
Daewoo CANADA LTD.		
Daewoo EL SALVADOR S.A. DE C.V.		
GEZIRA TANNERY CO., LTD.		
POSCO (Zhangjiagang) STS Processing Center Co., Ltd	67,175	15
Daewoo International (M) SDN BHD	21,190	157
Daewoo International SHANGHAI CO., LTD.	91,541	1,286
PGSF, L.P.		280
Xenesys Inc.	2,494	(3,865)
Daewoo International INDIA Private Ltd.	3,343	69
TECHREN Solar, LLC		(506)
PT. POSCO E&C INDONESIA	46,665	2,114
HUME COAL PTY LTD		(9)
Daewoo HANDELS GmbH		
POSCO FOUNDATION		3
EPC EQUITIES LLP	438	(2,743)
SANTOS CMI CONSTRUCTION TRADING LLP	2,750	(1,323)
SANTOS CMI INC. USA	11,604	(155)
SANTOS CMI ENGENHARIA E CONSTRUCOES LTDA	14,823	7,484
SANTOS CMI PERU S.A.	59,091	4,779
SANTOS CMI COSTA RICA S.A.	1,228	(1,794)
SANTOS CMI CONSTRUCCIONES S.A.		(9)
GENTECH INTERNATIONAL INC.	1,800	728
EPC INVESTMENTS C.V.		(6)
INGENIERÍA Y CONSTRUCCIÓN HOLLANDCO S.A.		(2)
ASESORÍA Y SERVICIOS EPC S.A. CHILE	635	88
SANTOS CMI S.A.	34,879	(5,430)
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	13,009	1,703
S&K-SANTOS CMI S.A. DE C.V.	203	(208)
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.	14,588	923
VAUTIDAMERICAS S.A.	1,765	141
SANTOS CMI CONSTRUCTION ARGENTINA S.A.		1
POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA.	6,200	(465)
POSCO Electrical Steel India Private Limited		346
Daewoo International Cameroon S.A.		
POSCO ASSAN TST STEEL INDUSTRY		1,724
HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.		(3,466)
POSCO Klappan Coal Ltd.		
DAESAN (Cambodia) Co., Ltd.		(946)
Brazil Sao Paulo Steel Processing Center		
POSCO(Dalian) IT Center Development Co., Ltd.		(1,464)
PT.POSCO Resources Indonesia		(415)
PT.POSCO ICT INDONESIA		(80)

Edgar Filing: POSCO - Form 20-F

PT. POSCO MTECH INDONESIA	3,329	61
PT. KRAKATAU POSCO ENERGY		(134)
POSCO RUS LLC		(273)
POSCO Thainox Public Company Limited	401,257	(22,466)
DAEWOO INTERNATIONAL SHANGHAI WAIGAOQIAO CO., LTD.	22,354	343
PT. Bio Inti Agrindo		(1,486)
POSCO ENGINEERING AND CONSTRUCTION AUSTRALIA (POSCO E&C AUSTRALIA) PTY LTD		(237)
POSCO-TISCO (JILIN) PROCESSING CENTER Co., Ltd.		(375)
Hunchun Posco Hyundai International Logistics Complex Development Co., Ltd		(229)
USA-SRDC		
Daewoo International Vietnam Co., Ltd.		

F-24

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

2) December 31, 2012

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

Edgar Filing: POSCO - Form 20-F

Gunsan SPFC Co., Ltd.	61,683	41,606	20,077	70,443	(692)
Pohang Scrap Recycling Distribution Center Co., Ltd.	19,435	3,207	16,228	5,657	1,270
PSC Energy Global Co., Ltd.	61,168		61,168		(3,060)
Suncheon Eco Trans Co., Ltd	49,496	27,118	22,378		(251)
Reco Metal Co., Ltd.	32,959	35,547	(2,588)	42,482	(4,736)
New Altec Co., Ltd	126,527	28,488	98,039	95,474	1,376
PONUtech Co., Ltd.	133,854	97,105	36,749	53,662	(5,825)
BLUE O&M Co., Ltd.	900	21	879	232	(110)
Tamra Offshore Wind Power Co., Ltd	20,074	2	20,072		(56)

F-25

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Company	Assets	Liabilities	Equity (deficit) (in millions of Won)	Sales	Net income (loss)
POS-HIAL	47,314	32,852	14,462		(1,158)
MCM Korea	50		50		
Tancheonene Co., Ltd [Foreign]	5,606	17	5,589		(165)
POSCO America Corporation	510,392	333,246	177,146	803,368	(1,338)
POSCO AUSTRALIA PTY LTD	1,195,398	477,894	717,504	118,874	23,634
POSCO Canada Ltd.	555,972	47,925	508,047	205,885	62,584
POSCO Asia Co., Ltd.	586,971	550,913	36,058	2,616,390	2,148
Dalian POSCO Steel Co., Ltd.	29,078	47,280	(18,202)	18,615	(9,958)
POSCO-CTPC Co., Ltd.	82,206	50,391	31,815	132,510	1,481
POSCO-JKPC Co., Ltd.	79,788	61,793	17,995	115,531	3,108
INTERNATIONAL BUSINESS CENTER CORPORATION	81,465	46,210	35,255	25,340	10,987
POSCO E&C Vietnam Co., Ltd.	127,161	102,831	24,330	187,325	14,331
Zhangjiagang Pohang Stainless Steel Co., Ltd.	1,340,336	867,576	472,760	2,786,474	(79,016)
POSCO (Guangdong) Steel Co., Ltd.	141,727	102,418	39,309	221,738	(20,980)
POSCO (Thailand) Company Limited	155,836	110,059	45,777	255,611	5,611
Myanmar POSCO Steel Co., Ltd	23,699	7,810	15,889	19,484	2,569
POSCO-JOPC Co., Ltd.	78,402	73,817	4,585	114,432	647
POSCO Investment Co., Ltd.	718,078	621,268	96,810	13,461	6,000
POSCO-MKPC SDN BHD	159,191	111,749	47,442	232,088	107
Qingdao Pohang Stainless Steel Co., Ltd.	206,941	117,753	89,188	514,354	(17,445)
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	284,046	195,684	88,362	407,513	8,425
POSCO BIOVENTURES I, L.P.	7,571		7,571		(1,301)
PT. POSNESIA Stainless Steel Industry	14,978	1,926	13,052		(55)
POSEC Hawaii, Inc.	350	2	348		(35)
POSCO-China Qingdao Processing Center Co., Ltd.	47,351	33,119	14,232	111,017	(623)
POS-ORE PTY LTD	59,784	11,043	48,741	163,407	75,389
POSCO-China Holding Corp.	438,538	184,127	254,411	138,067	3,055
POSCO JAPAN Co., Ltd.	852,406	735,583	116,823	1,659,045	16,218
POS-CD PTY LTD	68,681	17,931	50,750	12,869	(9,603)
POS-GC PTY LTD	83,998	49,598	34,400	20,160	(10,905)
POSCO-India Private Limited	131,409	306	131,103		(768)
POSCO-India Pune Processing Center. Pvt. Ltd.	179,112	164,386	14,726	252,296	(6,061)
POSCO-JEPC Co., Ltd.	221,086	200,769	20,317	351,377	4,769
POSCO-CFPC Co., Ltd.	218,881	177,426	41,455	515,773	727
POSCO E&C CHINA Co., Ltd.	145,448	101,733	43,715	169,956	8,459
POSCO MPPC S.A. de C.V.	204,770	178,108	26,662	359,768	(7,137)
Zhangjiagang Pohang Port Co., Ltd.	23,889	9,070	14,819	6,542	255
Qingdao Pos-metal Co., Ltd.	10,429	9,628	801	59,165	(1,313)
POSCO-VIETNAM Co., Ltd.	572,453	539,426	33,027	805,214	(46,619)
POSCO MEXICO S.A. DE C.V.	772,518	538,907	233,611	430,986	(12,354)
POSCO India Delhi Steel Processing Centre Private Limited	100,153	81,218	18,935	142,038	977
POSCO-Poland Wroclaw Processing Center Sp. z o. o.	56,394	37,399	18,995	97,381	5,875
POS-NP PTY LTD	62,868	26,259	36,609	28,872	(4,363)

Edgar Filing: POSCO - Form 20-F

POSCO-Vietnam Processing Center Co., Ltd.	64,551	39,418	25,133	137,641	58
POSCO (Chongqing) Automotive Processing Center Co., Ltd.	63,038	54,523	8,515	93,615	(729)
SUZHOU POSCO-CORE TECHNOLOGY CO., LTD.	52,746	29,180	23,566	83,910	(1,055)
POSCO-Malaysia SDN. BHD.	74,431	96,028	(21,597)	153,122	1,529

F-26

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Company	Assets	Liabilities	Equity (deficit) (in millions of Won)	Sales	Net income (loss)
POS-Minerals Corporation	213,365	108,246	105,119		(496)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	62,067	39,958	22,109	86,998	(363)
POSCO Engineering and Construction India Private Limited	33,536	26,578	6,958	56,037	2,990
POSCO E&C SMART S DE RL DE CV	12,607	10,693	1,914	41,717	1,326
POSCO Philippine Manila Processing Center, Inc.	23,737	14,091	9,646	35,897	673
POSCO Gulf SFC LLC	41,150	33,676	7,474	24,891	(3,297)
Dalian POSCO ICT-DONGFANG Engineering Co., Ltd.	6,358	1,418	4,940	5,109	270
SANPU TRADING Co., Ltd.	1,753	2	1,751	86	21
Zhangjiagang BLZ Pohang International Trading	9,150	4,408	4,742	61,529	192
POSCO MEXICO HUMAN TECH S.A. de C.V.	693	708	(15)	6,777	(148)
POSCO MESDC S.A. DE C.V.	12,860	717	12,143	5,654	287
POSCO ICT-China	1,922	1,286	636	6,528	227
DWEMEX, S.A.DE.C.V.	211	19	192		29
POSCO MPC Servicios S.A. de C.V.	925	697	228	6,077	62
POSCO-Uruguay S.A	24,835	226	24,609	3	(1,842)
Pos-Sea Pte Ltd	9,571	7,126	2,445	90,158	556
POSCO Europe Steel Distribution Center	7,270	1,460	5,810	13,054	399
VECTUS LIMITED	2,859	12,164	(9,305)	3,365	(7,325)
POSCO VST CO., LTD.	405,882	353,058	52,824	348,339	(30,977)
POSCO Maharashtra Steel Private Limited	942,982	754,791	188,191	97,948	(41,512)
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	129,030	119,375	9,655	187,797	1,453
POSCO TNPC Otomotiv Celik San. Ve Tic. A.S	51,139	40,429	10,710	53,246	1,841
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	46,382	40,764	5,618	72,321	(1,232)
POSCO (Liaoning) Automotive Processing Center Co., Ltd.	71,502	48,643	22,859	114,046	1,143
POSCO-Indonesia Jakarta Processing Center	79,711	57,569	22,142	76,506	(1,402)
POSCO E&C VENEZUELA C.A.	128		128		
Motta Resources Indonesia	8,148	15,508	(7,360)	1,109	(1,603)
POSCO TMC INDIA PRIVATE LIMITED	9,004	6,823	2,181	17,192	(45)
POSCO America Alabama Processing Center Co., Ltd.	49,178	37,475	11,703	109,454	(397)
PT PEN INDONESIA	6,960	6,936	24	15,296	(101)
POSCO (Yantai) Automotive Processing Center Co., Ltd.	35,773	20,063	15,710	57,464	442
POSCO India Steel Distribution Center Private Ltd.	4,759	2,698	2,061	57	(72)
POSCO China Dalian Plate Processing Center Co., Ltd.	86,264	55,531	30,733	37,501	(7,020)
POSCO-South Asia Company Limited	13,212	183	13,029	8,354	72
POSCO SS-VINA	156,811	4,050	152,761		(2,602)
POSCO WA PTY LTD	235,224	51	235,173		(39,181)
POSCO Engineering and Construction UZ	8,589	7,968	621	1,076	334
POSCO AUSTRALIA GP PTY LIMITED	62,768	4	62,764		(67,392)
Daewoo International (America) Corp.	332,620	288,716	43,904	1,040,183	4,767
Daewoo International (Deutschland) GmbH.	104,259	94,087	10,172	324,061	739

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Company	Assets	Liabilities	Equity (deficit) (in millions of Won)	Sales	Net income (loss)
Daewoo International Japan Corp.	236,056	228,631	7,425	749,714	273
DAEWOO INTERNATIONAL SINGAPORE PTE. LTD.	80,294	75,966	4,328	708,613	13
Daewoo Italia S.r.l.	103,710	99,911	3,799	262,784	383
Daewoo (China) Co., Ltd.	56,225	9,614	46,611	118,971	683
DAEWOO TEXTILE FERGANA LLC	86,781	65,730	21,051	127,432	9,214
DAEWOO TEXTILE BUKHARA LLC	54,780	40,581	14,199	44,382	2,615
DAEWOO INTERNATIONAL AUSTRALIA HOLDINGS PTY LTD	154,829	26,482	128,347	7,539	(3,464)
Daewoo Paper Manufacturing Co., Ltd.	70,572	70,339	233	69,880	(4,132)
Tianjin Daewoo Paper Manufacturing Co., Ltd.	13,739	31,105	(17,366)		
POSCO MAURITIUS LIMITED	23,316	2	23,314		(15)
PT. KRAKATAU POSCO	1,912,134	969,415	942,719		(29,063)
Myanmar Daewoo Limited	5,671	3	5,668	1,305	473
DAEWOO INTERNATIONAL MEXICO S.A. DE C.V.	80,432	75,226	5,206	262,230	1,412
Daewoo International Guangzhou Corp.	18,292	14,120	4,172	66,808	(4,854)
DAEWOO STC VINA LTD.	1,736	89	1,647	1,856	96
POSCO (Zhangjiagang) STS Processing Center Co., Ltd	114,433	102,240	12,193	265,850	519
Daewoo International (M) SDN BHD	9,145	6,689	2,456	37,244	213
Daewoo International SHANGHAI CO., LTD.	38,374	30,621	7,753	63,039	(2,746)
PGSF, L.P.	5,669	2	5,667		731
Xenesis Inc.	10,162	1,404	8,758	4,302	(1,083)
Daewoo International INDIA Private Ltd.	2,279	272	2,007	2,382	223
TECHREN Solar, LLC	6,015		6,015		(2,486)
PT. POSCO E&C INDONESIA	100,543	78,852	21,691	247,331	20,302
HUME COAL PTY LTD	36,681	1,194	35,487	48	(210)
POSCO FOUNDATION	187	2	185		(4)
EPC EQUITIES LLP	36,602	36,636	(34)		(141)
SANTOS CMI CONSTRUCTION TRADING LLP	39,148	30,527	8,621	15,299	8,963
SANTOS CMI INC. USA	43,496	47,350	(3,854)	60,152	(5,013)
SANTOS CMI ENGENHARIA E CONSTRUÇOES LTDA	9,338	17,629	(8,291)	20,029	(17,431)
SANTOS CMI PERU S.A.	19,937	39,932	(19,995)	69,415	(26,391)
SANTOS CMI COSTA RICA S.A.	10,720	10,469	251		(99)
SANTOS CMI CONSTRUCCIONES S.A.	18	7	11		(25)
GENTECH INTERNATIONAL INC.	1,972	1,568	404	1,008	227
EPC INVESTMENTS C.V.	107	24	83		(8)
INGENIERÍA Y CONSTRUCCIÓN HOLLANDCO S.A.	103	4	99		(6)
ASESORÍA Y SERVICIOS EPC S.A.	891	468	423	1,691	250
SANTOS CMI S.A.	58,219	44,584	13,635	46,738	1,737
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	9,533	3,608	5,925	1,608	178
S&K-SANTOS CMI S.A. DE C.V.	84	149	(65)	335	(158)
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.	8,648	6,018	2,630	16,926	465
VAUTIDAMERICAS S.A.	4,866	2,217	2,649	1,445	(451)
SANTOS CMI CONSTRUCTION ARGENTINA S.A.	58	24	34		4
POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA.	343,882	322,576	21,306	59,862	11,470
POSCO Electrical Steel India Private Limited	132,529	94,046	38,483		(1,343)

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Company	Assets	Liabilities	Equity (deficit) (in millions of Won)	Sales	Net income (loss)
Daewoo International Cameroon S.A.	2,064	25	2,039		
POSCO ASSAN TST STEEL INDUSTRY	377,066	230,778	146,288		1,072
HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	147,685	172,085	(24,400)		(21,103)
DAESAN (CAMBODIA) Co., Ltd.	27,979	33,111	(5,132)		(18)
Brazil Sao Paulo Steel Processing Center	39,794	23,210	16,584	4,863	(1,634)
POSCO (Dalian) IT Center Development Co., Ltd.	176,026	37,908	138,118		(4,691)
PT. POSCO RESOURCES INDONESIA	2,448	48	2,400		(1,147)
PT. POSCO ICT INDONESIA	3,624	3,185	439	4,335	(324)
PT. POSCO MTECH INDONESIA	11,577	6,620	4,957	9,631	(34)
PT. KRAKATAU POSCO ENERGY	143,452	55,475	87,977		(949)
POSCO RUS LLC	12,384	8,324	4,060	4,260	505
POSCO Thainox Public Company Limited	473,048	153,836	319,212	502,041	(5,532)
DAEWOO INTERNATIONAL SHANGHAI WAIGAOQIAO CO., LTD.	11,003	10,241	762	161,675	255
PT. Bio Inti Agrindo	35,514	21,447	14,067	404	828
POSCO ENGINEERING AND CONSTRUCTION AUSTRALIA (POSCO E&C AUSTRALIA) PTY LTD	35,552	34,986	566	52,143	836
POSCO-TISCO (JILIN) PROCESSING CENTER Co., Ltd.	26,258	9,203	17,055	1,497	(514)
Hunchun Posco Hyundai International Logistics Complex Development Co., Ltd	46,923	8	46,915		(829)
USA-SRDC	311	21	290		
Daewoo International Vietnam Co., Ltd.	4,453	149	4,304	2,096	14
PT. Krakatau Posco Chemtech Calcination	23,217	1,279	21,938		(722)
POSCO AFRICA (PROPRIETARY) LIMITED	3,580	112	3,468		(1,509)
EPC INGENIERIA & SERVICIOS DE COSTA RICA SA	1,497	1,553	(56)	1,973	(73)
POSCO ICT BRASIL	1,983	1,471	512		(336)
LA-SRDC	1,274	758	516	5,128	62
DONG FANG JIN HONG PRODUCTOS OFERTAS SISTEMAS Y COMERCIALIZADORA ORIENTAL S DE RL DE CV	267,838	97,208	170,630		(1,233)
POSCO AMERICA COMERCIALIZADORA S DE RL DE CV	177	175	2	168	2
POSCO (Guangdong) Automotive Steel Co., Ltd.	309	649	(340)	339	(408)
POSCO MAPC SA DE CV	351,910	203,033	148,877	1,061	(9,197)
	6,427		6,427		

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

3) December 31, 2013

Company	Assets	Liabilities	Equity (deficit) (in millions of Won)	Sales	Net income (loss)
[Domestic]					
POSCO ENGINEERING & CONSTRUCTION, LTD.	6,853,318	3,885,127	2,968,191	8,028,269	98,714
POSCO Processing & Service	1,061,686	367,791	693,895	2,745,727	35,941
POSCO COATED & COLOR STEEL Co., Ltd.	449,661	280,097	169,564	821,183	(5,173)
POSCO ICT	733,968	327,728	406,240	1,050,747	33,796
POSCO Research Institute	36,841	10,051	26,790	58,519	1,167
POSMATE	214,286	56,247	158,039	118,489	8,501
POSCO A&C	98,502	56,578	41,924	154,053	(6,076)
POSCO Specialty Steel Co., Ltd.	1,792,904	533,797	1,259,107	1,316,781	31,703
POSTECH Venture Capital Co., Ltd.	118,603	11,186	107,417	11,506	3,506
eNtoB Corporation	89,371	56,789	32,582	648,761	1,414
POSCO CHEMTECH	588,671	139,399	449,272	1,280,591	59,953
POSCO-Terminal Co., Ltd.	134,787	9,443	125,344	104,586	22,152
POSCO M-TECH	346,577	193,375	153,202	902,541	(10,649)
POSCO ENERGY CO., LTD.	4,022,984	2,433,704	1,589,280	2,901,117	143,976
POSCO TMC Co., Ltd.	209,745	117,890	91,855	319,580	447
POSCO NIPPON STEEL RHF JOINT VENTURE CO., Ltd.	139,612	92,134	47,478	56,789	2,601
MegaAsset Co., Ltd.	136,387	87,750	48,637	83,809	183
POSCO Engineering CO., Ltd	608,624	435,380	173,244	1,013,115	10,286
POSCO AST	508,189	354,591	153,598	611,458	(3,006)
POSHIMETAL Co., Ltd.	359,240	350,158	9,082	179,550	(12,109)
Poscoene	22,447	91	22,356		66
POSFINE Co., Ltd.	58,252	44,852	13,400	28,974	1,560
POSCO Humans	13,691	4,179	9,512	33,116	286
Mapo Hibroad Parking co., Ltd.	1,544	300	1,244		(36)
Steel Processing and Fabricating Center Co., LTD	169,437	136,488	32,949	194,018	(2,558)
Plant Engineering service Technology Co., Ltd.	6,754	2,970	3,784	10,731	1,385
Busan E&E Co., Ltd.	113,287	73,609	39,678	136,279	(1,820)
POSCO Family Strategy Fund	61,033	7	61,026	1,082	(5,298)
POREKA Co., Ltd.	19,403	15,468	3,935	23,961	69
Daewoo International Corporation	7,739,676	5,524,030	2,215,646	16,601,358	132,541
POSCO LED Co., Ltd.	57,561	50,419	7,142	60,693	(7,029)
Pohang Scrap Recycling Distribution Center Co., Ltd.	17,072	511	16,561	5,530	734
PSC Energy Global Co., Ltd.	96,058		96,058		(13,890)
Suncheon Eco Trans Co., Ltd	67,768	46,467	21,301		(1,065)
New Altec Co., Ltd	131,244	34,473	96,771	81,318	(1,366)
PONUtech Co., Ltd.	117,033	80,881	36,152	56,151	(560)
Tamra Offshore Wind Power Co., Ltd	26,728		26,728		(12)
POS-HIAL	59,836	43,460	16,376		(2,521)
IT Engineering	7,026	3,349	3,677	11,293	133

Edgar Filing: POSCO - Form 20-F

[Foreign]					
POSCO America Corporation	360,278	307,874	52,404	737,584	(126,699)
POSCO AUSTRALIA PTY LTD	971,471	328,455	643,016	117,481	74,784
POSCO Canada Ltd.	589,015	100,337	488,678	143,485	48,611
POSCO Asia Co., Ltd.	760,306	721,090	39,216	2,861,848	3,829
POSCO-CTPC Co., Ltd.	87,914	51,514	36,400	127,558	4,526
POSCO-JKPC Co., Ltd.	66,374	50,347	16,027	107,220	1,717
INTERNATIONAL BUSINESS CENTER CORPORATION	75,459	41,476	33,983	24,275	9,894

F-30

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Company	Assets	Liabilities	Equity (deficit) (in millions of Won)	Sales	Net income (loss)
POSCO E&C Vietnam Co., Ltd.	263,042	214,573	48,469	363,321	25,364
Zhangjiagang Pohang Stainless Steel Co., Ltd.	1,305,878	806,051	499,827	2,935,626	21,467
POSCO (Guangdong) Steel Co., Ltd.	128,859	84,435	44,424	211,606	4,715
POSCO (Thailand) Company Limited	119,445	76,044	43,401	220,471	1,471
Myanmar POSCO Steel Co., Ltd.	19,884	3,318	16,566	14,001	932
POSCO-JOPC Co., Ltd.	54,026	49,524	4,502	97,003	906
POSCO Investment Co., Ltd.	802,503	702,337	100,166	13,962	4,949
POSCO-MKPC SDN BHD	136,957	92,539	44,418	211,330	1,058
Qingdao Pohang Stainless Steel Co., Ltd.	191,829	100,902	90,927	396,564	1,783
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	300,725	187,070	113,655	458,113	22,798
POSCO BIOVENTURES I, L.P.	7,255		7,255		(206)
PT. POSNESIA Stainless Steel Industry	11,568		11,568		(1,340)
POSEC Hawaii, Inc.	314	7	307		(38)
POSCO-China Qingdao Processing Center Co., Ltd.	54,609	40,042	14,567	108,054	155
POS-ORE PTY LTD	43,442	2,642	40,800	130,819	72,845
POSCO-China Holding Corp.	360,809	108,315	252,494	145,469	(21,932)
POSCO JAPAN Co., Ltd.	756,571	649,824	106,747	1,379,727	11,868
POS-CD PTY LTD	55,347	14,354	40,993	22,178	(2,173)
POS-GC PTY LTD	55,150	45,074	10,076	8,411	(21,444)
POSCO-India Private Limited	115,183	311	114,872		620
POSCO-India Pune Processing Center. Pvt. Ltd.	143,286	139,149	4,137	266,832	(9,619)
POSCO-JEPC Co., Ltd.	165,310	147,355	17,955	299,848	1,780
POSCO-CFPC Co., Ltd.	180,275	136,369	43,906	619,308	1,962
POSCO E&C CHINA Co., Ltd.	307,625	250,899	56,726	238,999	12,733
POSCO MPPC S.A. de C.V.	198,465	168,548	29,917	352,952	(3,433)
Zhangjiagang Pohang Port Co., Ltd.	22,495	6,736	15,759	6,712	768
Qingdao Pos-metal Co., Ltd.	5,947	6,481	(534)	50,774	(1,376)
POSCO-VIETNAM Co., Ltd.	541,348	509,293	32,055	714,841	(503)
POSCO MEXICO S.A. DE C.V.	794,853	594,916	199,937	359,422	(32,287)
POSCO India Delhi Steel Processing Centre Private Limited	91,704	83,949	7,755	145,625	(9,685)
POSCO-Poland Wroclaw Processing Center Sp. z o. o.	41,003	20,860	20,143	66,597	978
POS-NP PTY LTD	56,343	25,704	30,639	21,429	(364)
POSCO-Vietnam Processing Center Co., Ltd.	84,133	58,435	25,698	132,608	1,299
POSCO (Chongqing) Automotive Processing Center Co., Ltd.	67,049	52,512	14,537	115,253	5,634
SUZHOU POSCO-CORE TECHNOLOGY CO., LTD.	60,707	36,249	24,458	86,400	324
POSCO-Malaysia SDN. BHD.	82,648	104,940	(22,292)	124,556	(2,730)
POS-Minerals Corporation	217,664	119,701	97,963		(5,815)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	69,625	44,536	25,089	113,011	2,758
POSCO Engineering and Construction India Private Limited	18,098	11,083	7,015	76,805	1,034
POSCO E&C SMART S DE RL DE CV	20,993	17,054	3,939	21,562	2,194
POSCO Philippine Manila Processing Center, Inc.	29,045	19,037	10,008	32,582	726
POSCO Gulf SFC LLC	53,831	48,441	5,390	23,585	(1,951)
Dalian POSCO ICT-DONGFANG Engineering Co., Ltd.	7,630	5,037	2,593	7,564	318
SANPU TRADING Co., Ltd.	1,806	3	1,803	70	24

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Company	Assets	Liabilities	Equity (deficit) (in millions of Won)	Sales	Net income (loss)
Zhangjiagang BLZ Pohang International Trading	10,036	5,050	4,986	52,649	187
POSCO MEXICO HUMAN TECH S.A. de C.V.	1,035	908	127	9,267	101
POSCO MESDC S.A. DE C.V.	12,574	491	12,083	4,784	203
POSCO ICT-China	2,566	1,742	824	6,957	163
DWEMEX, S.A. DE. C.V.	183	19	164		(12)
POSCO MPC Servicios S.A. de C.V.	1,152	875	277	6,591	57
POSCO-Uruguay S.A	22,805	120	22,685	1	(891)
Pos-Sea Pte Ltd	12,724	9,855	2,869	122,439	675
POSCO Europe Steel Distribution Center	7,564	1,205	6,359	13,769	458
POSCO ENGINEERING (THAILAND) CO., LTD.	21,082	20,357	725	23,492	741
VECTUS LIMITED	954	15,565	(14,611)	5,240	(5,155)
POSCO VST CO., LTD.	399,242	371,409	27,833	377,478	(24,136)
POSCO Maharashtra Steel Private Limited	942,836	832,247	110,589	224,385	(111,675)
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	93,623	89,043	4,580	183,304	(4,247)
POSCO TNPC Otomotiv Celik San. Ve Tic. A.S	41,597	34,336	7,261	64,185	(1,923)
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	56,855	50,358	6,497	110,108	995
POSCO (Liaoning) Automotive Processing Center Co., Ltd.	73,083	46,710	26,373	113,971	3,297
POSCO-Indonesia Jakarta Processing Center	106,838	89,768	17,070	80,534	(5,110)
POSCO E&C VENEZUELA C.A.	126		126		
Motta Resources Indonesia	4,264	18,259	(13,995)		(5,522)
POSCO TMC INDIA PRIVATE LIMITED	9,095	7,211	1,884	18,376	(29)
POSCO America Alabama Processing Center Co., Ltd.	46,816	34,958	11,858	107,780	339
PT PEN INDONESIA	4,681	3,707	974	20,037	(1,289)
POSCO (Yantai) Automotive Processing Center Co., Ltd.	45,863	27,874	17,989	64,784	2,124
POSCO India Steel Distribution Center Private Ltd.	6,063	4,413	1,650	5,526	(144)
POSCO China Dalian Plate Processing Center Co., Ltd.	88,337	67,680	20,657	29,843	(10,876)
POSCO-South Asia Company Limited	13,061	235	12,826	10,214	1,049
POSCO SS-VINA	505,785	264,716	241,069		(1,586)
POSCO WA PTY LTD	317,250	38	317,212		(6,338)
POSCO Engineering and Construction UZ	3,964	3,039	925	2,690	406
POSCO AUSTRALIA GP PTY LIMITED	38,786	4	38,782		(18,523)
POSCO YongXin Rare Earth Metal Co., Ltd.	23,925	33,715	(9,790)	3,962	(9,194)
Daewoo International (America) Corp.	417,955	372,011	45,944	1,046,283	2,788
Daewoo International (Deutschland) GmbH.	148,268	137,035	11,233	308,507	772
Daewoo International Japan Corp.	190,524	184,329	6,195	588,810	240

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Company	Assets	Liabilities	Equity (deficit) (in millions of Won)	Sales	Net income (loss)
DAEWOO INTERNATIONAL SINGAPORE PTE. LTD.	125,927	122,160	3,767	659,805	(516)
Daewoo Italia S.r.l.	59,839	54,973	4,866	277,455	959
Daewoo (China) Co., Ltd.	84,004	36,556	47,448	250,006	244
DAEWOO TEXTILE FERGANA LLC	85,758	57,733	28,025	117,548	8,237
DAEWOO TEXTILE BUKHARA LLC	51,071	33,520	17,551	47,896	3,695
DAEWOO INTERNATIONAL AUSTRALIA HOLDINGS PTY LTD	134,238	27,044	107,194	21,629	(1,525)
Daewoo Paper Manufacturing Co., Ltd.	69,020	72,745	(3,725)	61,163	(4,052)
Tianjin Daewoo Paper Manufacturing Co., Ltd.	13,916	31,505	(17,589)		
POSCO MAURITIUS LIMITED	24,071	5	24,066		(22)
PT. KRAKATAU POSCO	3,410,502	2,437,868	972,634		(41,921)
Myanmar Daewoo Limited	181	8	173	1,075	564
DAEWOO INTERNATIONAL MEXICO S.A. DE C.V.	46,695	40,563	6,132	170,951	1,098
Daewoo International Guangzhou Corp.	9,668	9,077	591	54,403	(3,718)
POSCO (Zhangjiagang) STS Processing Center Co., Ltd	63,729	50,653	13,076	350,000	743
Daewoo International (M) SDN BHD	28,161	25,865	2,296	87,881	61
Daewoo International SHANGHAI CO., LTD.	66,677	58,754	7,923	44,490	73
PGSF, L.P.	7,464	2	7,462		1,948
Xenesys Inc.	7,996	2,337	5,659	3,877	(1,558)
Daewoo International INDIA Private Ltd.	4,771	3,008	1,763	18,805	43
TECHREN Solar, LLC	1,373	528	845		(8,531)
PT. POSCO E&C INDONESIA	54,139	44,327	9,812	217,879	17,145
HUME COAL PTY LTD	40,634	259	40,375	110	(282)
POSCO FOUNDATION	161		161		(1)
EPC EQUITIES LLP	59,500	60,378	(878)	(1,592)	516
SANTOS CMI CONSTRUCTION TRADING LLP	35,562	37,836	(2,274)		(11,991)
SANTOS CMI INC. USA	28,780	27,425	1,355	36,385	8,777
SANTOS CMI ENGENHARIA E CONSTRUCOES LTDA	12,997	17,017	(4,020)	15,907	3,474
SANTOS CMI PERU S.A.	6,590	30,761	(24,171)	13,187	(16,510)
SANTOS CMI CONSTRUCCIONES S.A.	26	14	12	17	3
GENTECH INTERNATIONAL INC.	981	323	658	1,901	293
EPC INVESTMENTS C.V.		24	(24)		(11)
SANTOS CMI S.A.	39,513	24,918	14,595	87,597	907
SANTOS CMI CONSTRUCCIONES DE CHILE S.A.	6,159	270	5,889	1,833	191
S&K-SANTOS CMI S.A. DE C.V.	55	169	(114)	468	(54)
COMPANIA DE AUTOMATIZACION & CONTROL, GENESYS S.A.	10,872	7,530	3,342	19,350	754
VAUTIDAMERICAS S.A.	4,559	2,757	1,802	2,020	(839)
POSCO ASSAN TST STEEL INDUSTRY	622,336	527,955	94,381	122,071	(51,312)
HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	146,186	168,589	(22,403)		1,881
POSCO ENGINEERING & CONSTRUCTION DO BRAZIL LTDA.	261,738	234,275	27,463	122,020	8,683

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Company	Assets	Liabilities	Equity (deficit) (in millions of Won)	Sales	Net income (loss)
POSCO Electrical Steel India Private Limited	141,462	109,955	31,507	1,769	(12,645)
Daewoo International Cameroon S.A.	3,060	36	3,024		
DAESAN (CAMBODIA) Co., Ltd.	27,556	32,635	(5,079)		(24)
Brazil Sao Paulo Steel Processing Center	65,191	58,010	7,181	32,155	(7,930)
POSCO(Dalian) IT Center Development Co., Ltd.	235,918	99,127	136,791		(3,174)
PT. POSCO RESOURCES INDONESIA	1,089	60	1,029		(1,024)
PT. POSCO ICT INDONESIA	9,106	8,674	432	24,975	116
PT. POSCO MTECH INDONESIA	15,502	12,477	3,025	3,882	(2,207)
PT. KRAKATAU POSCO ENERGY	275,011	189,242	85,769		(945)
POSCO RUS LLC	17,301	14,256	3,045	2,052	(702)
POSCO Thainox Public Company Limited	398,449	114,365	284,084	403,382	(10,166)
DAEWOO INTERNATIONAL SHANGHAI WAIGAOQIAO CO., LTD.	26,123	25,310	813	109,757	43
PT. Bio Inti Agrindo	48,986	33,525	15,461	880	399
POSCO ENGINEERING AND CONSTRUCTION AUSTRALIA (POSCO E&C AUSTRALIA) PTY LTD	5,285	3,270	2,015	19,369	(3,567)
POSCO-TISCO (JILIN) PROCESSING CENTER Co., Ltd.	72,832	56,324	16,508	71,052	(790)
Hunchun Posco Hyundai International Logistics Complex Development Co., Ltd	58,355	26	58,329		369
USA-SRDC	411	5	406		140
Daewoo International Vietnam Co., Ltd.	4,031	123	3,908	3,537	(271)
PT. Krakatau Posco Chemtech Calcination	53,317	32,970	20,347	107	(1,694)
POSCO AFRICA (PROPRIETARY) LIMITED	44,885	31	44,854	129	5,592
EPC INGENIERIA & SERVICIOS DE COSTA RICA SA	5,101	1,266	3,835	6,519	4,016
POSCO ICT BRASIL	3,944	4,371	(427)	829	(983)
LA-SRDC	1,373	725	648	6,276	144
DONG FANG JIN HONG	365,795	194,786	171,009		(1,856)
PRODUCTOS OFERTAS SISTEMAS Y COMERCIALIZADORA ORIENTAL S DE RL DE CV	127	125	2	531	
POSCO AMERICA COMERCIALIZADORA S DE RL DE CV	13,000	14,424	(1,424)	15,401	(1,160)
POSCO (Guangdong) Automotive Steel Co., Ltd.	402,115	277,747	124,368	141,877	(27,026)
POSCO MAPC SA DE CV	40,278	20,320	19,958	14,492	(1,186)
POSCO-Mory-Maruyasu PIPE	7,879	3,612	4,267	9	(371)
PT KRAKATAU BLUE WATER	592	285	307	337	20
KRAKATAU POS-CHEM DONG-SUH CHEMICAL	14,853	6,395	8,458		(768)
Myanmar Daewoo International Corporation	5,709	4	5,705	629	447
POSCO-Italy Processing Center	53,683	47,700	5,983	6,541	(1,732)

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Company	Assets	Liabilities	Equity (deficit) (in millions of Won)	Sales	Net income (loss)
DAEWOO E&P CANADA CORPORATION	16,584	8,606	7,978	912	215
Yingkou Puxiang Trade Co., Ltd.	421	73	348	473	60
Myanmar POSCO C&C Company, Limited.	6,611	279	6,332		
POSCO ICT VIETNAM	1,659	982	677	498	194
Daewoo Global Development. Pte., Ltd	26,378	202	26,176		(214)
Myanmar POSCO Engineering & Construction Company, Limited.	1,052		1,052		(3)
POSCO COATED STEEL (THAILAND) CO., LTD	5,874		5,874		

(d) Details of non-controlling interest as of December 31, 2012 and 2013 are as follows :

1) December 31, 2012

Company	Daewoo International Corporation	PT. KRAKATAU POSCO	POSCO Specialty Steel Co., Ltd.	POSCO ENGINEERING & CONSTRUCTION CO., LTD. (in millions of Won)	POSCO ENERGY Co., Ltd.	Others	Total
Current assets	4,142,307	165,929	420,353	6,239,531	804,453	9,153,256	20,925,829
Non-current assets	5,553,655	1,746,193	897,110	966,467	2,363,485	7,957,323	19,484,233
Current liabilities	(3,569,545)	(175,718)	(389,757)	(4,227,440)	(691,825)	(8,706,504)	(17,760,789)
Non-current liabilities	(1,739,130)	(793,686)	(95,357)	(944,170)	(1,688,581)	(2,385,111)	(7,646,035)
Equity	4,387,287	942,718	832,349	2,034,388	787,532	6,018,964	15,003,238
Non-controlling interests	1,741,207	282,815	43,785	213,094	86,435	1,308,989	3,676,325
Sales	16,996,730		1,405,667	7,041,300	2,805,208	25,029,616	53,278,521
Profit for the period	(143,667)	(29,063)	69,078	278,566	174,539	(108,430)	241,023
Profit (loss) attributable to non-controlling interests	(57,018)	(8,719)	3,634	29,179	19,156	(13,733)	(27,501)
Cash flows from operating activities	254,061	(20,775)	8,376	(16,465)	50,179	56,375	331,751
Cash flows from investing activities	265,091	(287,476)	(2,394)	(29,694)	(62,721)	(409,440)	(526,634)
Cash flows from financing activities (before dividends to non-controlling interest)	(541,778)	273,209	(3,071)	20,832	11,235	341,974	102,400
Dividend to non-controlling interest	(8,190)		(1,597)	(686)		(5,098)	(15,571)
Effect of exchange rate fluctuation on cash held	(74)	(2,306)		(256)		(15,191)	(17,827)
Net increase in cash and cash equivalents	(30,891)	(37,348)	1,314	(26,269)	(1,307)	(31,380)	(125,881)

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

2) December 31, 2013

Company	Daewoo International Corporation	PT. KRAKATAU POSCO	POSCO Specialty Steel Co., Ltd.	POSCO ENGINEERING & CONSTRUCTION CO., LTD. (in millions of Won)	POSCO ENERGY Co., Ltd.	Others	Total
Current assets	4,313,678	427,029	633,583	5,071,247	697,234	9,773,753	20,916,524
Non-current assets	6,110,630	3,019,191	879,536	1,062,166	3,115,599	8,538,325	22,725,447
Current liabilities	(4,258,245)	(611,434)	(269,749)	(3,515,803)	(674,370)	(8,990,091)	(18,319,692)
Non-current liabilities	(1,835,835)	(1,862,078)	(264,596)	(478,070)	(1,760,156)	(3,038,981)	(9,239,716)
Equity	4,330,228	972,708	978,774	2,139,540	1,378,307	6,283,006	16,082,563
Non-controlling interests	1,718,562	291,812	273,143	224,108	151,274	1,451,734	4,110,633
Sales	16,838,559		1,316,781	8,036,752	2,901,117	25,405,268	54,498,477
Profit for the period	42,312	(41,844)	31,749	144,888	146,419	(143,940)	179,584
Profit (loss) attributable to non-controlling interests	16,793	(12,553)	8,860	15,176	16,070	(15,634)	28,712
Cash flows from operating activities	(67,785)	(50,209)	18,721	40,815	32,174	23,342	(2,942)
Cash flows from investing activities	(123,609)	(405,186)	(54,152)	(15,888)	(94,741)	(337,253)	(1,030,829)
Cash flows from financing activities (before dividends to non-controlling interest)	156,326	467,617	80,213	(29,059)	62,273	375,947	1,113,317
Dividend to non-controlling interest	(13,558)		(2,217)	(2,885)		(9,125)	(27,785)
Effect of exchange rate fluctuation on cash held	(114)	(560)		(360)		(9,036)	(10,070)
Net increase in cash and cash equivalents	(48,740)	11,662	42,565	(7,377)	(294)	43,875	41,691

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(e) Details of associates and joint ventures

1) Associates

Details of associates as of December 31, 2012 and 2013 are as follows:

Investee	Category of Business	Ownership (%)		Region
		2012	2013	
[Domestic]				
MTAPOLIS Co., Ltd.	Multiplex development	40.05	40.05	Hwaseong
New Songdo International City Development, LLC	Real estate rental	29.90	29.90	Seoul
Gale International Korea, LLC	Real estate rental	29.90	29.90	Seoul
SNNC	Raw material manufacturing and sales	49.00	49.00	Gwangyang
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	Real estate development	25.10	25.10	Chungju
Taegisan Wind Power Corporation	Wind power plant construction and management	50.00	50.00	Hoengseong
Garolim Tidal Power Plant Co., Ltd.	Tidal power plant construction and management	32.13	32.13	Seosan
Posco e&c Songdo International Building	Non-resident building lease	49.00	49.00	Seoul
Universal Studios Resort Asset Management Corporation	Real estate services	26.17	26.17	Seoul
Daewoo Public Car Sales (Gwangju) CO., Ltd.	Leasing services	50.00	50.00	Gwangju
UITrans LRT Co., Ltd.	Transporting	41.89	38.19	Seoul
Suwon Green Environment Co., Ltd.	Construction	27.50	27.50	Hwaseong
Pajoo & Viro Co., Ltd.	Construction	40.00	40.00	Paju
Clean Gimpo Co., Ltd.	Construction	29.58	29.58	Gimpo
Busan-Gimhae Light Rail Transit Co., Ltd.	Transporting	25.00	25.00	Gimhae
Incheon-Gimpo Expressway Co., Ltd.	Construction	29.94	29.94	Anyang
Green Jang Ryang Co. Ltd.	Sewerage treatment	25.00	25.00	Pohang
Dakos Co., Ltd. (*1)	Railway equipment manufacturing	81.00	31.00	Seongnam
Pureun Tongyeong Enviro Co., Ltd.	Sewerage treatment	20.40	20.40	Tongyoung
Pure Gimpo Co., Ltd.	Construction	28.79	28.79	Seoul
Pohang Techno Valley AMC	Construction	29.50	29.50	Pohang
POSCO PLANTEC Co., Ltd. (formerly, SUNGJIN GEOTEC Co., Ltd.)	Industrial structure manufacturing	33.02	43.97	Ulsan
Postech Early Stage Fund	Investment in venture companies	10.00	10.00	Pohang
Posgreen Co., Ltd.	Plastic manufacturing	19.00	19.00	Gwangyang
Clean Iksan Co., Ltd.	Construction	23.50	23.50	Pohang
Gyeonggi CES Co., Ltd.	Facility construction	21.83	21.83	Yangju
Innovalloy Co., Ltd.	Real estate development	28.77	28.77	Yongin
Applied Science Corp.	Machinery manufacturing	27.57	27.11	Paju
AROMA POSTECH RENEWABLE ENERGY Co., Ltd. (*2)	Other science research	28.57		Seoul
Hyundai Investment Network Private Equity Fund I	Mine investment	50.00	50.00	Seoul
Pohang Techno Valley PFV Corporation (*3)	Real estate development	29.90	54.99	Pohang
BLUE OCEAN Private Equity Fund	Private Equity Financial	27.52	27.52	Seoul
SuNAM Co., Ltd.	Power supply manufacturing	23.92	19.17	Seoul

Edgar Filing: POSCO - Form 20-F

KONES, Corp.	Technical service	41.67	41.67	Gyeongju
DAEHO GLOBAL MANAGEMENT CO., LTD.	Investment advisory service	35.82	35.82	Pohang
Mokpo Deayang Industrial Corporation	Real estate development	29.90	27.40	Mokpo
Gunggi Green Energy	Electricity generation	25.50	19.00	Hwaseong
Pohang Special Welding Co., Ltd.	Welding material and tools manufacturing and sales	50.00	50.00	Pohang
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund (*4)	Investment in new technologies		12.50	Seoul

F-37

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Investee	Category of Business	Ownership (%)		Region
		2012	2013	
EQP POSCO Global NOI Natural Resources PEF ^(*4)	Investment in new technologies		27.23	Seoul
KC Chemicals ^(*4)	Machinery manufacturing		19.00	Hwaseong
POSTECH Social Enterprise Fund ^(*4)	Investment in new technologies		9.17	Seoul
QSONE Co., Ltd. ^(*5)	Real estate rental and facility management		50.00	Seoul
Future Creation M&A Fund ^(*4)	M&A Fund		40.00	Seoul
Chuncheon Energy Co., Ltd. ^(*4)	Electricity generation		29.90	Chooncheon
POSMATE ^(*6)	Business facilities maintenance	45.15		Seoul
[Foreign]				
VSC POSCO Steel Corporation	Steel manufacturing and sales	50.00	50.00	Vietnam
POSCHROME (PROPRIETARY) LIMITED	Raw material manufacturing and sales	50.00	50.00	South Africa
POSVINA Co., Ltd. ^(*10)	Plating steel sheet manufacturing and sales	50.00		Vietnam
CAML RESOURCES PTY LTD.	Raw material manufacturing and sales	33.34	33.34	Australia
Nickel Mining Company SAS	Raw material manufacturing and sales	49.00	49.00	New Caledonia
POSK(Pinghu) Steel Processing Center Co., Ltd.	Steel processing and sales	20.00	20.00	China
AN KHANH NEW CITY DEVELOPMENT J.V CO., LTD.	Highway construction and new town development	50.00	50.00	Vietnam
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.	Tinplate manufacturing and sales	34.00	34.00	China
POSCO-SAMSUNG Suzhou Processing Center Co., Ltd.	Steel processing and sales	30.00	30.00	China
Eureka Moly LLC	Steel processing and sales	20.00	20.00	USA
POSCO SeAH Steel Wire (Nantong) Co., Ltd.	Steel processing and sales	25.00	25.00	China
Yingkou Posrec Refractories Co., Ltd.	Refractory manufacturing	25.00	25.00	China
Sebang Steel	Scrap sales	49.00	49.00	Japan
NCR LLC	Coal sales	29.41	29.41	Canada
AMCI (WA) PTY LTD.	Iron ore sales & mine development	49.00	49.00	Australia
SHANGHAI LANSHENG DAEWOO CORP.	Trading	49.00	49.00	China
SHANGHAI WAIGAOQIAO FREE TRADE ZONE LANSHENG DAEWOO IN L TRADING CO., LTD.	Trading	49.00	49.00	China
Hanjung Power Pty., Ltd.	Electric power manufacturing and sales	49.00	49.00	Papua New Guinea
General Medicines Company Ltd.	Medicine manufacturing and sales	33.00	33.00	Sudan
KOREA LNG LTD.	Gas production and sales	20.00	20.00	England
KG Power (M) SDN. BHD	Energy & resource development	20.00	20.00	Malaysia
Daewoo (THAILAND) CO., LTD.	Trading	49.00	49.00	Thailand
N.I.CO., LTD.	Trading	50.00	50.00	North Korea
South-East Asia Gas Pipeline Company Ltd.	Pipeline construction	25.04	25.04	Myanmar
GLOBAL KOMSCO Daewoo LLC	Mintage	35.00	35.00	Uzbekistan
POSCO-Poggenamp Electrical Steel Pvt. Ltd.	Steel manufacturing	26.00	26.00	India
Arctos Anthracite Joint Venture	Coal sales	20.00	20.00	Canada
AES-VCM Mong Duong Power Company Limited	Electricity generation	30.00	30.00	Vietnam
PT. INDONESIA POS CHEMTECH CHOSUN Ref	Refractory manufacturing and sales	30.00	30.19	Indonesia
NS-Thainox Auto Co., Ltd.	Steel manufacturing and sales	49.00	49.00	Vietnam
PT. Tanggamus Electric Power	Construction and engineering service	20.00	20.00	Indonesia
PT. Wampu Electric Power	Construction and engineering service	20.00	20.00	Indonesia
Boulder Solar Power, LLC	Electric power manufacturing	25.00	21.74	USA
LLP POSUK Titanium	Titanium manufacturing and sales	50.00	36.83	Kazakhstan

LI3 ENERGY INC	Energy & resource development	26.06	26.06	Peru
----------------	-------------------------------	-------	-------	------

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Investee	Category of Business	Ownership (%)		Region
		2012	2013	
Fifth Combined Heat and Power Plant LLC	Thermal power generation	30.00	30.00	Mongolia
IMFA ALLOYS FINLEASE LTD.	Raw material manufacturing and sales	24.00	24.00	India
7623704 Canada Inc. ^(*4)	Investments management		10.40	Canada
Baganuur Energy Corporation ^(*4)	Refined oil manufacturing		50.00	Mongolia
Hamparan Mulia ^(*4)	Resource development		45.00	Indonesia
BGC-POS PTY LTD. ^(*4)	Construction		49.00	Australia
POS-SEAHSTEELWIRE(TIANJIN) CO., Ltd. ^(*4)	Steel manufacturing and sales		25.00	China
POS-Hyundai Steel Manufacturing India Private Ltd. ^(*7)	Steel manufacturing and sales	29.50		India
Liaoning Rongyuan Posco Refractories Co., Ltd. ^(*2)	Refractory manufacturing and sales	35.00		China
Daewoo Engineering (THAILAND) Co., Ltd. ^(*8)	Development and contract business	48.90		Thailand
POSCO YongXin Rare Earth Metal Co., Ltd. ^(*8)	Resource development	31.00		China
Myanmar Korea Timber International Ltd. ^(*9)	Plywood manufacturing	45.00		Myanmar

(*1) Reclassified to associate from subsidiary due to decrease in ownership percentage during the year ended December 31, 2013.

(*2) Excluded from associates due to the disposal during the year ended December 31, 2013.

(*3) The Company is not able to exercise control over the investee because of the redeemable preferred stock with voting rights held by others, which results in the Company holding less than 50% voting rights considering the potential voting rights from the redeemable preferred stock.

(*4) These associates were newly established or acquired in 2013.

(*5) This entity split off from POSCO Processing & Service during the year ended December 31, 2013.

(*6) Reclassified to subsidiary from associate due to the merger with Seoung Gwang Co., Ltd., a subsidiary of the Company.

(*7) Reclassified to associate from subsidiary due to a decrease in ownership percentage during the year ended December 31, 2013.

(*8) Reclassified to subsidiary from associate due to an increase in ownership percentage during the year ended December 31, 2013.

Edgar Filing: POSCO - Form 20-F

(*9) Excluded from associates due to the liquidation during the year ended December 31, 2013.

(*10) Reclassified to assets held for sale in 2013.

As of December 31, 2013, there are no restrictions on the ability of associates to transfer funds to the Company, such as in the form of cash dividends, repayment of loans or payment of advances.

2) Joint ventures

Details of joint ventures as of December 31, 2012 and 2013 are as follows :

Investee	Category of Business	Ownership (%)		Region
		2012	2013	
[Domestic]				
POSCO ES MATERIALS	Secondary battery manufacturing	50.00	50.00	Gumi
POSCO MITSUBISHI CARBON TECHNOLOGY	Steel processing and sales	60.00	60.00	Gwangyang
[Foreign]				
KOBRASCO	Facility lease	50.00	50.00	Brazil
USS-POSCO Industries	Cold rolled coil manufacturing and sales	50.00	50.00	USA
PT. POSMI Steel Indonesia	Steel processing and sale	36.69	36.69	Indonesia
Henan Tsingpu Ferro Alloy Co., Ltd.	Raw material manufacturing and sales	49.00	49.00	China
United Spiral Pipe, LLC	Material manufacturing and sales	35.00	35.00	USA
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Steel processing and sales	25.00	25.00	China

F-39

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Investee	Category of Business	Ownership (%)		Region
		2012	2013	
POSCO-SAMSUNG-Slovakia Processing Center	Steel processing and sales	30.00	30.00	Slovakia
Zhangjiagang Pohang Refractories Co., Ltd.	Refractory manufacturing	50.00	50.00	China
DMSA, AMSA	Energy & resource development	4.00	4.00	Madagascar
POSCO-NPS Niobium LLC	Mine development	50.00	50.00	USA
CSP Compania Siderurgica do Pecem	Steel manufacturing and sales	20.00	20.00	Brazil
Korea Siberia Wood CJSC	Forest resource development	50.00	50.00	Russia
Roy Hill Holdings Pty Ltd.	Energy & resource development	12.50	12.50	Australia

(f) Newly included subsidiaries

1) Consolidated subsidiaries acquired or newly established during the year ended December 31, 2013 are as follows:

Company	Date of acquisition	Ownership (%)	Reason
POSCO ENGINEERING (THAILAND) CO., LTD. (*1)	January 2013	48.90	Reclassification from associate
POSMATE Co., Ltd.	January 2013	66.23	Reclassification from associate
POSCO-Mory-Maruyasu PIPE (*1)	February 2013	50.00	New establishment
PT KRAKATAU BLUE WATER	February 2013	67.00	New establishment
KRAKATAU POS-CHEM DONG-SUH CHEMICAL (*1)	March 2013	45.00	New establishment
MAX STEEL Co., Ltd.	March 2013	100.00	New acquisitions
Myanmar Daewoo International Corporation	March 2013	100.00	New establishment
POSCO YongXin Rare Earth Metal Co., Ltd.	March 2013	51.67	Reclassification from associate
POSCO-Italy Processing Center	July 2013	90.00	New establishment
NEW POWER TECH Co., Ltd.	August 2013	100.00	Split off from POSCO Engineering Co., Ltd.
DAEWOO E&P CANADA CORPORATION	August 2013	100.00	New establishment
IT Engineering (*1)	August 2013	17.00	New acquisitions
Yingkou Puxiang Trade Co., Ltd.	September 2013	100.00	New establishment
POSCO ICT VIETNAM	October 2013	100.00	New establishment
Daewoo Global Development. Pte., Ltd	October 2013	51.00	New establishment
Myanmar POSCO Engineering & Construction Company, Limited.	November 2013	100.00	New establishment
Myanmar POSCO C&C Company, Limited.	December 2013	70.00	New establishment
POSCO COATED STEEL (THAILAND) Co., Ltd.	December 2013	100.00	New establishment
DAEWOO POWER AND INFRA (PTY) LTD.	December 2013	100.00	New establishment

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

2) Cash outflows (inflows) caused by the acquisitions for the years ended December 31, 2011, 2012 and 2013

Edgar Filing: POSCO - Form 20-F

	2011	2012 (in millions of Won)	2013
Consideration transferred	551,732	287,085	4,359
Less: Cash and cash equivalent acquired	(114,268)	(188,205)	(10,088)
Total	437,464	98,880	(5,729)

F-40

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(g) Excluded subsidiaries

Subsidiaries that were excluded from consolidation during the year ended December 31, 2013 are as follows:

Company	Date of disposal	Reason (in millions of Won)
Postech 2006 Energy Fund	January 2013	Reclassification from subsidiary to associate
Postech Early Stage Fund	January 2013	Reclassification from subsidiary to associate
Pohang SPFC Co., Ltd.	January 2013	Statutory merger by SPFC Co., LTD. (formerly, Gwangyang SPFC Co., LTD.)
Gunsan SPFC Co., Ltd.	January 2013	Statutory merger by SPFC Co., LTD. (formerly, Gwangyang SPFC Co., LTD.)
POSCALCIUM Company, Ltd.	January 2013	Statutory merger by POSCO CHEMTECH
Reco Metal Co., Ltd.	January 2013	Statutory merger by POSCO M-TECH
9Digit Co., Ltd.	January 2013	Statutory merger by POSCO M-TECH
SeungGwang Co., Ltd.	January 2013	Statutory merger by POSMATE
POSWITH Co., Ltd.	January 2013	Statutory merger by POSCO Humans Co., Ltd. (formerly, POS ECO HOUSING Co., LTD.)
MCM Korea	March 2013	Exclusion by liquidation
DAEWOO CANADA LTD.	March 2013	Exclusion by liquidation
DAEWOO HANDELS GmbH	March 2013	Exclusion by liquidation
Dalian POSCO Steel Co., Ltd.	March 2013	Disposal
MAX STEEL Co., LTD.	April 2013	Statutory merger by POSCO-Vietnam Processing Center Co., Ltd.
POSCO PLANTEC Co., Ltd.	July 2013	Statutory merger by Sungjin Geotec Co., Ltd. (currently, POSCO PLANTEC Co., Ltd. by changing its name)
Dakos Co., Ltd.	October 2013	Disposal
BLUE O&M Co., Ltd	December 2013	Statutory merger by Plant Engineering Service Technology Co., Ltd.
NEW POWER TECH CO., LTD	December 2013	Statutory merger by POSCO ENGINEERING & CONSTRUCTION CO., LTD.
Tancheonene Co., Ltd	December 2013	Statutory merger by Poscoene
SANTOS CMI COSTA RICA S.A.	December 2013	Exclusion by liquidation

Edgar Filing: POSCO - Form 20-F

INGENIERIA Y CONSTRUCCION HOLANDCO S.A.	December 2013	Exclusion by liquidation Statutory merger by SANTOS CMI
		CONSTRUCCIONES
ASESORIA Y SERVICIOS EPC S.A. CHILE	December 2013	DE CHILE S.A.
SANTOS CMI CONSTRUCTION ARGENTINA S.A.	December 2013	Exclusion by liquidation
DAEWOO STC VINA LTD.	December 2013	Disposal
GEZIRA TANNERY Co., Ltd.	December 2013	Exclusion by liquidation

2. Statement of Compliance

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board.

Basis of measurement

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

- (a) Derivatives instruments are measured at fair value

F-41

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

(b) Financial instruments at fair value through profit or loss (FVTPL) are measured at fair value

(c) Available-for-sale financial assets are measured at fair value

(d) Defined benefit liabilities are measured at the present value of the defined benefit obligation less the fair value of the plan assets

Functional and presentation currency

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

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with 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.

(a) Judgments

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

Note 1 Subsidiaries, associates and joint venture

Note 8 Other financial assets

Note 12 Joint operations

Note 13 Investment property, net

Note 14 Property, plant and equipment, net

Note 15 Goodwill and other intangibles

(b) Assumptions and estimation uncertainties

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 20 Provisions

Note 21 Employee benefits

Note 29 Construction contracts

Note 38 Commitments and contingencies

(c) Measurement of fair value

The Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS including the level in the fair value hierarchy in which such valuation techniques should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

Level 2 inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Information about the assumptions made in measuring fair values is included in the following notes:

Note 23 Financial instruments

Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements.

The Company has adopted the following new standards and amendments to standards with a date of initial application of January 1, 2013.

Edgar Filing: POSCO - Form 20-F

- (a) IAS No. 1, *Presentation of Financial Statements*
- (b) IAS No. 19, *Employee Benefits*
- (c) IFRS No. 7, *Financial Instruments: Disclosures*
- (d) IFRS No. 10, *Consolidated Financial Statements*
- (e) IFRS No. 11, *Joint Arrangements*
- (f) IFRS No. 12, *Disclosure of Interests in Other Entities*
- (g) IFRS No. 13, *Fair Value Measurement*

F-43

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

The details of changes in accounting policies are as follows:

(a) Classification of other comprehensive income

As a result of the amendments to IAS No. 1, the Company has modified the presentation of items of other comprehensive income in its statement of comprehensive income to present separately items that would be reclassified to profit or loss from those that would never be reclassified to profit or loss. Comparative information has been re-presented accordingly.

(b) Post-employment defined benefit plan

As a result of the amendments to IAS No. 19, the Company has changed its accounting policy with respect the basis for determining the income or expense related to its post-employment defined benefit plans. Under the amendments to IAS No. 19, the Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets and interest on the effect on the asset ceiling. Previously, the Company determined interest income on plan assets based on their long-term rate of expected return.

(c) Offsetting of financial assets and financial liabilities

As a result of the amendments to IFRS No. 7, the Company has expanded its disclosures about the offsetting of financial assets and financial liabilities (Note 23).

(d) Subsidiaries

As a result of IFRS No. 10, the Company has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS No. 10 introduces a new control model that focuses on whether the Company has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS No. 10, the Company reassessed the control conclusion for its investees at January 1, 2013. As a consequence, the Company changed its control conclusion with the following investees:

Newly included subsidiaries

Company
POSCO Engineering (Thailand) Co., Ltd.

(e) Joint arrangements

As a result of IFRS No. 11, the Company has changed its accounting policy for its interests in joint arrangements. Under IFRS No. 11, the Company has classified its interests in joint arrangements as either joint operations (if the Company has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Company has rights only to the net assets of an arrangement). When making this assessment, the Company considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

The Company has re-evaluated its involvement in its only joint arrangement and has reclassified the investment from a jointly controlled entity to a joint venture. Notwithstanding the reclassification, the investment continues to be recognized by applying the equity method and there has been no impact on the recognized assets, liabilities and comprehensive income of the Company.

(f) Disclosure of interests in other entities

As a result of IFRS No. 12, the Company has expanded its disclosures about its interests in subsidiaries (see Note 1) and equity-accounted investees (Note 11).

(g) Fair value measurement

IFRS No. 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS No. 7. As a result, the Company has included additional disclosures in this regard (Note 23).

In accordance with the transitional provisions of IFRS No. 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

Impact of changes in accounting policies

As management believes the impact of the amendments to IAS No. 19, IFRS No. 10 and No. 13 on the Company's prior year's consolidated financial statement is not significant, the comparative period's consolidated financial statements are not restated.

Approval of financial statements

The consolidated financial statements were authorized for issue by the Board of Directors on January 29, 2014.

3. Summary of Significant Accounting Policies

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

Edgar Filing: POSCO - Form 20-F

The comparative amounts in consolidated statements of comprehensive income have been re-presented as a result of a change in the accounting policy regarding the presentation of items of other comprehensive income.

Basis of consolidation

(a) Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company.

F-45

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(b) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(c) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(d) Loss of control

When the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(e) Interests in equity-accounted investees

Edgar Filing: POSCO - Form 20-F

The Company's interests in equity-control investees comprise interests in associates and joint ventures. Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial

F-46

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(f) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Foreign currency transactions and translation

1) Foreign currency transactions

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

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

2) Foreign operations

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

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

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

Edgar Filing: POSCO - Form 20-F

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative

F-47

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

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

Cash and cash equivalents

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

Non-derivative financial assets

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

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

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

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

(b) Held-to-maturity financial assets

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

(c) Loans and receivables

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

(d) Available-for-sale financial assets

Edgar Filing: POSCO - Form 20-F

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables. Subsequent to initial recognition, they are measured

F-48

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

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

(e) Derecognition of non-derivative financial assets

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

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

(f) Offsetting a financial asset and a financial liability

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

Inventories

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

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

Non-current assets held for sale

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

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

The Company recognizes an impairment loss for any initial or subsequent write-down of an asset or disposal group to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with IAS No. 36 *Impairment of Assets* .

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

Investment property

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

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

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

Property, plant and equipment

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

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

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

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

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Other than land, the costs of an asset less its estimated residual value are depreciated. 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.

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

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. Land is not depreciated.

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

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

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

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

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

Borrowing costs

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

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

Intangible assets

Edgar Filing: POSCO - Form 20-F

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

F-51

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

over which club memberships are expected to be available for use, this intangible asset is determined as having an indefinite useful life and not amortized.

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

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

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

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

Exploration for and evaluation of mineral resources

POSCO is engaged in exploration projects for mineral resources through subsidiaries, associates and joint ventures in the mines or other contractual arrangements. Expenditures related to the development of mineral resources are recognized as exploration or development intangible assets. The nature of these intangible assets are as follows:

(a) Exploration and evaluation assets

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

(b) Development assets

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

Edgar Filing: POSCO - Form 20-F

development is sanctioned, the relevant expenditure is transferred to property, plant and equipment and depreciation is computed by the unit of production method.

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.

- (a) Grants related to assets

F-52

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

Government grants whose primary condition is that the Company purchase, construct or otherwise acquire long-term assets are deducted from the carrying amount of the assets and recognized in profit or loss on a systematic and rational basis over the life of the depreciable assets.

(b) Grants related to income

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

Leases

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

(a) Finance leases

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

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

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

(b) Operating leases

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

(c) Determining whether an arrangement contains a lease

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

asset.

At inception or reassessment of the arrangement, management of the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If management of the Company concludes for a financial lease that it is impracticable to separate the payments reliably, the Company recognizes an asset and a liability at an amount equal to the fair

F-53

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

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.

Impairment for financial assets

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

Objective evidence that a financial asset or group of assets are impaired includes:

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

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

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

Edgar Filing: POSCO - Form 20-F

(a) Financial assets measured at amortized cost

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

(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

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(c) Available-for-sale financial assets

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

Impairment for non-financial assets

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

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

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.

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

Derivative financial instruments and hedges

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

(a) Embedded derivatives

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

(b) Other derivatives

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

Non-derivative financial liabilities

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

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

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

(b) Other financial liabilities

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

Edgar Filing: POSCO - Form 20-F

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

the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and

the amount initially recognized less, cumulative amortization recognized on a straight-line basis over the guarantee period

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

F-56

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

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

Construction work in progress

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

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

Employee benefits

(a) Short-term employee benefits

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

(b) Other long-term employee benefits

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

(c) Retirement benefits: Defined contribution plans

For defined contribution plans, when an employee has rendered service to the Company during a period, the Company recognizes the contribution payable to a defined contribution plan in exchange for that service as an accrued expense, after deducting any contributions already paid. If the contributions already paid exceed the contribution due for service before the end of the reporting period, the Company recognizes

that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

F-57

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

(d) Retirement benefits: Defined benefit plans

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

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

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

Remeasurements of net defined benefit liabilities, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments, net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss in curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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.

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

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

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

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

Equity instruments

(a) 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.

(b) Hybrid Bonds

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and an equity instrument. When the Company has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the Company's hybrid bond has been classified as an equity instrument.

Revenue

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

(a) Sale of goods

Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales

Edgar Filing: POSCO - Form 20-F

agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The appropriate timing for transfer of risks and rewards varies depending on the individual terms and conditions of the sales contract. For international sales, this timing depends on the type of international commercial terms of the contract.

F-59

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

(b) Services rendered

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

(c) Construction contracts

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

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

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

(d) Rental income

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

Finance income and finance costs

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

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

Income taxes

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.

Edgar Filing: POSCO - Form 20-F

(a) Current income tax

Current income tax is the expected income 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

F-60

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

determining taxable profit of future periods, and non-taxable or non-deductible items from the accounting profit.

(b) Deferred income tax

The measurement of deferred income 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.

The Company recognizes a deferred income tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred income tax asset for deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized. However, deferred income tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

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

Earnings per share

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

Operating segments

An operating segment is a component of the Company that : a) engages in business activities from which it may earn revenues and incur expenditures, including revenues and expenses that relate

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

to transactions with any of the Company's other components, b) 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 and for which discrete financial information is available. Management has determined that the CODM of the Company is the CEO.

Segment profit and loss is determined the same way that consolidated net after tax profit for the period is determined under IFRS without any adjustment for corporate allocations. The accounting policies used by each segment are consistent with the accounting policies used in the preparation of the consolidated financial statements. Segment assets and liabilities are measured based on total assets and liabilities in accordance with IFRS without any adjustment for corporate allocations. Also, segment assets and liabilities are based on the separate financial statements of the entities instead of on consolidated basis. In addition, there are varying levels of transactions amongst the reportable segments. These transactions include sales of property, plant and assets, and rendering of construction service and so on. Inter-segment transactions are accounted for on an arm's length basis.

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.

New standards and interpretations not yet adopted

Amendments to IAS No. 32 *Financial Instruments : Presentation*

The amendments clarify the application guidance related to offsetting of a financial asset and a financial liability. The amendments are mandatorily effective for annual periods beginning on or after January 1, 2014 with earlier adoption permitted. Management believes the impact of the initial adoption of these amendments on the Company's consolidated statements of financial position will not be significant.

4. Financial risk management

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

credit risk

liquidity risk

market risk

capital risk

Edgar Filing: POSCO - Form 20-F

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.

F-62

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

(a) Financial risk management

1) 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.

2) Credit risk

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

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

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

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

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

3) Liquidity risk management

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

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

4) Market risk management

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

Currency risk

Each segment is influenced by a risk factor of changes in foreign currency exchange rates for the different directions due to the difference in structure of each industry regarding the cash inflows and cash outflows in foreign currency. The steel segment generally has a lack of foreign currency cash outflows, while the engineering and construction segments generally have excessive foreign currency inflows due to the nature of their respective business. Therefore, the result of the business is affected by the changes of foreign exchange rates.

The trading segment is structured such that the cash inflows and outflows of foreign currencies are to be offset; however, the trading segment is exposed to a risk of changes in foreign currency exchange rates when there are differences in currencies on receiving and paying the foreign currency amount and time differences.

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

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****Interest rate risk**

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

Other market price risk

Equity price risk arises from listed equity securities among available-for-sale equity securities. Management of the Company measures regularly the fair value of listed equity securities and the risk of variance in future cash flow caused by market price fluctuations. Significant investments are managed separately and all buy and sell decisions are approved by management of the Company.

(b) 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.

Net borrowing-to-equity ratio as of December 31, 2012 and 2013 is as follows:

	2012	2013
	(in millions of Won)	
Total borrowings	24,921,433	26,246,605
Less: Cash and cash equivalents	4,680,526	4,208,562
Net borrowings	20,240,907	22,038,043
Total equity	42,429,418	45,822,030
Net borrowings-to-equity ratio	47.70%	48.09%

5. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Cash	8,595	12,575

Edgar Filing: POSCO - Form 20-F

Demand deposits and checking accounts	1,609,934	1,199,768
Time deposits	2,945,537	2,959,380
Other financial cash equivalents	116,460	36,839
	4,680,526	4,208,562

F-65

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****6. Trade Accounts and Notes Receivable**

(a) Trade accounts and notes receivable as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Current		
Trade accounts and notes receivable	9,865,436	10,299,826
Finance lease receivables	44,918	36,029
Unbilled due from customers for contract work	1,493,709	1,574,929
Less: Allowance for doubtful accounts	(366,090)	(418,183)
	11,037,973	11,492,601
Non-current		
Trade accounts and notes receivable	52,763	50,639
Finance lease receivables	102,887	67,251
Less: Allowance for doubtful accounts	(13,446)	(20,890)
	142,204	97,000

Trade accounts and notes receivable sold to financial institutions, for which the derecognition conditions were not met, amounted to 80,258 million and 73,956 million as of December 31, 2012 and 2013, respectively, and are included in bank borrowings (Note 17).

(b) Finance lease receivables are as follows:

Customer	Contents	2012	2013
		(in millions of Won)	
Korea Electric Power Corporation	Combined thermal power plant 1~4	147,634	102,887
KC CHEMICAL Co., Ltd	Machinery and equipment		393
Tenant of EXPO Apartment	Leasehold contract	171	
		147,805	103,280

(c) The gross amount and present value of minimum lease payments as of December 31, 2012 and 2013 are as follows:

Edgar Filing: POSCO - Form 20-F

	2012	2013
	(in millions of Won)	
Less than 1 year	62,048	48,112
1 year - 5 years	120,135	84,270
Greater than 5 year	11,772	
Unrealized interest income	(46,150)	(29,102)
Present value of minimum lease payment	147,805	103,280

F-66

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****7. Other Receivables**

Other receivables as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Current		
Short-term loans	271,067	298,289
Other accounts receivable	1,298,878	1,322,352
Accrued income	71,076	74,968
Deposits	107,208	69,502
Other checking accounts	302,738	275,892
Less : Allowance for bad debt accounts	(53,815)	(150,580)
	1,997,152	1,890,423
Non-current		
Long-term loans	574,255	604,478
Long-term other accounts receivable	164,289	152,383
Accrued income	1,204	1,110
Deposits	110,681	111,482
Less : Allowance for bad debt accounts	(41,526)	(71,998)
	808,903	797,455

8. Other Financial Assets

(a) Other short-term financial assets as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Derivatives assets held for trading	62,720	44,082
Short-term available-for-sale securities	133,656	10,772
Current portion of held-to-maturity securities (bonds)	31,237	2,232
Short-term financial instruments ^(*1,2,3,4)	1,621,668	2,913,579
	1,849,281	2,970,665

Edgar Filing: POSCO - Form 20-F

(*1) As of December 31, 2012 and 2013, short-term financial instruments amounting to 3,400 million and 4,700 million, respectively, are provided as collateral in relation to long-term borrowings from the National Forestry Cooperative Federation.

(*2) As of December 31, 2012 and 2013, 12,699 million and 949 million, respectively, are restricted for the use in a government project.

(*3) As of December 31, 2012 and 2013, short-term financial instruments amounting to 7,650 million and 27,195 million, respectively, are provided as collateral for long-term borrowings.

(*4) As of December 31, 2012 and 2013, short-term financial instruments amounting to 153,251 million and 261,034 million, respectively, are restricted for use in financial arrangements, pledge and others.

F-67

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(b) Other long-term financial assets as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Derivatives assets held for trading	8,634	34,140
Long-term available-for-sale securities (equity instruments) (*1,2,3)	3,711,169	4,068,766
Long-term available-for-sale securities (bonds)	26,430	32,456
Long-term available-for-sale securities (others)	43,267	54,390
Held-to-maturity securities (bonds)	3,251	1,602
Long-term financial instruments	68,215	274,376
	3,860,966	4,465,730

(*1) As of December 31, 2013, 1,795,860 shares equivalent to 16,162,743 American Depository Receipts (ADRs) of SK Telecom Co., Ltd. have been pledged as collateral for exchangeable bonds issued.

(*2) During the year ended December 31, 2013, there was a significant decline in the fair value of shares of KB Financial Group Inc. and others for a prolonged period, which was considered as objective evidence of impairment. As a result, an impairment loss of 280,237 million was recognized in profit or loss during the year ended December 31, 2013.

(*3) As of December 31, 2012 and 2013, 167,100 million and 229,052 million of long-term available-for-sale securities, respectively, have been provided as collateral for construction projects of CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd. and others.

9. Inventories

(a) Inventories as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Finished goods	1,475,832	1,406,297
Merchandise	703,923	711,802

Edgar Filing: POSCO - Form 20-F

Semi-finished goods	1,876,196	1,711,294
Raw materials	2,425,367	2,228,110
Fuel and materials	893,137	801,992
Construction inventories	1,324,873	1,183,390
Materials-in-transit	2,007,106	1,848,389
Others	93,007	96,389
	10,799,441	9,987,663
Less: Allowance for inventories valuation	(214,795)	(189,282)
	10,584,646	9,798,381

(b) The changes of allowance for inventories valuation for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012	2013
	(in millions of Won)		
Beginning	87,895	215,594	214,795
Valuation losses of inventories	140,361	76,484	49,172
Write-off	(10,736)	(71,459)	(73,220)
Reversal and others	(1,926)	(5,824)	(1,465)
Ending	215,594	214,795	189,282

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****10. Non-Current Assets Held for Sale**

Details of non-current assets held for sale as of December 31, 2012 and 2013 are as follows:

	2012	Controlling	2013	Total
	Subsidiaries	company	Subsidiaries	
		(in millions of Won)		
Property, plant and equipment ^(*1)	1,190		1,190	1,190
Investments in associates ^(*2)		1,304		1,304
	1,190	1,304	1,190	2,494

(*1) POSCO AST determined to dispose of its land and building for employee welfare and classified them as assets held for sale as of December 31, 2012. The amount measured at the lower of those carrying amount and fair value less costs to sell of certain land and building was 1,190 million, the Company recorded impairment loss for the assets held for sale of 70 million.

(*2) The Company determined to dispose of the shares of POSVINA Co., Ltd., an associate of the Company, and classified it as assets held for sale as of September 2013. The amount based on the difference between those carrying amount and fair value less costs to sell was 1,304 million. The Company recorded impairment loss for the assets held for sale of 1,814 million.

11. Investments in Associates and Joint ventures

(a) Investments in associates and joint ventures as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Investments in associates	1,530,802	1,830,047
Investments in joint ventures	1,508,459	1,978,646
	3,039,261	3,808,693

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(b) Details of investments in associates as of December 31, 2012 and 2013 are as follows:

Company	2012	Number of shares	2013		Book value
	Book value		Ownership (%)	Acquisition cost	
	(in millions of Won)				
[Domestic]					
EQP POSCO Global NO 1 Natural Resources PEF		178,565	27.23	178,566	177,563
POSCO PLANTEC Co., Ltd. (formerly, SUNGJIN GEOTEC Co., Ltd.) ^(*1)	181,361	27,365,388	43.97	341,087	234,203
SNNC	147,539	18,130,000	49.00	90,650	123,969
BLUE OCEAN Private Equity Fund	33,839	333	27.52	33,300	29,391
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd. ^(*4)	29,414	2,008,000	25.10	10,040	23,733
Incheon-Gimpo Expressway Co., Ltd.	13,680	7,975,319	29.94	39,877	37,759
UITrans LRT Co., Ltd. ^(*4)	16,444	3,929,751	38.19	19,649	19,185
Garolim Tidal Power Plant Co., Ltd.	11,544	3,020,220	32.13	15,101	12,941
Gunggi Green Energy	7,353	2,880,000	19.00	14,400	4,996
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund		7,012,500	12.50	7,013	6,685
KONES, Corp.	6,476	3,250,000	41.67	6,893	5,784
Busan-Gimhae Light Rail Transit Co., Ltd. ^(*2,4)	7,601	9,160,000	25.00	45,800	
QSONE Co., Ltd.		200,000	50.00	84,395	84,096
POSMATE ^(*3)	46,204				
Others (31 companies) ^(*4)	39,096				39,820
	540,551				800,125
[Foreign]					
Eureka Moly LLC	213,136		20.00	240,123	217,513
South-East Asia Gas Pipeline Company Ltd.	144,831	135,219,000	25.04	150,779	140,202
Nickel Mining Company SAS	146,699	3,234,698	49.00	157,585	135,178
7623704 Canada Inc.		114,452,000	10.40	124,341	119,516
AMCI (WA) Pty LTD.	123,018	49	49.00	209,664	98,467
KOREA LNG LTD.	99,976	2,400	20.00	135,205	64,453
AES-VCM Mong Duong Power Company Limited	48,636		30.00	74,161	81,436
CAML Resources Pty. LTD.	62,227	3,239	33.34	40,388	43,820
NCR LLC	39,303		29.41	32,348	30,496
POSCHROME (PROPRIETARY) LIMITED	21,324	43,350	50.00	19,892	7,911
Others (31 companies) ^(*4)	91,101				90,930
	990,251				1,029,922
	1,530,802				1,830,047

Edgar Filing: POSCO - Form 20-F

(*1) It is reclassified from subsidiary to associate due to the merger with Sungjin Geotec Co., Ltd. during the year ended December 31, 2013.

(*2) As the Company's share of losses exceeded its interest in this entity, the carrying amount of that interest was reduced to nil and the recognition of further losses was discontinued. Unrecognized losses in this entity are 10,258 million during the year ended December 31, 2013.

(*3) It is reclassified from associate to subsidiary due to the merger with Seoung Gwang Co., Ltd. during the year ended December 31, 2013.

(*4) Investments in associates amounting to 64,810 are provided as collateral related to associates' borrowings.

F-70

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(c) Details of investments in joint ventures as of December 31, 2012 and 2013 are as follows:

Company	2012	Number of shares	2013		Book value
	Book value		Ownership (%)	Acquisition cost	
(in millions of Won)					
[Domestic]					
POSCO MITSUBISHI CARBON TECHNOLOGY	28,060	11,568,000	60.00	115,680	115,708
POSCO ES MATERIALS	42,388	1,000,000	50.00	43,000	40,386
	70,448				156,094
[Foreign]					
Roy Hill Holdings Pty Ltd.	527,129	12,723,959	12.50	998,180	825,901
CSP-Compania Siderurgica do Pecem	214,761	660,301,330	20.00	393,925	263,419
POSCO-NPS Niobium LLC	348,646	325,050,000	50.00	364,609	343,590
DMSA, AMSA	124,326		4.00	193,182	180,355
KOBRASCO	113,847	2,010,719,185	50.00	32,950	95,233
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	92,888		25.00	61,961	96,309
Others (7 companies)	16,414				17,745
	1,438,011				1,822,552
	1,508,459				1,978,646

(d) The movements of investments in associates and joint ventures for the years ended December 31, 2012 and 2013 are as follows:

1) December 31, 2012

Company	Dec. 31, 2011	Acquisition	Dividends	Share of profits (losses)	Other increase (decrease) ^(*)	Dec. 31, 2012
	Book value					Book value
(in millions of Won)						
[Domestic]						
POSCO PLANTEC Co., Ltd. (formerly, SUNGJIN GEOTEC Co., Ltd.)	194,942			(17,162)	3,581	181,361
SNNC	154,131		(20,306)	15,157	(1,443)	147,539
POSCO MITSUBISHI CARBON TECHNOLOGY		28,920		(860)		28,060
POSCO ES MATERIALS		43,000		(560)	(52)	42,388
BLUE OCEAN Private Equity Fund	35,971			(4,542)	2,410	33,839

Edgar Filing: POSCO - Form 20-F

CHUNGJU ENTERPRISE CITY DEVELOPMENT						
Co., Ltd.	21,026			8,534	(146)	29,414
Incheongimpo Highway Co., Ltd	3,500	9,368		(377)	1,189	13,680
UITrans LRT Co., Ltd.	3,610	11,294		1,268	272	16,444
Garolim Tidal Power Plant Co., Ltd.	11,995			(451)		11,544
Gunggi Green Energy		8,925		(1,572)		7,353
KONES, Corp.	6,764			(219)	(69)	6,476
Busan-Gimhae Light Rail Transit Co., Ltd.	34,227			(26,626)		7,601
POSMATE	22,409	21,025	(536)	2,158	1,148	46,204
Kyobo Life Insurance Co., Ltd.	1,377,114		(24,600)	37,038	(1,389,552)	
Cheongna IBT Co., Ltd.	35,564			(729)	(34,835)	
MTAPOLIS Co., Ltd.	15,674			(15,674)		
MIDAS Information Technology Co., Ltd.	12,476		(87)	1,530	(13,919)	
Others	56,163	3,619	(107)	(2,051)	(18,528)	39,096
	1,985,566	126,151	(45,636)	(5,138)	(1,449,944)	610,999
[Foreign]						
Roy Hill Holdings Pty Ltd.		551,979		(16,537)	(8,313)	527,129
POSCO-NPS Niobium LLC	374,868		(18,632)	19,199	(26,789)	348,646

F-71

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Company	Dec. 31, 2011 Book value	Acquisition	Dividends	Share of profits (losses) (in millions of Won)	Other increase (decrease) ^{(*)1}	Dec. 31, 2012 Book value
CSP-Compania Siderurgica do Pecem	124,231	132,849		(2,520)	(39,799)	214,761
Eureka Moly LLC	109,772				103,364	213,136
South-East Asia Gas Pipeline Company Ltd.	136,175	19,248			(10,592)	144,831
Nickel Mining Company SAS	168,292			(12,795)	(8,798)	146,699
DMSA, AMSA	119,556	16,813		(1,176)	(10,867)	124,326
AMCI (WA) Pty LTD.	168,212			(38,706)	(6,488)	123,018
KOREA LNG LTD.	127,901		(21,534)	12,697	(19,088)	99,976
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	95,577			2,650	(5,339)	92,888
KOBRASCO	128,884		(24,644)	28,792	(19,185)	113,847
AES-VCM Mong Duong Power Company Limited	31,201			(1,246)	18,681	48,636
CAML Resources Pty. LTD.	55,465			11,390	(4,628)	62,227
NCR LLC	24,107			(452)	15,648	39,303
POSCHROME (PROPRIETARY) LIMITED	24,674	33		(311)	(3,072)	21,324
Others	157,178	19,136	(5,143)	(18,549)	(45,107)	107,515
	1,846,093	740,058	(69,953)	(17,564)	(70,372)	2,428,262
	3,831,659	866,209	(115,589)	(22,702)	(1,520,316)	3,039,261

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

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

2) December 31, 2013

Company	December 31, 2012 Book value	Acquisition	Dividends	Share of profits (losses) (in millions of Won)	Other increase (decrease) (*1)	December 31, 2013 Book value
[Domestic]						
EQP POSCO Global NO1 Natural Resources PEF		178,566		(1,017)	14	177,563
POSCO PLANTEC Co., Ltd. (formerly, SUNGJIN GEOTEC Co., Ltd.)	181,361	101,210		(49,065)	697	234,203
SNNC	147,539		(27,685)	2,183	1,932	123,969
POSCO MITSUBISHI CARBON TECHNOLOGY	28,060	86,760		888		115,708
POSCO ES MATERIALS	42,388			(1,963)	(39)	40,386
BLUE OCEAN Private Equity Fund	33,839			(2,015)	(2,433)	29,391
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	29,414			(5,535)	(146)	23,733
Inc heongimpo Highway Co., Ltd	13,680	24,521		(441)	(1)	37,759
UITrans LRT Co., Ltd.	16,444	1,967		668	106	19,185
Garolim Tidal Power Plant Co., Ltd.	11,544	2,201		(804)		12,941
Gunggi Green Energy	7,353	5,475		(8,213)	381	4,996
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund		7,013		(327)	(1)	6,685
KONES, Corp.	6,476			(740)	48	5,784
Busan-Gimhae Light Rail Transit Co., Ltd.	7,601			(7,601)		
QSONE Co., Ltd.		84,395		(299)		84,096
POSMATE	46,204				(46,204)	
Others	39,096	9,124		1,820	(10,220)	39,820
	610,999	501,232	(27,685)	(72,461)	(55,866)	956,219
[Foreign]						
Roy Hill Holdings Pty Ltd.	527,129	446,201		(37,781)	(109,648)	825,901
POSCO-NPS Niobium LLC	348,646		(16,188)	16,079	(4,947)	343,590
CSP-Compania Siderurgica do Pecem	214,761	128,185		(34,410)	(45,117)	263,419
Eureka Moly LLC	213,136				4,377	217,513
South-East Asia Gas Pipeline Company Ltd.	144,831			(2,585)	(2,044)	140,202
Nickel Mining Company SAS	146,699			(16,617)	5,096	135,178
DMSA, AMSA	124,326	58,374		31	(2,376)	180,355
7623704 Canada Inc.		124,341		(1)	(4,824)	119,516
AMCI (WA) Pty Ltd.	123,018			(6,283)	(18,268)	98,467
KOREA LNG LTD.	99,976		(21,999)	21,898	(35,422)	64,453
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	92,888			2,400	1,021	96,309
KOBRASCO	113,847		(26,482)	21,948	(14,080)	95,233
AES-VCM Mong Duong Power Company Limited	48,636			(12,841)	45,641	81,436
CAML Resources Pty. LTD.	62,227		(12,428)	17,984	(23,963)	43,820

Edgar Filing: POSCO - Form 20-F

NCR LLC	39,303			(9,609)	802	30,496
POSCHROME (PROPRIETARY) LIMITED	21,324		(7,196)	2,943	(9,160)	7,911
Others	107,515	7,439	(5,252)	(70,504)	69,477	108,675
	2,428,262	764,540	(89,545)	(107,348)	(143,435)	2,852,474
	3,039,261	1,265,772	(117,230)	(179,809)	(199,301)	3,808,693

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

F-73

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(e) The fair value of investments in associates for which there are published price quotations as of December 31, 2013 is as follows:

Company	Fair value (in millions of Won)
POSCO PLANTEC Co., Ltd. (formerly, SUNGJIN GEOTEC Co., Ltd.)	189,916

(f) Summarized financial information of associates and joint ventures as of and for years ended December 31, 2012 and 2013 is as follows:

1) December 31, 2012

Company	Assets	Liabilities	Equity	Sales	Net income (loss)
[Domestic]					
POSCO PLANTEC Co., Ltd. (formerly, SUNGJIN GEOTEC Co., Ltd.)	763,581	632,999	130,582	703,236	(29,219)
SNNC	577,273	261,781	315,492	379,230	16,959
POSCO MITSUBISHI CARBON TECHNOLOGY	47,014	247	46,767		(1,433)
POSCO ES MATERIALS	69,287	16,067	53,220		(1,422)
BLUE OCEAN Private Equity Fund	347,298	224,338	122,960	429,210	(16,504)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	333,716	250,540	83,176	229,271	36,971
Incheongimpo Highway Co., Ltd	44,714	334	44,380		(1,323)
UITrans LRT Co., Ltd.	50,932	12,822	38,110		(880)
Garolim Tidal Power Plant Co.,Ltd.	37,476	1,546	35,930		(1,404)
Gunggi Green Energy	103,340	68,990	34,350		(467)
KONES, Corp.	6,739	3,627	3,112	8,274	(527)
Busan-Gimhae Light Rail Transit Co., Ltd.	787,011	756,606	30,405	16,811	(106,668)
POSMATE	118,077	14,580	103,497	104,705	9,587
MTAPOLIS Co., Ltd.	521,942	512,720	9,222	21,063	(35,244)
[Foreign]					
Roy Hill Holdings Pty Ltd.	1,404,336	105,340	1,298,996		(146,321)
POSCO-NPS Niobium LLC	697,431	140	697,291		38,412
CSP-Compania Siderurgica do Pecem	1,088,105	16,551	1,071,554		(12,622)
South-East Asia Gas Pipeline Company Ltd.	1,341,510	763,116	578,394		
Nickel Mining Company SAS	445,344	91,266	354,078	120,224	(33,981)
DMSA, AMSA	7,935,489	5,906,301	2,029,188		(29,407)
KOREA LNG LTD.	545,841	64	545,777	109,992	107,953
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	922,932	579,140	343,792	1,506,012	2,296
KOBRASCO	231,524	3,831	227,693	121,619	56,282
CAML Resources Pty. LTD.	209,717	70,502	139,215	284,134	34,162
POSCHROME (PROPRIETARY) LIMITED	53,900	3,582	50,318	89,962	(899)

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

2) December 31, 2013

Company	Assets	Liabilities	Equity (deficit) (in millions of Won)	Sales	Net income (loss)
[Domestic]					
EQP POSCO Global NO1 Natural Resources PEF	652,849	1,034	651,815		(3,684)
POSCO PLANTEC Co., Ltd. (formerly, SUNGJIN GEOTEC Co., Ltd.)	900,409	765,481	134,928	597,561	(98,435)
SNNC	504,351	235,830	268,521	405,419	8,458
POSCO MITSUBISHI CARBON TECHNOLOGY	243,644	51,747	191,897		89
POSCO ES MATERIALS	59,807	10,590	49,217	5,759	(3,926)
BLUE OCEAN Private Equity Fund	341,118	234,321	106,797	425,678	(7,321)
CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd.	284,290	222,246	62,044	10,224	(15,924)
Incheongimpo Highway Co., Ltd	157,082	32,691	124,391		(1,473)
UITrans LRT Co., Ltd.	102,828	56,438	46,390		(925)
Garolim Tidal Power Plant Co., Ltd.	43,592	3,350	40,242		(2,502)
Gunggi Green Energy	333,027	263,608	69,419	21,577	(5,526)
KoFC POSCO HANWHA KB Shared Growth NO. 2. Private Equity Fund	55,195	1,712	53,483	1,064	(1,116)
KONES, Corp.	3,748	2,296	1,452	7,442	(1,612)
Busan-Gimhae Light Rail Transit Co., Ltd.	752,011	793,042	(41,031)	34,670	(71,110)
QSONE Co., Ltd.	247,592	79,399	168,193	882	(597)
[Foreign]					
Roy Hill Holdings Pty Ltd.	2,703,533	244,437	2,459,096		(302,248)
POSCO-NPS Niobium LLC	686,978		686,978		32,158
CSP-Compania Siderurgica do Pecem	1,520,989	78,847	1,442,142		(16,915)
South-East Asia Gas Pipeline Company Ltd.	1,755,847	1,195,935	559,912	19,878	(10,323)
Nickel Mining Company SAS	416,878	91,851	325,027	120,324	(39,686)
DMSA, AMSA	8,636,317	5,190,558	3,445,759		(473)
7623704 Canada Inc.	1,161,363	15	1,161,348		(10)
KOREA LNG LTD.	381,437	98	381,339	111,602	109,495
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	776,557	418,958	357,599	1,479,765	5,359
KOBRASCO	203,467	13,001	190,466	70,428	42,852
CAML Resources Pty. LTD.	185,465	52,782	132,683	238,296	53,950
POSCHROME (PROPRIETARY) LIMITED	38,440	3,779	34,661	72,243	6,765

12. Joint Operations

Details of significant joint operations of the Company as of December 31, 2013 are as follows:

Edgar Filing: POSCO - Form 20-F

Joint operations	Operation	Ownership (%)	Location
Myanmar A-1/A-3 mine	Mine development	51.00	Myanmar
Offshore midstream	Mine development	51.00	Myanmar
Gleenhills mine	Mine development	20.00	Canada
Actos Anthracite coal project	Mine development	20.00	Canada
Mt. Thorley J/V	Mine development	20.00	Australia
POSMAC J/V	Mine development	20.00	Australia
CD J/V	Mine development	5.00	Australia
Integra Coal J/V	Mine development	5.95	Australia
RUM J/V	Mine development	10.00	Australia

F-75

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****13. Investment Property, Net**

(a) Investment property as of December 31, 2012 and 2013 are as follows:

	Acquisition cost	2012 Accumulated depreciation and impairment loss	Book value (in millions of Won)	Acquisition cost	2013 Accumulated depreciation and impairment loss	Book value
Land	252,846	(41,464)	211,382	200,468	(38,966)	161,502
Buildings	490,657	(186,154)	304,503	399,998	(160,805)	239,193
Structures	9,448	(4,142)	5,306	6,836	(3,237)	3,599
Others				20,935		20,935
Total	752,951	(231,760)	521,191	628,237	(203,008)	425,229

As of December 31, 2013, the fair value of investment property is 705,707 million, among which the Company evaluated investment property of 7 subsidiaries including International Business Center Corporation as its book value amounted to 84,479 million since it is believed that fair value is approximately same as book value. Also, the Company used the prior year's fair value for some of the investment property since it is believed to be approximately same.

(b) Changes in the carrying value of investment property for the years ended December 31, 2012 and 2013 were as follows:

1) For the year ended December 31, 2012

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

Edgar Filing: POSCO - Form 20-F

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

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

2) For the year ended December 31, 2013

	Beginning	Acquisitions	Business combination (in millions of Won)	Disposals	Depreciation	Others (*1)	Ending
Land	211,382		12,625	(4,410)		(58,095)	161,502
Buildings	304,503	10	8,432	(3,129)	(12,008)	(58,615)	239,193
Structures	5,306				(314)	(1,393)	3,599
Others		20,935					20,935
Total	521,191	20,945	21,057	(7,539)	(12,322)	(118,103)	425,229

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

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****14. Property, Plant and Equipment, Net**

(a) Property, plant and equipment as of December 31, 2012 and 2013 are as follows:

	2012				2013			
	Acquisition cost	Accumulated depreciation and impairment loss	Government grants	Book value (in millions of Won)	Acquisition cost	Accumulated depreciation and impairment loss	Government grants	Book value
Land	2,658,401	(11,979)		2,646,422	2,719,989	(11,979)		2,708,010
Buildings	7,120,322	(2,951,420)	(100)	4,168,802	8,112,980	(3,223,992)	(153)	4,888,835
Structures	3,997,124	(1,676,669)	(274)	2,320,181	4,649,271	(1,864,574)	(110)	2,784,587
Machinery and equipment	36,217,492	(19,684,338)	(950)	16,532,204	40,685,986	(21,242,212)	(938)	19,442,836
Vehicles	279,650	(219,489)	(7)	60,154	284,113	(233,080)		51,033
Tools	331,870	(261,972)	(47)	69,851	346,018	(283,120)	(45)	62,853
Furniture and fixtures	526,396	(342,706)	(310)	183,380	568,313	(394,958)	(203)	173,152
Finance lease assets	105,241	(48,017)		57,224	151,219	(50,695)		100,524
Construction-in-progress	6,238,161			6,238,161	5,553,322		(5,033)	5,548,289
Total	57,474,657	(25,196,590)	(1,688)	32,276,379	63,071,211	(27,304,610)	(6,482)	35,760,119

(b) Changes in the carrying value of property, plant and equipment for the years ended December 31, 2012 and 2013 were as follows:

1) For the year ended December 31, 2012

	Beginning	Acquisitions	Business combination			Depreciation (*1)	Others (*2)	Ending
			Disposals					
	(in millions of Won)							
Land	2,549,178	51,978	2,377	(26,793)			69,682	2,646,422
Buildings	4,019,829	210,756	12,210	(29,756)		(298,978)	254,741	4,168,802
Structures	2,260,437	25,170		(24,308)		(199,970)	258,852	2,320,181
Machinery and equipment	16,179,384	698,693	5,804	(209,357)		(1,774,051)	1,631,731	16,532,204
Vehicles	66,743	15,620	141	(1,244)		(20,705)	(401)	60,154
Tools	80,877	17,404	411	(1,081)		(36,026)	8,266	69,851
Furniture and fixtures	169,689	53,040	76	(3,369)		(65,074)	29,018	183,380
Finance lease assets	38,542	535		(236)		(9,154)	27,537	57,224
Construction-in-progress	3,088,505	6,314,731					(3,165,075)	6,238,161
Total	28,453,184	7,387,927	21,019	(296,144)		(2,403,958)	(885,649)	32,276,379

Edgar Filing: POSCO - Form 20-F

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

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

F-77

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

2) For the year ended December 31, 2013

	Beginning	Acquisitions	Business combination	Disposals (in millions of Won)	Depreciation (*1)	Others (*2)	Ending
Land	2,646,422	23,404	23,108	(24,548)		39,624	2,708,010
Buildings	4,168,802	72,168	7,352	(48,278)	(308,084)	996,875	4,888,835
Structures	2,320,181	29,338	18,568	(7,633)	(189,740)	613,873	2,784,587
Machinery and equipment	16,532,204	740,682	9,634	(88,565)	(1,867,408)	4,116,289	19,442,836
Vehicles	60,154	10,326	700	(2,356)	(19,402)	1,611	51,033
Tools	69,851	20,638	304	(1,811)	(33,494)	7,365	62,853
Furniture and fixtures	183,380	31,578	1,087	(4,837)	(72,062)	34,006	173,152
Finance lease assets	57,224	670		(712)	(12,766)	56,108	100,524
Construction-in-progress	6,238,161	5,931,141		(10,369)		(6,610,644)	5,548,289
Total	32,276,379	6,859,945	60,753	(189,109)	(2,502,956)	(744,893)	35,760,119

(*1) Impairment losses of property, plant and equipment amounted to 9,742 million are included.

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

(c) Borrowing costs capitalized and the capitalized interest rate for the years ended December 31, 2012 and 2013 were as follows:

	2012	2013
	(in millions of Won)	
Weighted average expenditure	3,131,866	6,442,564
Borrowing costs capitalized	101,794	290,117
Capitalization rate	3.25%	4.50%

(d) Property, plant and equipment and investment property pledged as collateral as of December 31, 2012 and 2013 are as follows:

Collateral right holder	2012	2013
	(in millions of Won)	

Edgar Filing: POSCO - Form 20-F

Land ^(*1)	Korean Development Bank and others	545,654	767,004
Buildings and structures ^(*1)	Korean Development Bank and others	327,757	1,112,855
Machinery and equipment	Korean Development Bank and others	1,285,452	3,343,747
Tools	Korean Development Bank		7,300
Construction-in-progress	The Export-Import Bank of Korea	1,486,745	382,339
		3,645,608	5,613,245

(*1) Investment property is included.

F-78

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****15. Goodwill and Other Intangible Assets, Net**

(a) Goodwill and other intangible assets as of December 31, 2012 and 2013 are as follows:

	2012				2013			
	Acquisition cost	Accumulated amortization and impairment loss	Government grants	Book value (in millions of Won)	Acquisition cost	Accumulated amortization and impairment loss	Government grants	Book value
Goodwill	1,735,879	(22,188)		1,713,691	1,741,562	(125,624)		1,615,938
Intellectual property rights	317,748	(41,448)	(1,154)	275,146	1,551,898	(76,026)	(1,013)	1,474,859
Premium in rental	151,116	(13,383)		137,733	148,295	(17,028)		131,267
Development expense	127,856	(65,367)	(1,558)	60,931	158,228	(95,780)	(1,346)	61,102
Port facilities usage rights	410,023	(326,901)		83,122	504,331	(337,220)		167,111
Exploration and evaluation assets	509,581	(29,853)		479,728	389,601	(29,853)		359,748
Mining development assets	1,643,306			1,643,306	968,191			968,191
Customer relationships	862,217	(111,485)		750,732	856,308	(163,428)		692,880
Other intangible assets	921,277	(403,302)	(3)	517,972	843,705	(384,960)	(1)	458,744
Total	6,679,003	(1,013,927)	(2,715)	5,662,361	7,162,119	(1,229,919)	(2,360)	5,929,840

(b) The changes in carrying value of goodwill and other intangible assets for the years ended December 31, 2012 and 2013 were as follows:

1) For the year ended December 31, 2012

	Beginning	Increase		Disposals (in millions of Won)	Decrease		Others ^{(*)3}	Ending
		Acquisitions	Business combination		Amortization	Impairment loss		
Goodwill ^{(*)1}	1,656,817		77,298				(7,230)	1,713,691
Intellectual property rights	274,907	26,677	1	(1,375)	(24,829)		(235)	275,146
Premium in rental ^{(*)2}	139,144	13,498	622	(10,038)	(544)		7,387	137,733
Development expense	45,583	10,266		(148)	(23,011)		28,241	60,931
Port facilities usage rights	94,746				(11,624)			83,122
Exploration and evaluation assets	473,192	7,349					(1,671)	479,728
Mining development assets	1,414,315	228,991						1,643,306
Client relationships	807,068				(53,517)		(2,819)	750,732
Other intangible assets	339,156	201,269	26,748	(652)	(44,466)		(9)	517,972
Total	5,244,928	488,050	104,669	(12,213)	(157,991)		(21,246)	5,662,361

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

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

(*3) Includes translation adjustment and reclassification.

F-79

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

2) For the year ended December 31, 2013

	Beginning	Increase Business Acquisitions combination	Disposals	Decrease Amortization	Impairment loss	Others (*3)	Ending
	(in millions of Won)						
Goodwill (*1)	1,713,691	2,668			(103,436)	3,015	1,615,938
Intellectual property rights	275,146	54,182	(291)	(35,532)	(10,313)	1,191,667	1,474,859
Premium in rental (*2)	137,733	4,089	(4,382)	(211)	(4,457)	(3,110)	131,267
Development expense	60,931	13,717	2,032	(23,166)	(5,675)	13,263	61,102
Port facilities usage rights	83,122			(10,318)		94,307	167,111
Exploration and evaluation assets	479,728	4,669				(124,649)	359,748
Mining development assets	1,643,306	289,016				(964,131)	968,191
Customer relationships	750,732			(51,944)		(5,908)	692,880
Other intangible assets	517,972	211,627	684	(58,843)	(1,435)	(210,159)	458,744
Total	5,662,361	577,300	6,989	(5,775)	(180,014)	(5,705)	5,929,840

(*1) Acquisition amounts include goodwill amounting to 2,668 million related to the acquisition of POSCO YongXin Rare Earth Metal Co., Ltd.

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

(*3) Includes translation adjustment and reclassification.

(c) For the purpose of impairment testing, goodwill is allocated to individually operating entities determined to be CGUs. The goodwill amounts as of December 31, 2012 and 2013 are as follows:

Reporting segments	Total number of CGUs		CGUs	2012	2013
	2012	2013			
	(in millions of Won)				
Steel	10	10	POSCO Thainox Public Company Limited (*3) POSCO VST CO., LTD. Others	109,779 36,955 14,096	18,624 36,955 14,084
Trading	3	3	Daewoo International Corporation (*1)	1,163,922	1,163,922

Edgar Filing: POSCO - Form 20-F

			Others	11,906	9,711
E&C	4	4	POSCO Engineering Co., Ltd. ^(*2)	194,637	194,637
			EPC EQUITIES LLP ^(*4)	47,913	44,412
			Others	11,291	11,119
Others	10	10	PONUTech Co., Ltd	77,298	77,298
			POSCO ENERGY Co., LTD.	26,471	26,471
			Others ^(*4)	19,423	18,705
Total	27	27		1,713,691	1,615,938

(*1) Recoverable amounts of Daewoo International Corporation were 3,849,700 million as of December 31, 2013 based on its value-in-use. As of December 31, 2013, value-in-use is estimated by applying 8.3% discount rate and 3.0% terminal growth rate with 5 years, the period for the estimated future cash flows, based on management's business plan. The key assumption for the estimated future cash flow projections for the next 5 years is the revenue growth rate. The average annual growth rate of 3.7% is used based on the average growth rate of revenue in the past 5 years (2009 through 2013) and the Company's business plan for the next 5 years. No impairment loss of goodwill was recognized during the year ended December 31, 2013 as the recoverable amount exceeded the carrying value of the CGU.

The estimated recoverable amount of CGU exceeded the carrying value by 65,816 million. Value-in-use of the CGU was affected by the assumption such as discount rate and terminal growth used in discount cash flow model. When the discount rate increases by 0.25%, value-in-use will be decreased by 5.49% and when the terminal growth rate decreases by 0.25%, value-in-use will be decreased by 3.39%.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would cause a change in impairment loss of goodwill.

(*2) Recoverable amounts of POSCO Engineering Company were 635,980 million as of December 31, 2013 determined based on value-in-use. As of December 31, 2013, value-in-use is estimated by applying 12.3% discount rate and 1%

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

terminal growth rate with 5 years. The estimated future cash flows for the next 5 years are based on management's approved business plan. The most significant assumption on the cash flow projections for the next 5 years is the cash flows from construction projects based on the business plan. No impairment loss of goodwill was recognized during the year ended December 31, 2013 as the recoverable amount exceeded the carrying value of the CGU.

The estimated recoverable amounts of CGU exceeded the carrying value by 288,906 million. Value-in-use of the CGU was affected by the assumption such as discount rate and terminal growth used in discount cash flow model. When the discount rate increases by 0.25%, value-in-use will be decreased by 2.69% and when the terminal growth rate decreases by 0.25%, value-in-use will be decreased by 1.84%. The change has no effect on the impairment loss of the goodwill.

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

(*3) Recoverable amounts of POSCO-Thainox Public Company Limited were 340,248 million as of December 31, 2013, determined based on fair value less cost to sell, which was calculated based on quoted market price plus control premium.

The Company recognized goodwill impairment loss of 97,245 million as the carrying value of the CGU was higher than its recoverable amount as of December 31, 2013 and market price decreased due to the market condition of stainless steel industry during the current period.

(*4) The Company recognized goodwill impairment loss of 6,191 million as the carrying values of the EPC EQUITIES LLP and other subsidiaries were higher than recoverable amounts as of December 31, 2013.

16. Other Assets

Other current assets and other long-term assets as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Other current assets		
Advance payment	1,205,969	1,138,976
Prepaid expenses	189,647	130,272
Others	2,564	1,420
	1,398,180	1,270,668

Other long-term assets

Edgar Filing: POSCO - Form 20-F

Long-term advance payment	2,119	3,090
Long-term prepaid expenses	178,934	204,449
Others	212,733	157,659
	393,786	365,198

F-81

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****17. Borrowings**

(a) Short-term borrowings and current portion of long-term borrowings as of December 31, 2012 and 2013 are as follows:

	Bank	Issuance date	Maturity date (in millions of Won)	Interest rate (%)	2012	2013
Short-term borrowings						
Bank overdrafts						
	Bank of America and others	January, 2013~ December, 2013	January, 2014~ December, 2014	0.1~1.0	123,685	100,211
Short-term borrowings (*1)						
	Shinhan Bank and others	January, 2013~ December, 2013	January, 2014~ December, 2014	0.3~12.8	7,586,993	7,256,486
					7,710,678	7,356,697
Current portion of long-term liabilities						
Current portion of long-term borrowings (*1)						
	Korean Development Bank	June, 2003~ December, 2013	January, 2014~ December, 2014	0.5~9.0	898,564	856,188
Less : Present value discount						
						(59)
Current portion of foreign loan						
	NATIXIS	June, 1984~ March, 1986	March, 2014~ December, 2014	2.0	901	927
Current portion of debentures (*1)						
	Korean Development Bank	January, 2009~ November, 2011	January, 2014~ December, 2014	1.5~9.0	1,899,430	2,502,246
Less: Current portion of discount on debentures issued						
					(2,644)	(2,353)
Add: Premium on debentures redemption						
					2,419	
					2,798,670	3,356,949
					10,509,348	10,713,646

(*1) Property, plant and equipment, trade accounts, short-term financial assets, available-for-sale financial assets and inventories amounting to 5,437,689 million, 43,872 million (three hundred fourteen sheets of note receivable), 27,195 million, 675,812 million and 87,029 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

(b) Long-term borrowings, excluding current portion as of December 31, 2012 and December 31, 2013 are as follows:

Edgar Filing: POSCO - Form 20-F

	Bank	Issuance date	Maturity date (in millions of Won)	Interest rate (%)	2012	2013
Long-term borrowings ^(*1)	Korean Development Bank	January, 1983~ December, 2013	February, 2015~ December, 2099	0.5~11.2	5,161,711	7,017,532
Less : Present value discount					(44,293)	(43,897)
Foreign loan ^(*2)	NATIXIS	March, 1986	March, 2017	2.0	2,009	1,140
Bonds ^(*1.3)	Korean Development Bank	August, 2006~ December, 2013	February, 2015~ December, 2021	0.0~6.3	9,339,966	8,590,965
Less: Discount on debentures issued					(62,943)	(45,372)
Add: Premium on debentures redemption					15,635	12,591
					14,412,085	15,532,959

(*1) Property, plant and equipment, trade accounts, short-term financial assets, available-for-sale financial assets and inventories amounting to 5,437,689 million, 43,872 million (three hundred fourteen sheets of note receivable),

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

27,195 million, 675,812 million and 87,029 million, respectively, are provided as collateral related to short-term borrowings, long-term borrowings and debentures.

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

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

18. Other Payables

Other payables as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Current		
Accounts payable (*)	737,802	914,288
Accrued expenses	868,015	873,613
Dividend payable	7,487	11,709
Finance lease liabilities	16,044	14,218
Withholding	205,556	315,026
	1,834,904	2,128,854
Non-current		
Accounts payable	117,462	116,160
Accrued expenses	24,950	25,358
Finance lease liabilities	32,961	39,257
Long-term withholding	68,549	25,859
	243,922	206,634

(*) During the year ended December 31, 2012, a fine of 117,629 million was imposed on POSCO and POSCO Coated & Color Steel Co., Ltd. for price fixing galvanized steel sheets as a result of Korea Fair Trade Commission's investigation. The Company made a payment for the fine in the first half of 2013.

19. Other Financial Liabilities

Other financial liabilities as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Current		
Derivatives liabilities	84,922	128,370
Financial guarantee liabilities	7,819	7,534
	92,741	135,904
Non-current		
Derivatives liabilities	100,220	229,096
Financial guarantee liabilities	17,493	30,925
	117,713	260,021

F-83

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****20. Provisions**

(a) Provisions as of December 31, 2012 and 2013 are as follows:

	2012		2013	
	Current	Non-current	Current	Non-current
	(in millions of Won)			
Provision for bonus payments	42,904		52,377	
Provision for construction warranties	23,489	27,227	35,027	20,669
Provision for legal contingencies and claims (*1)		30,920		30,330
Others (*2)	11,438	41,951	19,925	95,273
	77,831	100,098	107,329	146,272

(*1) As of December 31, 2012 and 2013, the amount includes a provision of 23,784 million and 23,300 million, respectively, for potential claims in connection with the spin-off of the trading division of Daewoo International Corporation in 2000 (Note 38). In addition, a provision of 7,136 million and 7,030 million are included as of December 31, 2012 and 2013, respectively, for a payment guarantee related to borrowings incurred in the disposition of Daewoo Cement (Shandong) Co., Ltd. during the year ended December 31, 2012.

(*2) As of December 31, 2013, the amount includes a provision of 74,888 million for expected outflows of resources in connection with the subrogation and financial joint guarantee for the construction projects of POSCO ENGINEERING & CONSTRUCTION Co., LTD.

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

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

(c) Changes in provisions for the years ended December 31, 2012 and 2013 were as follows:

1) For the year ended December 31, 2012

Beginning	Increase	Utilization	Reversal	Others (*1)	Ending
-----------	----------	-------------	----------	-------------	--------

Edgar Filing: POSCO - Form 20-F

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

(*1) Includes adjustments of foreign currency translation differences and others.

2) For the year ended December 31, 2013

	Beginning	Increase	Utilization	Reversal	Others (*1)	Ending
	(in millions of Won)					
Provision for bonus payments	42,904	48,362	(36,126)	(2,058)	(705)	52,377
Provision for construction warranties	50,716	27,008	(15,356)	(3,887)	(2,785)	55,696
Provision for legal contingencies and claims	30,920	5,090	(4,353)	(1,327)		30,330
Others	53,389	86,077	(23,576)	(1,597)	905	115,198
	177,929	166,537	(79,411)	(8,869)	(2,585)	253,601

(*1) Includes adjustments of foreign currency translation differences and others.

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****21. Employee Benefits****(a) Defined contribution plans**

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

The expenses related to post-employment benefit plans under defined contribution plans for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012	2013
	(in millions of Won)		
Expense related to post-employment benefit under defined contribution plans	8,874	16,520	19,126
(b) Defined benefit plans			

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

1) The amounts recognized in relation to net defined benefit liabilities in the statements of financial position as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Present value of funded obligations	1,394,675	1,515,426
Fair value of plan assets	(1,064,711)	(1,247,483)
Present value of non-funded obligations	15,724	5,217
Net defined benefit liabilities	345,688	273,160

2) Changes in present value of defined benefit obligations for the years ended December 31, 2012 and 2013 were as follows:

2012	2013
------	------

Edgar Filing: POSCO - Form 20-F

	(in millions of Won)	
Defined benefit obligation at the beginning of period	1,173,238	1,410,399
Current service costs	212,450	238,386
Interest costs	51,351	47,039
Remeasurements:	83,050	(12,615)
Gain from change in demographic assumptions	(7,842)	(5,624)
Loss from change in financial assumptions	85,483	7,667
Others	5,409	(14,658)
Business combinations	1,684	11,379
Benefits paid	(116,846)	(129,038)
Others	5,472	(44,907)
Defined benefit obligation at the end of period	1,410,399	1,520,643

F-85

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

3) Changes in fair value of plan assets for the years ended December 31, 2012 and 2013 were as follows:

	2012	2013
	(in millions of Won)	
Fair value of plan assets at the beginning of period	832,771	1,064,711
Interest on plan assets	37,669	37,677
Remeasurement of plan assets	2,157	(1,482)
Contributions to plan assets ^(*)	267,420	254,771
Business combinations	906	9,372
Others	(489)	(34,942)
Benefits paid	(75,723)	(82,624)
Fair value of plan assets at the end of period	1,064,711	1,247,483

(*) The Company expects to make a contribution of 254,771 million to the defined benefit plan assets in 2014.

4) The fair value of plan assets as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Equity instruments	12,002	35,364
Debt instruments	107,303	98,686
Deposits	743,884	958,509
Others	201,522	154,924
	1,064,711	1,247,483

5) The amounts recognized in consolidated statements of comprehensive income for the years ended December 31, 2011, 2012 and 2013 were as follows:

2011	2012	2013
(in millions of Won)		

Edgar Filing: POSCO - Form 20-F

Current service costs	207,871	212,450	238,386
Net interest costs ^(*)	29,127	13,682	9,362
	236,998	226,132	247,748

(*1) The actual return on plan assets amounted to 41,318 million, 39,826 million and 36,195 million for the years ended December 31, 2011, 2012 and 2013, respectively.

The above expenses by function were as follows :

	2011	2012	2013
	(in millions of Won)		
Cost of sales	169,548	164,763	180,090
Selling and administrative expenses	59,978	60,457	66,327
Others	7,472	912	1,331
	236,998	226,132	247,748

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

6) Accumulated actuarial gains (losses), net of tax recognized in other comprehensive income for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012	2013
	(in millions of Won)		
Beginning	(152,125)	(182,702)	(245,229)
Current actuarial gains (losses)	(30,577)	(62,527)	6,224
Ending	(182,702)	(245,229)	(239,005)

7) The principal actuarial assumptions as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(%)	
Discount rate (*1)	3.29~4.46	3.47~4.91
Expected future increase in salaries (*2)	1.04~6.72	1.07~5.75

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

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

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

8) Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	1% Increase		1% Decrease	
	Amount	Percentage (%)	Amount	Percentage (%)
	(in millions of Won)			
Discount rate	(102,996)	(6.8)	114,323	7.5

Edgar Filing: POSCO - Form 20-F

Expected future increases in salaries 112,291 7.4 (101,720) (6.7)
 9) As of December 31, 2013 the maturity of the expected benefit payments are as follows:

	Within 1 year	1 year- 5 years	5 years- 10 years	10 years- 20 years	Later than 20 years	Total
Benefits paid	69,334	239,632	532,724	992,760	254,495	2,088,945

(in millions of Won)
 The maturity analysis of the defined benefit obligation were nominal amounts of defined benefit obligations using expected remaining working lives of employees.

F-87

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****22. Other Liabilities**

Other liabilities as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Other current liabilities		
Due to customers for contract work	529,104	898,605
Advances received	1,289,805	1,176,621
Unearned revenue	46,963	29,217
Withholdings	162,073	192,497
Deferred revenue	235	202
Others ^(*)	283,474	268,032
	2,311,654	2,565,174
Other long-term liabilities		
Advances received	312,668	201,432
Unearned revenue	841	1,465
Others ^(*)	64,305	57,954
	377,814	260,851

(*) Includes other current liabilities amounting to 274,490 million, 261,855 million and other long-term liabilities amounting to 14,939 million and 8,935 million as of December 31, 2012 and 2013, respectively, due to proportionate consolidation of joint ventures which are owned by POSCO's subsidiaries.

23. Financial Instruments**(a) Classification of financial instruments**

1) Financial assets as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Financial assets at fair value through profit or loss		
Derivatives assets held for trading	71,354	78,222
Available-for-sale financial assets	3,914,522	4,166,384
Held-to-maturity investments	34,488	3,834

Edgar Filing: POSCO - Form 20-F

Loans and receivables	19,787,951	21,206,326
	23,808,315	25,454,766

2) Financial liabilities as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Financial liabilities at fair value through profit or loss		
Derivatives liabilities held for trading	185,142	357,466
Financial liabilities evaluated as amortized cost		
Trade accounts payable	4,391,788	4,231,881
Borrowings	24,921,433	26,246,605
Financial guarantee liabilities	25,312	38,459
Others	1,802,174	2,253,989
	31,140,707	32,770,934
	31,325,849	33,128,400

F-88

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

3) Finance income and costs by category of financial instrument for the years ended December 31, 2011, 2012 and 2013 were as follows:

December 31, 2011

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

December 31, 2012

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

Edgar Filing: POSCO - Form 20-F

(592,650)	124,475	96,216	693,649	140,954	(363,219)	99,425	(81,471)
-----------	---------	--------	---------	---------	-----------	--------	----------

F-89

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

December 31, 2013

	Interest income (cost)	Dividend income	Financial income and costs			Others	Total	Other comprehensive income
			Gain and loss on foreign currency transactions	Gain and loss on foreign currency translations (in millions of Won)	Gain and loss on disposal			
Financial assets at fair value through profit or loss	549				348,126	67,951	416,626	
Available-for-sale financial assets	4,010	59,181			101,842	(280,237)	(115,204)	412,346
Held-to-maturity investments	480					84	564	
Loans and receivables	255,359		20,232	(69,773)	(20,009)	(145)	185,664	
Financial liabilities at fair value through profit or loss					(264,739)	(287,864)	(552,603)	
Financial liabilities at amortized cost	(657,681)		49,906	236,016		(11,703)	(383,462)	
	(397,283)	59,181	70,138	166,243	165,220	(511,914)	(448,415)	412,346

(b) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the Company's maximum exposure to credit risk. The maximum exposure to credit risk as of December 31, 2012 and 2013 are as follows:

	2012 (in millions of Won)	2013 (in millions of Won)
Cash and cash equivalents	4,680,526	4,208,562
Financial assets at fair value through profit or loss	71,354	78,222
Available-for-sale financial assets	203,353	97,618
Held-to-maturity investments	34,488	3,834
Loans and other receivables	3,927,248	5,408,163
Trade accounts and notes receivable, net	11,037,973	11,492,601
Long-term trade accounts and notes receivable, net	142,204	97,000
	20,097,146	21,386,000

Edgar Filing: POSCO - Form 20-F

The Company provided financial guarantees for the repayment of loans of associates and third parties. As of December 31, 2012 and 2013, the maximum exposure to credit risk related to the financial guarantee amounted to 4,607,773 million, 4,520,052 million, respectively.

F-90

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

2) Impairment losses on financial assets

Allowance for doubtful accounts as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Trade accounts and notes receivable	379,536	439,073
Other accounts receivable	47,565	81,470
Long-term loans	42,721	127,990
Other assets	5,055	13,118
	474,877	661,651

Impairment losses on financial assets for the years ended December 31, 2012 and 2013 were as follows:

	2012	2013
	(in millions of Won)	
Bad debt expenses on trade receivables	79,258	90,119
Impairment of available-for-sale financial assets	224,171	280,237
Other bad debt expenses ^(*)	44,115	111,065
Less: Recovery of impairment of held-to-maturity financial assets	(79)	(84)
	347,465	481,337

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

The aging schedule and the impaired losses of trade accounts and notes receivable as of December 31, 2012 and 2013 are as follows:

	2012		2013	
	Trade accounts and notes receivable	Impairment	Trade accounts and notes receivable	Impairment
	(in millions of Won)			
Not due	9,106,925	52,063	8,465,892	48,147

Edgar Filing: POSCO - Form 20-F

Over due less than 1 month	1,313,554	4,387	1,849,829	12,675
1 month 3 months	278,029	3,264	239,498	3,124
3 months 12 months	413,251	41,291	503,171	10,681
Over 12 months	447,954	278,531	970,284	364,446
	11,559,713	379,536	12,028,674	439,073

The aging schedule and the impaired losses of loans and other receivables as of December 31, 2012 and 2013 are as follows:

	2012		2013	
	Loans and other receivables	Impairment	Loans and other receivables	Impairment
	(in millions of Won)			
Not due	3,688,845	3,059	5,186,745	11,176
Over due less than 1 month	12,491	359	28,501	19,138
1 month 3 months	22,410	316	13,293	30
3 months 12 months	120,224	2,833	92,022	820
Over 12 months	178,618	88,774	310,180	191,414
	4,022,588	95,341	5,630,741	222,578

F-91

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Changes in the allowance for doubtful accounts for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012	2013
	(in millions of Won)		
Beginning	357,063	406,721	474,877
Bad debt expenses	92,197	79,258	90,119
(Reversal of) Other bad debt expenses	(46,720)	44,115	111,065
Write-off	(16,225)	(40,138)	(10,368)
Others	20,406	(15,079)	(4,042)
Ending	406,721	474,877	661,651

(c) Liquidity risk

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

	Book value	Contractual cash flow	Within 1 year	1 year - 5 years	Later than 5 years
	(in millions of Won)				
Trade accounts payable	4,231,881	4,231,881	4,231,322	559	
Financial guarantee liabilities (*1)	38,459	4,520,052	4,520,052		
Other financial liabilities	2,253,989	2,253,989	2,047,355	206,634	
Borrowings (*2)	26,246,605	29,293,081	11,946,021	11,723,706	5,623,354
	32,770,934	40,299,003	22,744,750	11,930,899	5,623,354

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

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

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

	Within 1 year	1 year- 5 years (in millions of Won)	Later than 5 years	Total
Currency forward	20,166	24,882		45,048
Currency futures	35,605			35,605
Currency swaps	72,267	23,459	5,291	101,017
Interest swaps	332			332
	128,370	48,341	5,291	182,002

(d) Currency risk

1) The Company has exposure to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The exposure to currency risk as of December 31, 2012 and 2013 are as follows:

	2012		2013	
	Assets	Liabilities	Assets	Liabilities
	(in millions of Won)			
USD	3,933,448	9,120,893	3,929,623	8,953,287
EUR	317,381	330,481	365,021	408,542
JPY	239,569	2,017,179	482,691	1,727,946
Others	264,299	65,679	372,715	212,287

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

2) As of December 31, 2012 and 2013, provided that functional currency against foreign currencies other than functional currency hypothetically weakens or strengthens by 10%, the changes in gain or loss during the years ended December 31, 2012 and 2013 were as follows:

	2012		2013	
	10% increase	10% decrease	10% increase	10% decrease
	(in millions of Won)			
USD	(518,745)	518,745	(502,366)	502,366
EUR	(1,310)	1,310	(4,352)	4,352
JPY	(177,761)	177,761	(124,526)	124,526

(e) Interest rate risk

1) The carrying amount of interest-bearing financial instruments as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Fixed rate		
Financial assets	7,325,825	8,195,153
Financial liabilities	(15,301,208)	(15,633,891)
	(7,975,383)	(7,438,738)
Variable rate		
Financial liabilities	(9,620,225)	(10,612,712)

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

As of December 31, 2012 and 2013, 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 for the years ended December 31, 2012 and 2013 were as follows:

	2012		2013	
	1% increase	1% decrease	1% increase	1% decrease
	(in millions of Won)			
Variable rate financial instruments	(96,202)	96,202	(106,127)	106,127

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(f) Fair value

1) Fair value and book value

The carrying amount and the fair value of financial instruments as of December 31, 2012 and 2013 are as follows:

	2012		2013	
	Book Value	Fair Value	Book Value	Fair Value
(in millions of Won)				
Assets measured at fair value				
Available-for-sale financial assets (*1)	3,349,606	3,349,606	3,560,515	3,560,515
Derivatives assets held for trading (*2)	71,354	71,354	78,222	78,222
	3,420,960	3,420,960	3,638,737	3,638,737
Assets measured amortized cost (*3)				
Cash and cash equivalents	4,680,526	4,680,526	4,208,562	4,208,562
Trade accounts and notes receivable, net	11,180,177	11,180,177	11,589,601	11,589,601
Loans and other receivables, net	3,927,248	3,927,248	5,408,163	5,408,163
Held-to-maturity investments	34,488	34,488	3,834	3,834
	19,822,439	19,822,439	21,210,160	21,210,160
Liabilities measured at fair value				
Derivatives liabilities held for trading (*2)	185,142	185,142	357,466	357,466
Liabilities measured amortized cost (*3)				
Trade accounts and notes payable	4,391,787	4,391,787	4,231,881	4,231,881
Borrowings	24,921,433	25,382,344	26,246,605	26,550,721
Financial guarantee liabilities	25,312	25,312	38,459	38,459
Others	1,802,175	1,802,175	2,253,989	2,253,989
	31,140,707	31,601,618	32,770,934	33,075,050

(*1) The fair value of available-for-sale financial assets publicly traded is measured at the closing bid price quoted at the end of the reporting period. Meanwhile, the fair value of unquoted available-for-sale financial assets is calculated using the valuation results from an external pricing service in which weighted average cost of capital of evaluated companies is used as a discount rate. Available-for-sale financial assets which are not measured at fair value are excluded.

Edgar Filing: POSCO - Form 20-F

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

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

2) Interest rates used for determining fair value

Interest rates used to discount estimated cash flows as of December 31, 2012 and 2013 are as follows:

	2012	2013
Interest rate of borrowings (%)	1.47~7.22	0.76~5.18

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

3) The fair value hierarchy

.. 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 assets or liability that are not based on observable market data (that is, unobservable inputs).

.. The fair values of financial instruments by fair value hierarchy as of December 31, 2012 and 2013 are as follows:
a. December 31, 2012

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

b. December 31, 2013

	Level 1	Level 2 (in millions of Won)	Level 3	Total
Financial Assets				
Available-for-sale financial assets	2,816,484		744,031	3,560,515
Derivatives assets held for trading		78,222		78,222

Edgar Filing: POSCO - Form 20-F

2,816,484 78,222 744,031 3,638,737

Financial Liabilities

Derivatives liabilities held for trading 357,466 357,466

.. Changes in fair value of financial instruments measured by Level 3 for the years ended December 31, 2012 and 2013 were as follows:

	2012	2013
	(in millions of Won)	
Beginning	939,241	758,673
Valuation	(182,927)	(15,423)
Acquisition and others ^(*1)	30,729	19,766
Disposal and others ^(*2)	(28,370)	(18,985)
Ending	758,673	744,031

(*1) Included 15,326 million and 16,518 million transferred to Level 3 for the years ended December 31, 2012 and 2013, respectively.

(*2) Included 17,500 million and 12,176 million excluded from Level 3 for the years ended December 31, 2012 and 2013, respectively.

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(g) Offsetting financial assets and financial liabilities

As of December 31, 2012 and 2013, financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

1) December 31, 2012

	Gross amounts of recognized financial instruments	Gross amounts of recognized financial instruments set off in the statement of financial	Net amounts of financial instruments presented in the statement of financial position (in millions of Won)	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received or pledged	
Financial assets						
Trade accounts and notes receivable	80,258		80,258	(80,258)		
Derivatives ^(*1)	56,341		56,341	(56,341)		
Total	136,599		136,599	(136,599)		
Financial liabilities						
Short-term borrowings	80,258		80,258	(80,258)		
Derivatives ^(*1)	59,274		59,274	(56,341)	(2,933)	
Total	139,532		139,532	(136,599)	(2,933)	

(*1) Some of derivative contract are made under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counter party on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances (i.e. when a default occurs), all standing transactions under the agreement are terminated, the termination value is assessed and only a single amount is payable in settlement of all transactions.

2) December 31, 2013

Edgar Filing: POSCO - Form 20-F

	Gross amounts of recognized financial instruments set off in the statement of financial	Gross amounts of recognized financial instruments set off in the statement of financial	Net amounts of financial instruments presented in the statement of financial position (in millions of Won)	Related amounts not set off in the statement of financial position		Net amount
	Gross amounts of recognized financial instruments	Gross amounts of recognized financial instruments set off in the statement of financial	Net amounts of financial instruments presented in the statement of financial position (in millions of Won)	Financial instruments	Cash collateral received or pledged	Net amount
Financial assets						
Trade accounts and notes receivable	73,956		73,956	(73,956)		
Derivatives (*1)	64,408		64,408	(64,408)		
Total	138,364		138,364	(138,364)		
Financial liabilities						
Short-term borrowings	73,956		73,956	(73,956)		
Derivatives (*1)	108,405		108,405	(64,408)	(3,410)	40,587
Total	182,361		182,361	(138,364)	(3,410)	40,587

(*1) Some of derivative contract are made under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counter party on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances (i.e. when a default occurs), all standing transactions under the agreement are terminated, the termination value is assessed and only a single amount is payable in settlement of all transactions.

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****24. Share Capital and Contributed Surplus**

(a) Share capital as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(share, in Won)	
Authorized shares	200,000,000	200,000,000
Par value	5,000	5,000
Issued shares (*1)	87,186,835	87,186,835
Shared capital (*2)	482,403,125,000	482,403,125,000

(*1) As of December 31, 2013, total shares of ADRs of 53,749,064 are equivalent to 13,437,266 of common stock.

(*2) As of December 31, 2013, the difference between the ending balance of common stock and the par value of issued common stock is 46,469 million due to retirement of 9,293,790 treasury stocks.

(b) The changes in issued common stock for the years ended December 31, 2012 and 2013 were as follows:

	2012			2013		
	Issued shares	Treasury shares	Number of outstanding shares (share)	Issued shares	Treasury shares	Number of outstanding shares
Beginning	87,186,835	(9,942,391)	77,244,444	87,186,835	(9,942,391)	77,244,444
Disposal of treasury shares					2,539,180	2,539,180
Ending	87,186,835	(9,942,391)	77,244,444	87,186,835	(7,403,211)	79,783,624

(c) Capital surplus as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Share premium	463,825	463,825
Gain on disposal of treasury shares	763,867	769,215
Other capital deficit	(122,878)	(154,774)

25. Hybrid Bonds

(a) Hybrid bonds classified as equity as of December 31, 2013 are as follows:

	Date of issue	Date of maturity	Rate of interest (%)	2013
		(in millions of Won)		
Hybrid bond 1-1 ^(*)	2013-06-13	2043-06-13	4.30	800,000
Hybrid bond 1-2 ^(*)	2013-06-13	2043-06-13	4.60	200,000
Issuance cost				(3,081)
				996,919

F-97

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(*1) Details of hybrid bonds as of December 31, 2013 are as follows:

	Hybrid bond 1-1	(in millions of Won)	Hybrid bond 1-2
Issue price	800,000		200,000
Maturity date	30 years (The Company has a right to extend the maturity date)		30 years (The Company has a right to extend the maturity date)
	Issue date~2018-06-12 : 4.3%		Issue date~2023-06-12 : 4.6%
Interest rate	reset every 5 years as follows; · After 5 years : return on government bond (5 years) + 1.3%		reset every 10 years as follows; · After 10 years : return on government bond (10 years) + 1.4%
	· After 10 years : additionally +0.25% according to Step-up clauses		· After 10 years : additionally +0.25% according to Step-up clauses
Interest payments condition	· After 25 years : additionally +0.75%		· After 30 years : additionally +0.75%
Others	Quarterly (Optional deferral of interest payment is available to the Company)		Quarterly (Optional deferral of interest payment is available to the Company)
	The Company can call the hybrid bond at year 5 and interest payment date afterwards		The Company can call the hybrid bond at year 10 and interest payment date afterwards

The Company holds the right to extend the maturity dates of the hybrid bonds and to defer interest payments for the hybrid bonds. If interest payments for the hybrid bonds are deferred, the Company cannot declare or pay dividends attributable to common stock. Since the Company has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the hybrid bonds have been classified as equity instruments. The hybrid bond holders preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of December 31, 2013 amounts to 2,301 million.

(b) POSCO ENERGY Co., Ltd., a subsidiary of the Company, issued hybrid bonds during the year ended December 31, 2013, which are classified as non-controlling interests in the consolidated financial statements. Hybrid bonds as of December 31, 2013 are as follows:

Edgar Filing: POSCO - Form 20-F

	Date of issue	Date of maturity	Interest rate (%)	2013
	(in millions of Won)			
Hybrid bond 1-1 ^(*)	2013-08-29	2043-08-29	4.66	165,000
Hybrid bond 1-2 ^(*)	2013-08-29	2043-08-29	4.72	165,000
Hybrid bond 1-3 ^(*)	2013-08-29	2043-08-29	4.72	30,000
Hybrid bond 1-4 ^(*)	2013-08-29	2043-08-29	5.21	140,000
Issuance cost				(1,532)
				498,468

(*) Details of hybrid bonds of POSCO ENERGY Co., Ltd .as of December 31, 2013 are as follows:

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

	Hybrid bond 1-1	Hybrid bond 1-2 and 1-3 (in millions of Won)	Hybrid bond 1-4
Issue price	165,000	195,000	140,000
Maturity date	30 years (The Company has a right to extend the maturity date)	30 years (The Company has a right to extend the maturity date)	30 years (The Company has a right to extend the maturity date)
Interest rate	Issue date~2018-08-29 : 4.66% reset every 5 years as follows; · After 5 years : return on government bond (5 years) + 1.39% · After 10 years : additionally +0.25% according to Step-up clauses · After 30 years : additionally +0.75%	Issue date~2018-08-29 : 4.72% reset every 5 years as follows; · After 5 years : return on government bond (5 years) + 1.45% · After 10 years : additionally +0.25% according to Step-up clauses · After 30 years : additionally +0.75%	Issue date~2018-08-29 : 5.21% reset every 5 years as follows; · After 5 years : return on government bond (5 years) + 1.55% · After 10 years : additionally +0.25% according to Step-up clauses · After 30 years : additionally +0.75%
Interest payments condition	Quarterly (Optional deferral of interest payment is available to the Company)	Quarterly (Optional deferral of interest payment is available to the Company)	Quarterly (Optional deferral of interest payment is available to the Company)
Others	The Company can call the hybrid bond at year 5 and interest payment date afterwards	The Company can call the hybrid bond at year 5 and interest payment date afterwards	The Company can call the hybrid bond at year 5 and interest payment date afterwards

The Company holds the right to extend the maturity dates of the hybrid bonds and to defer interest payments for the hybrid bonds. If interest payments for the hybrid bonds are deferred, the Company cannot declare or pay dividends attributable to common stock. Since the Company has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the hybrid bonds have been classified as equity instruments (Non-controlling interests). The hybrid bond holders' preference in the event of liquidation is higher than the common stock holders, but lower than other creditors. The interest accumulated but not paid on the hybrid bonds as of December 31, 2013 amounts to 2,000 million.

26. Reserves

(a) Reserves as of December 31, 2012 and 2013 are as follows:

Edgar Filing: POSCO - Form 20-F

	2012	2013
	(in millions of Won)	
Accumulated comprehensive loss of investments in associates and joint ventures	(129,159)	(295,946)
Changes in the unrealized fair value of available-for-sale investments	67,956	480,409
Currency translation differences	(8,591)	(189,085)
Others	(18,356)	(18,454)
	(88,150)	(23,076)

F-99

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(b) Changes in fair value of available-for-sale investments for the years ended December 31, 2012 and 2013 were as follows:

	2012	2013
	(in millions of Won)	
Beginning balance	154,617	67,956
Changes in the unrealized fair value of available-for-sale investments	(189,664)	312,196
Reclassification to profit or loss upon disposal	(54,089)	(73,848)
Impairment of available-for-sale investments	150,869	170,892
Others	6,223	3,213
Ending balance	67,956	480,409

27. Treasury Shares

Based on the Board of Director's resolution, the Company holds treasury shares for the business purposes including price stabilization. The changes in treasury shares for the years ended December 31, 2012 and 2013 were as follows:

	2012		2013	
	Number of shares	Amount	Number of shares	Amount
	(shares, in millions of Won)			
Beginning	9,942,391	2,391,406	9,942,391	2,391,406
Disposal of treasury shares			(2,539,180)	(812,282)
Ending	9,942,391	2,391,406	7,403,211	1,579,124

28. Revenue

Details of revenue for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012	2013
	(in millions of Won)		
Goods sales	61,001,789	55,123,774	50,921,090
Service sales	2,440,639	3,488,562	3,614,227
Construction sales	5,297,892	4,660,811	6,886,007

Edgar Filing: POSCO - Form 20-F

Rental income	39,862	32,056	24,735
Others	158,543	298,948	418,591
	68,938,725	63,604,151	61,864,650

29. Construction Contracts

(a) Construction contracts in progress as of December 31, 2012 and 2013 were as follows:

	2012	2013
	(in million of Won)	
Aggregate amount of costs incurred	8,343,117	10,380,202
Add: Recognized profits	659,555	950,010
Less: Recognized losses	(213,055)	(467,023)
Cumulative construction revenue	8,789,617	10,863,189
Less: Progress billing	(7,691,482)	(10,145,691)
Foreign currency gains and losses	(2,589)	(1,379)
Others	(130,941)	(39,795)
	964,605	676,324

F-100

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(b) Unbilled amount due from customers and due to customers for contract work as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in million of Won)	
Unbilled due from customers for contract work	1,493,709	1,574,929
Due to customers for contract work	(529,104)	(898,605)
	964,605	676,324

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

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

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

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

Key assumptions for the estimation

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

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

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****30. Selling and Administrative Expenses****(a) Administrative expenses**

Administrative expenses for years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012	2013
	(in millions of Won)		
Wages and salaries	606,819	694,682	754,819
Expenses related to post-employment benefits	60,271	61,261	67,482
Other employee benefits	164,508	170,734	165,751
Travel	56,635	52,817	53,003
Depreciation	172,807	218,747	228,496
Communication	13,061	15,088	14,601
Electric power	7,529	11,305	13,389
Taxes and public dues	50,617	59,664	55,177
Rental	65,559	93,268	110,191
Repairs	14,919	11,769	5,708
Entertainment	17,905	18,239	17,295
Advertising	70,939	55,777	105,663
Research & development	212,472	192,321	192,805
Service fees	286,635	264,439	240,034
Supplies	14,357	10,166	15,031
Vehicles maintenance	21,491	22,442	12,109
Industry association fee	10,200	11,487	11,924
Training	24,375	17,772	12,056
Conference	21,739	17,745	17,004
Warranty expense	12,606	13,148	19,075
Bad debt allowance	92,197	79,258	90,119
Others	37,412	37,334	30,073
	2,035,053	2,129,463	2,231,805

(b) Selling expenses

Selling expenses for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012	2013
	(in millions of Won)		
Freight	1,406,268	1,472,817	1,432,935
Operating expenses for distribution center	8,115	9,327	9,838

Edgar Filing: POSCO - Form 20-F

Sales commissions	85,410	74,308	73,922
Sales advertising	1,204	4,575	3,228
Sales promotion	16,179	17,525	27,129
Sample	7,321	7,489	4,751
Sales insurance premium	19,915	32,065	27,031
Contract cost	62,986	52,176	37,323
Others	4,730	8,406	15,963
	1,612,128	1,678,688	1,632,120

F-102

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****31. Research and Development Expenditures Recognized as Expenses**

Research and development expenditures recognized as expenses for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012 (in millions of Won)	2013
Selling and administrative expenses	212,472	192,321	192,805
Cost of sales	380,177	385,128	369,842
	592,649	577,449	562,647

32. Other Operating Income and Expenses

Details of other operating income and expenses for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012 (in millions of Won)	2013
Other operating income			
Gain on disposals of property, plant and equipment	13,812	42,290	14,177
Retail revenues	6,510	1,898	1,588
Gain on disposals of intangible assets	953	906	801
Gain on disposals of investments in associates	2,247	39,441	7,668
Gain on disposals of assets held for sale		193,333	101,611
Grant income	1,228	3,198	2,287
Reversal of other bad debt allowance	57,875		
Reversal of other provisions	35,629	16,037	
Outsourcing income	42,136	29,136	25,428
Gain on disposals of wastes	11,348	38,597	16,541
Gain from claim compensation	68,853	31,613	14,525
Penalty income from early termination of contracts	38,570	15,054	16,477
Others	27,780	36,617	27,970
	306,941	448,120	229,073
Other operating expenses			
Loss on disposals of property, plant and equipment	(60,550)	(65,486)	(121,133)
Loss on disposals of investment property	(8,826)	(3,197)	(522)
Loss on disposals of assets held for sale		(9,510)	(26,498)
Idle tangible assets expenses	(16,881)	(31,297)	(17,624)
Impairment loss on other long-term assets	(34,544)	(36,453)	(9,000)

Edgar Filing: POSCO - Form 20-F

Impairment loss on assets held for sale		(258,451)	(1,814)
Impairment loss of property, plant and equipment	(26,171)	(12,977)	(9,742)
Impairment loss of investment property	(23,397)	(1,053)	(22,943)
Other bad debt expenses	(11,155)	(44,115)	(111,065)
Donations	(66,558)	(73,963)	(60,940)
Impairment loss on intangible assets	(14,959)	(21,776)	(125,316)
Penalty and default losses	(39,551)	(149,437)	(19,340)
Loss on disposals of wastes	(30,585)	(45,480)	(15,231)
Loss on disposals of investments in associates		(15,119)	(19,404)
Other provision expenses			(65,896)
Others	(33,356)	(41,151)	(24,338)
	(366,533)	(809,465)	(650,806)

F-103

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****33. Finance Income and Costs**

Details of finance income and costs for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012 (in millions of Won)	2013
Finance income			
Interest income	216,234	278,807	260,398
Dividend income	143,880	124,475	59,181
Gain on foreign currency transactions	1,454,103	935,457	997,591
Gain on foreign currency translations	259,014	936,740	511,143
Gain on transactions of derivatives	549,439	407,791	370,343
Gain on valuations of derivatives	111,637	94,492	72,297
Gain on disposals of available-for-sale investments	454,543	112,095	105,563
Others	1,569	7,206	4,322
	3,190,419	2,897,063	2,380,838
Finance costs			
Interest expenses	(788,348)	(871,457)	(657,681)
Loss on foreign currency transactions	(1,620,394)	(839,241)	(927,453)
Loss on foreign currency translations	(529,910)	(243,091)	(344,900)
Loss on transactions of derivatives	(512,882)	(309,067)	(286,574)
Loss on valuations of derivatives	(188,742)	(159,604)	(291,465)
Impairment loss on available-for-sale investments	(152,804)	(224,171)	(280,237)
Loss on disposals of available-for-sale investments	(1,003)	(36,286)	(3,721)
Loss on financial guarantee	(1,000)	(38,442)	(5,880)
Others	(71,612)	(76,279)	(31,342)
	(3,866,695)	(2,797,638)	(2,829,253)

34. 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 comprehensive income for the years ended December 31, 2011, 2012 and 2013 were as follows (excluding finance costs and income tax expense):

2011	2012 (in millions of Won)	2013
------	------------------------------	------

Edgar Filing: POSCO - Form 20-F

Changes in inventories	17,546,701	14,161,271	12,163,136
Cost of merchandises sold	26,650,240	25,997,220	25,909,164
Employee benefits expenses (*2)	2,639,966	2,889,829	3,174,316
Outsourced processing cost	8,331,110	8,896,642	9,462,946
Depreciation expenses (*1)	2,133,010	2,405,769	2,505,536
Amortization expenses	133,289	157,991	180,014
Electricity and water expenses	715,265	837,507	1,109,765
Service fees	630,223	670,919	702,953
Research & development expenses	592,649	577,449	562,647
Freight and custody expenses	1,406,268	1,472,817	1,432,935
Commission paid	85,410	74,308	73,922
Loss on disposal of property, plant, and equipment	60,550	65,486	121,133
Donations	66,558	73,963	60,940
Other expenses	2,846,325	2,479,337	2,059,915
	63,837,564	60,760,508	59,519,322

(*1) Includes depreciation expense of investment property.

F-104

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(*2) The details of employee benefits expenses for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012 (in millions of Won)	2013
Wages and salaries	2,394,094	2,647,177	2,907,442
Severance benefit	245,872	242,652	266,874
	2,639,966	2,889,829	3,174,316

35. Income Taxes

(a) Income tax expense for the years ended December 31, 2011, 2012 and 2013 was as follows:

	2011	2012 (in millions of Won)	2013
Current income taxes	1,069,240	795,601	615,771
Deferred income tax due to temporary differences	(318,722)	154,324	108,034
Less: Items recorded directly in equity	317,591	32,954	(132,808)
Income tax expense	1,068,109	982,879	590,997

(b) The following table reconciles the expected amount of income tax expense based on POSCO's statutory rates (24.2%) to the actual amount of taxes recorded by the Company for the years ended December 31, 2011, 2012 and 2013:

	2011	2012 (in millions of Won)	2013
Net income before income tax expense	4,782,395	3,368,486	1,946,177
Income tax expense computed at statutory rate	1,157,340	815,174	470,975
Adjustments:	(89,231)	167,705	120,022
Tax effects due to permanent differences	(13,798)	48,220	7,703
Tax credit	(193,633)	(188,713)	(169,166)
Tax rate change effect	17,661		
Over (under) provision from prior years	(15,739)	1,776	(1,178)
Investments in subsidiaries and associates	97,246	281,437	251,014
Others	19,032	24,985	31,649

Edgar Filing: POSCO - Form 20-F

Income tax expense	1,068,109	982,879	590,997
Effective tax rate (%)	22.33	29.18	30.37

(c) The income taxes credited (charged) directly to other comprehensive income during the period ended December 31, 2012 and 2013 were as follows:

	2012	2013
	(in millions of Won)	
Net changes in the unrealized fair value of available-for-sale securities	22,585	(139,679)
Gains on sale of treasury stock		(1,707)
Others	10,369	8,578
	32,954	(132,808)

F-105

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(d) The movements in deferred tax assets (liabilities) for the years ended December 31, 2012 and 2013 were as follows:

	Beginning	2012 Inc (Dec)	Ending (in millions of Won)	Beginning	2013 Inc (Dec)	Ending
Deferred income tax due to temporary differences						
Reserve for special repairs	(29,659)	646	(29,013)	(29,013)	551	(28,462)
Allowance for doubtful accounts	104,621	7,807	112,428	112,428	37,175	149,603
Reserve for technology developments	(366,232)	(9,698)	(375,930)	(375,930)	(4,735)	(380,665)
Depreciation	(58,288)	11,714	(46,574)	(46,574)	13,232	(33,342)
Share of profit or loss of equity-accounted investees	(224,136)	127,762	(96,374)	(96,374)	7,069	(89,305)
Reserve for inventory valuation	(1,514)	(2,568)	(4,082)	(4,082)	2,560	(1,522)
Revaluation of assets	(570,403)	(229,529)	(799,932)	(799,932)	(211,661)	(1,011,593)
Prepaid expenses	21,437	9,803	31,240	31,240	(2,855)	28,385
Impairment loss on property, plant and equipment	25,492	3,263	28,755	28,755	(3,237)	25,518
Loss on foreign currency translation	95,787	(159,132)	(63,345)	(63,345)	(125,857)	(189,202)
Defined benefit obligations	55,053	15,571	70,624	70,624	29,732	100,356
Plan assets	(43,091)	(3,330)	(46,421)	(46,421)	(12,245)	(58,666)
Provision for construction losses	2,852	(625)	2,227	2,227	2,046	4,273
Provision for construction warranty	15,902	(1,061)	14,841	14,841	1,833	16,674
Appropriated retained earnings for technological development	(165)	(286)	(451)	(451)		(451)
Accrued income	(1,949)	(1,248)	(3,197)	(3,197)	282	(2,915)
Others	376,107	(66,085)	310,022	310,022	170,015	480,037
	(598,186)	(296,996)	(895,182)	(895,182)	(96,095)	(991,277)
Deferred income taxes recognized directly to equity						
Loss (gain) on valuation of available-for-sale investments	1,421	22,585	24,006	24,006	(139,679)	(115,673)
Others	35,769	10,369	46,138	46,138	8,578	54,716
	37,190	32,954	70,144	70,144	(131,101)	(60,957)
Deferred tax from tax credit						
Tax credit carryforward and others	256,877	82,231	339,108	339,108	98,534	437,642
Deferred tax effect due to unrealized gain (losses) and others	(8,375)	27,470	19,095	19,095	23,666	42,761
	(312,494)	(154,341)	(466,835)	(466,835)	(104,996)	(571,831)

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(e) Deferred tax assets and liabilities for the years ended December 31, 2012 and 2013 are as follows:

	Assets	2012 Liabilities	Net (in millions of Won)	Assets	2013 Liabilities	Net
Deferred income tax due to temporary differences						
Reserve for special repairs		(29,013)	(29,013)		(28,462)	(28,462)
Allowance for doubtful accounts	112,480	(52)	112,428	149,695	(92)	149,603
Reserve for technology developments		(375,930)	(375,930)		(380,665)	(380,665)
Depreciation	15,192	(61,766)	(46,574)	23,265	(56,607)	(33,342)
Share of profit or loss of equity-accounted investees		(96,374)	(96,374)		(89,305)	(89,305)
Reserve for inventory valuation	1,751	(5,833)	(4,082)	4,392	(5,914)	(1,522)
Revaluation of assets		(799,932)	(799,932)		(1,011,593)	(1,011,593)
Prepaid expenses	31,240		31,240	28,385		28,385
Impairment loss on property, plant and equipment	28,755		28,755	25,518		25,518
Loss on foreign currency translation	202,973	(266,318)	(63,345)	243,772	(432,974)	(189,202)
Defined benefit obligations	86,200	(15,576)	70,624	110,891	(10,535)	100,356
Plan assets		(46,421)	(46,421)	22	(58,688)	(58,666)
Provision for construction losses	2,227		2,227	4,273		4,273
Provision for construction warranty	14,841		14,841	16,674		16,674
Appropriated retained earnings for technological development		(451)	(451)		(451)	(451)
Accrued income	25	(3,222)	(3,197)	5	(2,920)	(2,915)
Others	421,595	(111,573)	310,022	506,291	(26,254)	480,037
	917,279	(1,812,461)	(895,182)	1,113,183	(2,104,460)	(991,277)
Deferred income taxes recognized directly to equity						
Loss (gain) on valuation of available-for-sale investments	281,599	(257,593)	24,006	128,938	(244,611)	(115,673)
Others	66,975	(20,837)	46,138	70,441	(15,725)	54,716
	348,574	(278,430)	70,144	199,379	(260,336)	(60,957)
Deferred tax from tax credit						
Tax credit carryforward and others	378,926	(39,818)	339,108	481,256	(43,614)	437,642
Deferred tax effect due to unrealized gain (losses) and others	522,871	(503,776)	19,095	530,823	(488,062)	42,761
	2,167,650	(2,634,485)	(466,835)	2,324,641	(2,896,472)	(571,831)

(f) As of December 31, 2013, the Company did not recognize income tax effects associated with deductible temporary differences of 3,030,715 million (deferred tax assets 733,433 million) mainly relating to loss of subsidiaries and affiliates because realization is not considered probable. As of December 31, 2013, the Company did not recognize income tax effects associated with taxable temporary differences of 3,258,235 million (deferred tax liabilities 788,493 million) mainly relating to increase in retained earnings of subsidiaries since it is probable that the temporary difference will not reverse in the foreseeable future.

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****36. Earnings per Share**

(a) Basic and diluted earnings per share for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012	2013
	(Won, except per share information)		
Profit attribute to controlling interest	3,648,136,025,973	2,462,080,504,484	1,376,396,068,069
Interests of hybrid bonds			(18,313,914,551)
Weighted-average number of common shares outstanding ^(*1)	77,251,818	77,244,444	78,009,654
Basic and diluted earnings per share	47,224	31,874	17,409

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

	2011	2012	2013
	(share)		
Total number of common shares issued	87,186,835	87,186,835	87,186,835
Weighted-average number of treasury shares	(9,935,017)	(9,942,391)	(9,177,181)
Weighted-average number of common shares outstanding	77,251,818	77,244,444	78,009,654

As of December 31, 2011, 2012 and 2013, the Company has no potential dilutive common shares. Accordingly, diluted earnings per share is identical to basic earnings per share.

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****37. Related Party Transactions**

(a) Significant transactions with related parties for the years ended December 31, 2011, 2012 and 2013 were as follows:

1) For the year ended December 31, 2011

	Sales and others (*1)			Purchase and others (*2)				Total
	Sales	Others	Total	Purchase of material (in millions of Won)	Purchase of fixed assets	Outsourced processing cost	Others	
Subsidiaries								
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	25,344	1,192	26,536	1,709	1,632,879	184	52,893	1,687,665
POSCO Processing & Service	1,181,060	28	1,181,088	1,405,725			520	1,406,245
POSCO COATED & COLOR STEEL Co., Ltd.	593,634	22	593,656			1,800	90	1,890
POSCO PLANTEC Co., Ltd.	7,674	888	8,562	3,334	277,598	19,734	1,685	302,351
POSCO ICT	1,415	122	1,537	81	312,260	27,619	167,923	507,883
eNtoB Corporation		8	8	254,107	6,347	228	18,354	279,036
POSCO CHEMTECH	405,892	17,751	423,643	486,627	4,362	263,958	568	755,515
POSCO M-TECH	19,254	101	19,355	101,660	5,726	104,433	13	211,832
POSCO ENERGY CO., LTD.	69,864	1,404	71,268	1			267	268
POSCO TMC Co., Ltd.	168,304	10	168,314			654	230	884
POSCO AST	319,251	7	319,258	7,836		50,345	294	58,475
POSHIMETAL Co., Ltd.	8,739	54	8,793	34,649			86	34,735
Daewoo International Corporation	3,896,825	32	3,896,857	3,625		101	1,873	5,599
POSCO NST Co., Ltd.	186,807	2	186,809	1,305		2,890	539	4,734
POSCO America Corporation	353,904		353,904				1	1
POSCO Canada Ltd.				289,047				289,047
POSCO Asia Co., Ltd.	2,029,378	403	2,029,781	175,876	2,145		374	178,395
POSCO (Thailand) Company Limited	96,278	10	96,288				63	63
Qingdao Pohang Stainless Steel Co., Ltd.	49,860	2	49,862					
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	99,773	5	99,778					
POSCO JAPAN Co., Ltd.	1,628,069		1,628,069	30,027	2,558	20	2,255	34,860
POSCO-India Pune Processing Center. Pvt. Ltd.	148,342	1	148,343					
POSCO MEXICO S.A. DE C.V.	347,694	221	347,915				176	176
POSCO Maharashtra Steel Private Limited	510	1,830	2,340					
DAEWOO INTERNATIONAL SINGAPORE PTE. LTD.				149,029				149,029
Others	567,215	4,126	571,341	132,625	110,370	11,721	115,090	369,806
	12,205,086	28,219	12,233,305	3,077,263	2,354,245	483,687	363,294	6,278,489

Edgar Filing: POSCO - Form 20-F

Associates and joint ventures								
POSMATE	1,002	36	1,038	952	1,133	16,657	34,615	53,357
SNNC	1,609	3,178	4,787	447,130				447,130
POSCO PLANTEC Co., Ltd. (formerly, SUNGJIN GEOTEC Co., Ltd.)	44,451		44,451					
Dongbang Special Steel Co., Ltd.	84,748		84,748					
USS-POSCO Industries	342,290	304	342,594				29	29
POSCHROME (PROPRIETARY) LIMITED				72,502				72,502
PT. POSMI Steel Indonesia	12,205		12,205					
POSK(Pinghu) Steel Processing Center Co., Ltd.	7,825		7,825				32	32
POSCO-SAMSUNG-Slovakia Processing Center	22,493		22,493					
POSCO-SAMSUNG Suzhou Processing Center Co., Ltd.	23,974		23,974					
Others	16,491	7	16,498			5,483	572	6,055
	557,088	3,525	560,613	520,584	1,133	22,140	35,248	579,105
.	12,762,174	31,744	12,793,918	3,597,847	2,355,378	505,827	398,542	6,857,594

(*1) Sales and others mainly consist of sales of steel products to subsidiaries, associates and joint ventures. These are priced on an arm's length basis.

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(*2) Purchases and others mainly consist of subsidiaries purchases of construction services and purchases of raw materials to manufacture steel products. These are priced on an arm's length basis.

2) For the year ended December 31, 2012

	Sales and others ^(*1)			Purchase and others ^(*2)				
	Sales	Others	Total	Purchase of material (in millions of Won)	Purchase of fixed assets	Outsourced processing cost	Others	Total
Subsidiaries								
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	27,401	709	28,110	46	1,408,787	7	42,246	1,451,086
POSCO Processing & Service	897,017	34	897,051	1,392,988			2,903	1,395,891
POSCO COATED & COLOR STEEL Co., Ltd.	489,507	38	489,545			5,574	922	6,496
POSCO PLANTEC Co., Ltd.	3,253	63	3,316	3,331	233,788	23,372	17,455	277,946
POSCO ICT	1,330	217	1,547	1,151	285,093	31,050	151,621	468,915
eNtoB Corporation		11	11	211,449	3,490	225	20,978	236,142
POSCO CHEMTECH	492,720	19,197	511,917	507,215	10,153	279,507	1,275	798,150
POSCO M-TECH	27,770	136	27,906	130,363	9,018	176,263	2,904	318,548
POSCO ENERGY CO., LTD.	87,387	820	88,207		482		1,772	2,254
POSCO TMC Co., Ltd.	230,215	20	230,235	25		995	12	1,032
POSCO AST	278,446	17	278,463	8,114		50,320	213	58,647
POSHIMETAL Co., Ltd.	23,882	130	24,012	149,809	180		5	149,994
Daewoo International Corporation	4,271,317	133	4,271,450	10,562		389	4,780	15,731
POSCO NST Co., Ltd.	212,534	2	212,536	1,229		2,147	242	3,618
POSCO America Corporation	726,450		726,450				733	733
POSCO Canada Ltd.				205,129				205,129
POSCO Asia Co., Ltd.	1,928,881	627	1,929,508	105,392	592		1,329	107,313
POSCO (Thailand) Company Limited	119,031	247	119,278				182	182
Qingdao Pohang Stainless Steel Co., Ltd.	62,347	2	62,349					
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	128,974		128,974					
POSCO JAPAN Co., Ltd.	1,439,580		1,439,580	20,472	2,857		5,381	28,710
POSCO-India Pune Processing Center. Pvt. Ltd.	164,450	33	164,483				15	15
POSCO MEXICO S.A. DE C.V.	337,921	724	338,645				492	492
POSCO Maharashtra Steel Private Limited	154,055	1,587	155,642					
DAEWOO INTERNATIONAL SINGAPORE PTE. LTD.				73,471				73,471
Others	569,076	2,787	571,863	81,411	56,570	17,673	132,115	287,769
	12,673,544	27,534	12,701,078	2,902,157	2,011,010	587,522	387,575	5,888,264

Edgar Filing: POSCO - Form 20-F

Associates and joint ventures

POSMATE	951	21,093	22,044	1,058	21	14,947	30,032	46,058
SNNC	2,162	349	2,511	379,050				379,050
POSCO PLANTEC Co., Ltd. (formerly, SUNGJIN GEOTEC Co., Ltd.)	27,697		27,697					
Dongbang Special Steel Co., Ltd.	89,094		89,094					
POSCHROME (PROPRIETARY) LIMITED		58	58	68,079				68,079
PT. POSMI Steel Indonesia	9,696		9,696					
POSK(Pinghu) Steel Processing Center Co., Ltd.	3,889		3,889					
POSCO-SAMSUNG-Slovakia Processing Center	16,309		16,309					
POSCO-SAMSUNG Suzhou Processing Center Co., Ltd.	26,280		26,280					
Others	7,774	117	7,891	5,303		6,579	2,530	14,412
	183,852	21,617	205,469	453,490	21	21,526	32,562	507,599
	12,857,396	49,151	12,906,547	3,355,647	2,011,031	609,048	420,137	6,395,863

(*1) Sales and others mainly consist of sales of steel products to subsidiaries, associates and joint ventures. These are priced on an arm's length basis.

(*2) Purchases and others mainly consist of subsidiaries' purchases of construction services and purchases of raw materials to manufacture steel products. These are priced on an arm's length basis.

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

3) For the year ended December 31, 2013

	Sales and others ^(*1)			Purchase and others ^(*2)				
	Sales	Others	Total	Purchase of material (in millions of Won)	Purchase of fixed assets	Outsourced processing cost	Others	Total
Subsidiaries ^(*3)								
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	16,439	3,421	19,860	3,042	2,235,798	5,855	9,242	2,253,937
POSCO Processing & Service	987,424	8	987,432	1,215,510			805	1,216,315
POSCO COATED & COLOR STEEL Co., Ltd.	472,353	25	472,378			10,648	98	10,746
POSCO PLANTEC Co., Ltd.	2,324	19	2,343	1,499	67,081	13,733	2,492	84,805
POSCO ICT	1,210	195	1,405	679	279,660	31,231	157,126	468,696
POSIMATE	1,419	85	1,504	805	1,041	15,732	32,894	50,472
eNtoB Corporation		10	10	234,352	13,241	149	20,079	267,821
POSCO CHEMTECH	512,139	25,868	538,007	491,562	21,832	287,584	1,223	802,201
POSCO M-TECH	11,122	94	11,216	158,709	2,336	220,986	141	382,172
POSCO ENERGY CO., LTD.	104,209	915	105,124		5,178		7	5,185
POSCO TMC Co., Ltd.	188,915	15	188,930			1,051	1,298	2,349
POSCO AST	500,193	10	500,203	6,985		56,520	2,029	65,534
POSHIMETAL Co., Ltd.	18,922	137	19,059	166,042			5	166,047
Daewoo International Corporation	3,522,678	65	3,522,743	16,297			2,843	19,140
POSCO America Corporation	596,681	1	596,682				339	339
POSCO Canada Ltd.				144,329				144,329
POSCO Asia Co., Ltd.	2,068,965	221	2,069,186	64,434	182		1,673	66,289
POSCO (Thailand) Company Limited	56,210	56	56,266				85	85
Qingdao Pohang Stainless Steel Co., Ltd.	58,502		58,502				14	14
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	129,345	1	129,346					
POSCO JAPAN Co., Ltd.	1,270,325		1,270,325	19,978	2		2,972	22,952
POSCO-India Pune Processing Center. Pvt. Ltd.	119,503	7	119,510					
POSCO MEXICO S.A. DE C.V.	256,014	693	256,707				621	621
POSCO Maharashtra Steel Private Limited	176,425	3,157	179,582				236	236
DAEWOO INTERNATIONAL SINGAPORE PTE. LTD.				108,179				108,179
Others	558,923	7,569	566,492	92,527	38,843	18,782	77,101	227,253
	11,630,240	42,572	11,672,812	2,724,929	2,665,194	662,271	313,323	6,365,717
Associates and joint ventures ^(*3)								
SNNC	1,532	458	1,990	402,639				402,639

Edgar Filing: POSCO - Form 20-F

POSCO PLANTEC Co., Ltd. (formerly, SUNGJIN GEOTEC Co., Ltd.) ^(*4)	15,028	48	15,076	1,735	65,802	9,781	6,883	84,201
POSCHROME (PROPRIETARY) LIMITED				66,762				66,762
PT. POSMI Steel Indonesia	6,538		6,538					
POSK(Pinghu) Steel Processing Center Co., Ltd.	3,786		3,786					
POSCO-SAMSUNG-Slovakia Processing Center	19,906		19,906					
POSCO-SAMSUNG Suzhou Processing Center Co., Ltd.	6,429		6,429					
Others	546	165	711	3,937			176	4,113
	53,765	671	54,436	475,073	65,802	9,781	7,059	557,715
	11,684,005	43,243	11,727,248	3,200,002	2,730,996	672,052	320,382	6,923,432

(*1) Sales and others mainly consist of sales of steel products to subsidiaries, associates and joint ventures. These are priced on an arm's length basis.

(*2) Purchases and others mainly consist of subsidiaries' purchases of construction services and purchases of raw materials to manufacture steel products. These are priced on an arm's length basis.

(*3) As of December 31, 2013, the Company provided guarantees to related parties (Note 38).

(*4) Sungjin Geotec Co., Ltd. merged with POSCO Plant Engineering Co., Ltd. and changed its name to POSCO PLANTEC Co., Ltd.

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(b) The related account balances of significant transactions with related companies as of December 31, 2012 and 2013 are as follows:

1) December 31, 2012

	Receivables			Payables			Total
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	5,084	2,893	7,977		403,630		403,630
POSCO Processing & Service	64,206	358	64,564	28,723	3,949		32,672
POSCO COATED & COLOR STEEL Co., Ltd.	108,465	40	108,505	114		2,504	2,618
POSCO PLANTEC Co., Ltd.	59	208	267	3,066	29,231		32,297
POSCO ICT		287	287	248	84,432	6,617	91,297
eNtoB Corporation		3	3	7,246	9,323	12	16,581
POSCO CHEMTECH	43,086	3,988	47,074	52,485	13,300	18,753	84,538
POSCO M-TECH	1,230	63	1,293	8,226	10,900	17,866	36,992
POSCO ENERGY CO., LTD.	9,177	2,934	12,111		2,292		2,292
POSCO TMC Co., Ltd.	64,832	30	64,862	1		144	145
POSCO AST	64,542	1,033	65,575	90	2,919	4,791	7,800
POSHIMETAL Co., Ltd.	1,233	221	1,454		15,191		15,191
Daewoo International Corporation	357,446	1,378	358,824	685		45	730
POSCO America Corporation	63,545		63,545				
POSCO Canada Ltd.				12,973			12,973
POSCO Asia Co., Ltd.	102,666	183	102,849	2,244			2,244
POSCO (Thailand) Company Limited	17,965	21	17,986				
Qingdao Pohang Stainless Steel Co., Ltd.	8,710		8,710				
POSCO JAPAN Co., Ltd.	35,400		35,400	673			673
POSCO MEXICO S.A. DE C.V.	131,372	297	131,669				
POSCO Maharashtra Steel Private Limited	55,249	2,628	57,877				
Others	49,679	5,500	55,179	5,920	22,509	3,359	31,788
	1,183,946	22,065	1,206,011	122,694	597,676	54,091	774,461
Associates and joint ventures							
POSMATE		78	78	168	2,175	3,972	6,315
SNNC	194	35	229	37,145			37,145
POSCO PLANTEC Co., Ltd. (formerly, SUNGJIN GEOTEC Co., Ltd.)	4,849		4,849				
POSCHROME (PROPRIETARY) LIMITED				2,273			2,273
Others		453	453	804			804

Edgar Filing: POSCO - Form 20-F

5,043	566	5,609	40,390	2,175	3,972	46,537
1,188,989	22,631	1,211,620	163,084	599,851	58,063	820,998

F-112

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

2) December 31, 2013

	Receivables			Payables			Total
	Trade accounts and notes receivable	Others	Total	Trade accounts and notes payable	Accounts payable	Others	
Subsidiaries							
POSCO ENGINEERING & CONSTRUCTION Co., LTD.	40	110,955	110,995		105,603		105,603
POSCO Processing & Service	103,400	73	103,473	17,914	683		18,597
POSCO COATED & COLOR STEEL Co., Ltd.	69,260	65	69,325		59	1,434	1,493
POSCO ICT	75	123	198		51,247		51,247
POSMATE	489	1,533	2,022	141	3,274	1,058	4,473
eNtoB Corporation				8,057	10,311		18,368
POSCO CHEMTECH	46,943	4,313	51,256	35,829	6,983	8,663	51,475
POSCO M-TECH	18	28	46	12,020	21,326	10,799	44,145
POSCO ENERGY CO., LTD.	14,733	2,894	17,627		421		421
POSCO TMC Co., Ltd.	20,510	26	20,536		16	50	66
POSCO AST	85,501	53	85,554		3,004	5,238	8,242
POSHIMETAL Co., Ltd.	1,721	12	1,733		12,624		12,624
Daewoo International Corporation	148,383	878	149,261	9,319			9,319
POSCO America Corporation	57,554		57,554				
POSCO Canada Ltd.				12,323			12,323
POSCO Asia Co., Ltd.	134,602	142	134,744	2,063			2,063
POSCO (Thailand) Company Limited	6,052	7	6,059				
Qingdao Pohang Stainless Steel Co., Ltd.	3,329		3,329				
POSCO JAPAN Co., Ltd.	73,992		73,992	862	108	1	971
POSCO-India Pune Processing Center. Pvt. Ltd.	8,117		8,117				
POSCO MEXICO S.A. DE C.V.	100,016	76	100,092				
POSCO Maharashtra Steel Private Limited	55,392	3,218	58,610				
Others	54,357	8,887	63,244	6,523	15,421	1,647	23,591
	984,484	133,283	1,117,767	105,051	231,080	28,890	365,021
Associates and joint ventures							
SNNC	140	40	180	16,669			16,669
POSCO PLANTEC Co., Ltd. (formerly, SUNGJIN GEOTECH Co., Ltd.)	879	46	925	353			353
POSCHROME (PROPRIETARY) LIMITED		67	67				
LLP POSUK Titanium		4,066	4,066				
Others		17	17	319	2		321
	1,019	4,236	5,255	17,341	2		17,343

Edgar Filing: POSCO - Form 20-F

985,503	137,519	1,123,022	122,392	231,082	28,890	382,364
---------	---------	-----------	---------	---------	--------	---------

(c) For the years ended December 31, 2011, 2012 and 2013, details of compensation to key management officers were as follows:

	2011	2012	2013
	(in millions of Won)		
Short-term benefits	93,231	109,614	121,054
Retirement benefits	23,407	25,049	20,713
Long-term benefits	26,971	22,462	23,480
	143,609	157,125	165,247

Key management officers include directors (including non-standing directors), executive officials and fellow officials who have significant influence and responsibilities in the Company's business and

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

operations. In addition to the compensation described above, the Company provided stock appreciation rights to its executive officers and recorded reversal of stock compensation expenses amounted to 4,223 million and stock compensation expenses amounted to 436 million for years ended December 31, 2011 and 2012, respectively (2013 : nil).

38. Commitments and Contingencies**(a) Contingent liabilities**

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

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

Management regularly analyzes current information about these matters and provides provisions for probable contingent losses including the estimate of legal expense to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for a provision, management considers whether the Company has an obligation as a result of a past event, whether it is probable that an outflow or cash or other resources embodying economic benefits will be required to settle the obligation and the ability to make a reliable estimate of the amount of the obligation.

(b) Details of guarantees

Guarantors	Guarantee beneficiary	Financial institution (in millions of Won)	Foreign Currency	Won Equivalent	
[The Company]					
POSCO	POSCO (Guangdong) Automotive Steel Co., Ltd.	SMBC and others	USD	157,600,000	166,315
	POSCO Investment Co., Ltd.	BOC	CNY	350,000,000	60,932
	POSCO Maharashtra Steel Private Limited	BOA and others	USD	280,000,000	295,484
	POSCO VST CO., LTD.	Export-Import Bank of Korea and others	USD	566,069,000	597,373
	POSCO MEXICO S.A. DE C.V.	ANZ and others	USD	65,000,000	68,595
	POSCO-VIETNAM Co., Ltd.	HSBC and others	USD	244,725,000	258,258
		Export-Import Bank of Korea	USD	196,000,000	206,839
	Zeus II (Cayman) Ltd.	Creditor	JPY	25,779,278,600	258,994
		MIZUHO and others	USD	160,000,000	168,848

Edgar Filing: POSCO - Form 20-F

Zhangjiagang Pohang Stainless
Steel Co., Ltd.

POSCO ASSAN TST STEEL INDUSTRY	SMBC and others	USD	188,392,500	198,811
POSCO Electrical Steel India Private Limited	ING and others	USD	83,784,000	88,417
PT. KRAKATAU POSCO	Export-Import Bank of Korea and others	USD	1,350,300,000	1,424,972

F-114

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Guarantors	Guarantee beneficiary	Financial institution (in millions of Won)	Foreign Currency	Won Equivalent	
Daewoo International Corporation	Daewoo Paper Manufacturing Co., Ltd.	HSBC	USD	12,500,000	13,191
	DAEWOO TEXTILE BUKHARA LLC	Export-Import Bank of Korea	USD	20,000,000	21,106
	DAEWOO INTERNATIONAL MEXICO S.A. DE C.V.	NOVA SCOTIA	USD	30,000,000	31,659
	POSCO ASSAN TST STEEL INDUSTRY	ING and others	USD	20,932,500	22,090
	Brazil Sao Paulo Steel Processing Center	SMBC	USD	20,000,000	21,106
	Daewoo International (Deutschland) GmbH.	Shinhan Bank	EUR	15,000,000	21,844
	PT. Bio Inti Agrindo	Export-Import Bank of Korea	USD	30,000,000	31,659
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	Woori Bank and others	USD	135,000,000	142,466
	INTERNATIONAL BUSINESS CENTER CORPORATION	Export-Import Bank of Korea	USD	20,000,000	21,106
	POSCO E&C Vietnam Co., Ltd.	Export-Import Bank of Korea	USD	16,500,000	17,412
	SANTOSMI S.A.	CITI Equador and others	USD	36,000,000	37,991
POSCO Processing & Service	POSCO Canada Ltd.	Hana Bank	USD	12,484,500	13,175
	POSCO Gulf SFC LLC	KEB bank	USD	20,000,000	21,106
POSCO ICT	PT. POSCO ICT INDONESIA	POSCO Investment Co., Ltd.	USD	3,000,000	3,166
	VECTUS LIMITED	KEB bank	GBP	3,500,000	6,092
		POSCO Investment Co., Ltd.	USD	4,000,000	4,221
POSCO ENERGY CO., LTD.	PT. KRAKATAU POSCO ENERGY	Export-Import Bank of Korea and others	USD	193,900,000	204,623
	TECHREN Solar, LLC	Woori Bank	USD	3,000,000	3,166
POSCO Engineering Co., Ltd	PT PEN INDONESIA	KEB bank	USD	6,818,876	7,196
		KEB Bank and others	IDR	82,727,107,048	7,148
	POSCO ENGINEERING (THAILAND) CO., LTD.	Citi Bank	USD	15,300,000	16,146
		Woori Bank and others	THB	6,342,881,200	203,860
POSCO-Japan Co., Ltd.	POSCO-JEPC Co., Ltd.	Mizuho Bank and others	JPY	1,944,160,748	19,532
	POSCO-JKPC Co., Ltd.	Higo bank and others	JPY	1,050,400,000	10,553
	POSCO-JOPC Co., Ltd.	Kiyo bank and others	JPY	112,500,000	1,130
	Xenesis Inc.	Aozora Bank	JPY	250,000,000	2,512
DAEWOO TEXTILE FERGANA LLC	DAEWOO TEXTILE BUKHARA LLC	NBU	USD	3,037,183	3,205

Edgar Filing: POSCO - Form 20-F

POSCO E&C CHINA Co., Ltd.	HONG KONG POSCO E&C (CHINA) INVESTMENT Co., Ltd.	Woori Bank (Beijing branch)	USD	33,000,000	34,825
POSCO-China Holding Corp.	POSCO YongXin Rare Earth Metal Co., Ltd.	KEB Bank and others	CNY	71,820,000	12,503
POSCO CHEMTECH	PT.Krakatau Posco Chemtech Calcination and others	KEB Bank and others	USD	55,130,000	58,179

F-115

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Guarantors	Guarantee beneficiary	Financial institution (in millions of Won)	Foreign Currency		Won Equivalent
POSCO Specialty Steel Co., Ltd.	POSCO SS-VINA	Export-Import Bank of Korea	USD	354,409,800	374,009
SANTOSCFI S.A.	COMPANIADEAUTOMATIZACION & CONTROL, GENESYS S.A.	Banco de Guayaquil and others	USD	1,550,000	1,636
[Associates and joint ventures]					
POSCO	United Spiral Pipe, LLC	Shinhan Bank	USD	24,500,000	25,855
	LLP POSUK Titanium	Shinhan Bank	USD	18,000,000	18,995
Daewoo International Corporation	DMSA/AMSA	Export-Import Bank of Korea and others	USD	165,133,333	174,265
	GLOBAL KOMSCO Daewoo LLC	Export-Import Bank of Korea and others	USD	8,050,000	8,495
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	Taegisan Wind Power Corporation	KDB Bank	KRW	7,500	7,500
	Posco e&c Songdo International Building	Hana Bank and others	KRW	356,600	356,600
	CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd and others	NH Bank and others	KRW	318,226	318,226
POSCO Engineering CO., Ltd	PT. Wampu Electric Power	Woori Bank	USD	344,848	364
POSCO Processing & Service	Sebang Steel	Shinhan Bank	JPY	245,000,000	2,461
POSCO ICT	UITrans LRT Co., Ltd.	Construction Guarantee Cooperative	KRW	64,638	64,638
	Incheon-Gimpo Expressway Co., Ltd.	KDB Bank and others	KRW	175,000	175,000
	CHUNGJU ENTERPRISE CITY DEVELOPMENT Co., Ltd	NH Bank	KRW	2,530	2,530
Daewoo (China) Co., Ltd.	SHANGHAI LANSHENG DAEWOO CORP.	Bank of Communications	CNY	100,000,000	17,409
POSCO CHEMTECH	PT.INDONESIA POS CHEMTECH CHOSUN Ref	KEB Bank	USD	6,000,000	6,332
[Others]					
Daewoo International Corporation	Ambatovy Project Investments Limited	Export-Import Bank of Korea	USD	65,454,545	69,074
	Sherritt International Corporation	Export-Import Bank of Korea	USD	21,818,181	23,025
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	The union of City environment improvement for Kukje building and others	NH Bank and others	KRW	853,150	853,150
	THE GALE INVESTMENTS COMPANY, L.L.C.	Woori Bank	USD	50,000,000	52,765
POSCO ICT	BTL business and others	Kyobo Life Insurance Co., Ltd. and others	KRW	2,065,471	2,065,471
	SMS Energy and others	Hana Bank and others	KRW	169,156	169,156

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

Guarantors	Guarantee beneficiary	Financial institution (in millions of Won)	Foreign Currency	Won Equivalent	
POSCO M-TECH	PYUNGSAN SI Co., Ltd	Seoul Guarantee Insurance Co., Ltd.	KRW	67	67
POSCO AUSTRALIA PTY LTD	Department of Trade and Investment (NSW Government)	Woori Bank	AUD	8,023,765	7,542
POSCO Engineering CO., Ltd	Kwanma Solar Co., Ltd. and others	Hana Bank and others	KRW	57,124	57,124
	PT MPM and others	Export-Import Bank of Korea and others	USD	7,652,000	8,075
	Hyundai ENG Co., Ltd.	Engineering Financial Cooperative	KRW	35,933	35,933
			USD	4,705,386,266	4,965,596
			AUD	8,023,765	7,542
			CNY	521,820,000	90,844
			EUR	15,000,000	21,844
			GBP	3,500,000	6,092
			IDR	82,727,107,048	7,148
			JPY	29,381,339,348	295,182
			KRW	4,105,395	4,105,395
			THB	6,342,881,200	203,860

(c) POSCO ENGINEERING & CONSTRUCTION Co., Ltd. has provided the completion guarantees for Samsung C&T Corporation amounting to 1,142,459 million while Samsung C&T Corporation has provided the construction guarantees or payment guarantees on customers' borrowings on behalf of POSCO ENGINEERING & CONSTRUCTION Co., Ltd. amounting to 801,676 million as of December 31, 2013. POSCO ENGINEERING & CONSTRUCTION Co., Ltd. provides payment guarantees on borrowings of customers such as Asset Backed Commercial Paper amounting to 650,800 million and Project Financing loan amounting to 38,800 million as of December 31, 2013.

(d) Other commitments

Details of other commitments of the Company as of December 31, 2013, are as follows:

POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. The contracts of iron ore and coal generally have terms of more than three years and the contracts of nickel have terms of more than one year. These contracts provide for periodic price adjustments based on the market price. As of December 31, 2013, 193 million tons of iron ore and 14 million tons of coal remained to be purchased under such long-term contracts.

Edgar Filing: POSCO - Form 20-F

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

As of December 31, 2013, POSCO entered into commitments with Korea National Oil Corporation for long-term foreign currency borrowings, which are limited up to the amount of USD 6.86 million, USD 6.58 million and USD 4.12 million. The borrowings are related to the exploration of gas hydrates in Aral Sea, Uzbekistan, the exploration of gas hydrates in Namangan-Chust and the exploration of gas hydrates in Western Fergana-Chenavard, respectively. The repayment of the borrowings depends on the success of the projects. POSCO is not liable for the repayment of full or part of the money borrowed if the respective projects fail. POSCO has agreed to pay a certain portion of its profits under certain conditions, as defined by the borrowing agreements.

F-117

Table of Contents

POSCO and Subsidiaries

Notes to the Consolidated Financial Statements, Continued

As of December 31, 2011, 2012 and 2013

POSCO has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Norddeutsche Landesbank, for seamless funding to POSCO ENERGY Co., Ltd. under construction of new power plant.

POSCO ENGINEERING & CONSTRUCTION CO., LTD.

As of December 31, 2013, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has comprehensive loan agreements of up to 247,000 million and USD 408 million with Woori Bank and 53,000 million with Korea Exchange Bank. Also, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has bank overdraft agreements of up to 20,000 million with WooriBank which is included in the limit of comprehensive loan agreements and 3,000 million with Korea Exchange Bank.

POSCO ICT

As of December 31, 2013, in relation to contract enforcement, POSCO ICT was provided with 58,954 million and 49,383 million guaranties from Korea Software Financial Cooperative and Seoul Guarantee Insurance, respectively.

As of December 31, 2013, POSCO ICT provided 324 million of guaranties to Seoul Guarantee Insurance to ensure performance guarantee agreement which Busan Navy Residence and others had.

POSCO Specialty Steel Co., Ltd.

As of December 31, 2013, POSCO Specialty Steel Co., Ltd. has agreements for a loan and import letter of credit with Korea Exchange Bank and others.

(e) Litigation in progress

As of December 31, 2013, POSCO and certain subsidiaries are defendants in legal actions arising from the normal course of business.

1) Civil lawsuits with Nippon Steel & Sumitomo Metal Corporation

During the year ended December 31, 2012, Nippon Steel & Sumitomo Metal Corporation filed a civil lawsuit in the Tokyo District Court of Japan against POSCO and POSCO Japan Co., Ltd., a subsidiary of POSCO, to prohibit production and sales of grain oriented electrical steel sheets using improperly acquired trade secrets and seeking compensation from the Company of JPY 98.6 billion (990.6 billion). Through trials up to December 31, 2013, the Company submitted its responses that the Japan court did not have jurisdiction on this lawsuit as it should be judged by Korean law and the Company developed grain oriented electrical steel sheets using the Company's own technologies. As of December 31, 2013, the Japan court has not made any judgments on this matter. Since the Company does not believe that it has any present obligation, the Company has not recorded any provision for this lawsuit as of December 31, 2013.

In addition, Nippon Steel & Sumitomo Metal Corporation filed a civil lawsuit in the New Jersey federal court, United States, against POSCO and POSCO America Co., Ltd., a subsidiary of POSCO, claiming infringement of intellectual property rights related to the production of grain oriented electrical steel sheets. Since the Company does not believe that it has any present obligation, the Company has not recorded any provision for this lawsuit as of December 31, 2013. An estimate of possible loss cannot be reliably determined because the lawsuit is still in the

discovery stage and no claim amount has been specified.

2) Lawsuits related to liability of Daewoo Co., Ltd. which was spun off into Daewoo International Corporation and Daewoo Engineering & Construction Co., Ltd.

F-118

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

In May 2002, Industrial Development Bank of India Limited, the creditor of Daewoo Motors India Ltd. for which Daewoo Co., Ltd. provided a guarantee, filed lawsuits against Daewoo Motors India Ltd., Daewoo Co., Ltd., Daewoo Engineering & Construction Co., Ltd, and Daewoo International Corporation (a subsidiary of POSCO) seeking for the disposition of assets and judgment of debt of Daewoo Motors India Ltd. amounting to 76 billion in India Delhi Mumbai Court. A provision of 18 billion for these lawsuits was made as of December 31, 2013. The actual amount and timing of the outflows is uncertain the outcome depends on court proceedings but the provisions is classified as a non-current liability as of December 31, 2013 (See Note 20).

3) Other lawsuits and claims

Company	Legal actions	claim amount	Korean won equivalent	Description
(In millions of Won, in thousand of foreign currencies)				
POSCO	37	KRW 68,963	68,963	Lawsuit on claim for damages
POSCO ENGINEERING & CONSTRUCTION CO., LTD.	84	KRW 110,619	110,619	Lawsuit on claim for payment
POSCO Processing & Service	2	KRW 705	705	Lawsuit on claim for payment
POSCO COATED & COLOR STEEL Co., Ltd.	2	KRW 3,595	3,595	Lawsuit on claim for payment
POSCO ICT	14	KRW 7,333	7,333	Lawsuit on claim for payment
POSCO America Corporation	1	USD		Lawsuit on Anti-Trust
POSCO M-TECH	1	KRW 19	19	Lawsuit on claim for payment
POSCO E&C CHINA Co., Ltd.	1	CNY 37,000	6,441	Lawsuit on claim for payment
POSCO-Malaysia SDN. BHD.	1	MYR 5,782	1,852	Lawsuit on claim for payment
POSCO Engineering CO., Ltd	7	KRW 2,789	2,789	Lawsuit on claim for payment on construction by Samyanginnochem
Daewoo International (America) Corp.	3	USD 13,042	13,763	Lawsuit on claim for product liability and illegal act on products
Brazil Sao Paulo Steel Processing Center	3	BRL 978	437	Lawsuit on claim for payment
Daewoo International Corporation	2	CNY 42,201	7,347	Lawsuit on claim for indemnification damages
	2	EUR 8,270	12,043	Lawsuit on claim for damages
	3	KRW 1,175	1,175	Lawsuit on claim for payment
	7	USD 45,787	48,319	Lawsuit on claim for damages

For all other lawsuits and claims, management does not believe that the Company has any present obligations and therefore, the Company has not recognized any provisions as of December 31, 2013 for these matters.

(f) Other contingencies

Company	Description
POSCO	POSCO has provided two blank promissory notes and one blank check to Korea Resources Corporation and six blank promissory notes and three blank checks to Korea National Oil Corporation as collateral for out-standing

Edgar Filing: POSCO - Form 20-F

POSCO ENGINEERING &
CONSTRUCTION CO., LTD.
Daewoo International Corporation

loans.

As of December 31, 2013, POSCO ENGINEERING & CONSTRUCTION CO., LTD. has provided twenty-six blank checks and ten blank promissory notes as collateral for agreements and outstanding loans.

As of December 31, 2013, Daewoo International Corporation has provided forty-five blank promissory notes and thirteen blank checks to Korea National Oil Corporation as collateral for the guarantee on performance for contracts and others.

POSCO ICT

As of December 31, 2013, POSCO ICT has provided eight blank promissory notes and fourteen blank checks to financial institutions as collateral for the guarantee on performance for contracts and others.

F-119

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013****39. Cash Flows from Operating Activities**

Adjustments for operating cash flows for the years ended December 31, 2011, 2012 and 2013 were as follows:

	2011	2012	2013
	(in millions of Won)		
Trade accounts and notes receivable	(2,402,346)	87,830	(612,379)
Other financial assets	(187,607)	(392,090)	(98,420)
Inventories	(2,538,178)	1,450,431	582,287
Other current assets	(310,397)	(198,157)	181,755
Other long-term assets	47,929	(141,037)	(23,412)
Trade accounts payable	265,993	225,086	47,323
Other financial liabilities	260,306	357,502	194,419
Other current liabilities	384,943	583,159	13,522
Provisions	(36,511)	17,108	(42,052)
Payment severance benefits	(574,759)	(116,846)	(129,038)
Plan assets	252,671	(191,696)	(172,147)
Other non-current liabilities	(12,791)	252,068	(58,290)
	(4,850,747)	1,933,358	(116,432)

40. Non-Cash Transactions

Significant non-cash transactions for the years ended December 31, 2012 and 2013 were as follows:

	2012	2013
	(in millions of Won)	
Construction-in-progress transferred to other accounts	3,273,475	6,610,644
Acquisition of short-term financial statements through issuance of treasury stocks		804,496
Other non-current asset transferred to investments in associates and joint ventures	257,878	
Conversion of bonds to shares	315,530	

41. Operating Segment and Geographic Information

(a) Our operating businesses are organized based on the nature of markets and customers. We have four reportable operating segments – steel, engineering and construction, trading and other. The steel segment includes production of steel products and revenue of such products. The engineering and construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and

overseas. Other segment includes power generation, liquefied natural gas production, network and system integration and logistics activities.

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(b) Information about reportable segments as of and for the years ended December 31, 2011, 2012 and 2013 was as follows:

1) As of and for the year ended December 31, 2011

	Steel	Trading	Engineering and Construction (in millions of Won)	Other	Total
External revenues	39,151,930	21,097,356	5,476,209	3,213,230	68,938,725
Internal revenues	17,138,610	7,525,555	2,996,933	2,446,417	30,107,515
Total revenues	56,290,540	28,622,911	8,473,142	5,659,647	99,046,240
Interest income	154,671	43,842	22,744	22,025	243,282
Interest expenses	(551,478)	(93,532)	(69,050)	(110,615)	(824,675)
Depreciation and amortization	(2,128,182)	(37,320)	(31,238)	(178,429)	(2,375,169)
Impairment loss of property, plant and equipment and others	(25,177)	(34,544)	(23,397)	(995)	(84,113)
Impairment loss of available-for-sale financial assets	(136,638)			(16,166)	(152,804)
Share of profit or loss of investment in associates and joint ventures	(33,361)			(6,888)	(40,249)
Income tax expense	(1,111,709)	(35,322)	(22,536)	(16,454)	(1,186,021)
Segments profit	3,689,461	195,298	154,618	155,277	4,194,654
Segments assets	67,961,383	12,120,560	8,764,698	6,663,297	95,509,938
Investment in associates	14,226,687	1,899,762	918,079	186,490	17,231,018
Acquisition of non-current assets	9,385,381	607,076	207,619	594,514	10,794,590
Segments liabilities	23,169,910	9,706,622	5,554,097	4,528,283	42,958,912

2) As of and for the year ended December 31, 2012

	Steel	Trading	Engineering and Construction (in millions of Won)	Other	Total
External revenues	35,258,970	18,945,642	4,675,596	4,723,943	63,604,151
Internal revenues	17,609,789	7,467,872	5,050,287	2,857,139	32,985,087
Total revenues	52,868,759	26,413,514	9,725,883	7,581,082	96,589,238
Interest income	176,229	50,907	43,815	21,811	292,762
Interest expenses	(553,508)	(174,607)	(48,975)	(116,499)	(893,589)
Depreciation and amortization	(2,334,357)	(35,788)	(35,323)	(218,515)	(2,623,983)
Impairment loss of property, plant and equipment and others	(46,951)	(30,073)	(7,734)	(16,257)	(101,015)
Impairment loss of available-for-sale financial assets	(201,850)	(254)	(1,713)	(20,354)	(224,171)
Share of profit or loss of investment in associates and joint ventures	(39,806)	(5,579)	(27)	(2,764)	(48,176)
Income tax expense	(658,307)	(184,318)	(135,469)	(77,139)	(1,055,233)
Segments profit	2,245,977	325,197	345,295	301,670	3,218,139

Edgar Filing: POSCO - Form 20-F

Segments assets	69,920,261	10,904,747	10,775,895	7,723,374	99,324,277
Investment in associates	15,802,052	1,043,018	1,130,216	435,980	18,411,266
Acquisition of non-current assets	7,629,767	395,081	167,818	781,087	8,973,753
Segments liabilities	23,105,008	7,865,399	7,008,996	4,836,641	42,816,044

F-121

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

3) As of and for the year ended December 31, 2013

	Steel	Trading	Engineering and Construction (in millions of Won)	Other	Total
External revenues	31,794,574	18,307,888	6,896,838	4,865,350	61,864,650
Internal revenues	16,229,002	7,611,372	3,885,190	3,019,246	30,744,810
Total revenues	48,023,576	25,919,260	10,782,028	7,884,596	92,609,460
Interest income	162,149	46,064	47,070	19,892	275,175
Interest expenses	(412,142)	(77,375)	(48,030)	(106,824)	(644,371)
Depreciation and amortization	(2,383,010)	(43,775)	(36,614)	(235,365)	(2,698,764)
Impairment loss of property, plant and equipment and others	(34,153)	(975)	(4,058)	(11,875)	(51,061)
Impairment loss of available-for-sale financial assets	(203,468)	(435)	(97,919)	(10,172)	(311,994)
Share of profit or loss of investment in associates and joint ventures	(250,084)	(131,534)	(71,068)	(26,326)	(479,012)
Income tax expense	(466,756)	(27,549)	(87,660)	(73,371)	(655,336)
Segments profit	1,449,446	9,516	147,177	197,449	1,803,588
Segments assets	73,860,997	11,640,931	9,888,590	8,843,652	104,234,170
Investment in associates	16,863,991	1,019,252	1,090,089	598,775	19,572,107
Acquisition of non-current assets	5,955,799	242,413	150,469	1,191,243	7,539,924
Segments liabilities	23,774,850	8,649,557	6,068,059	5,059,440	43,551,906

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

1) Revenues

	2011	2012 (in millions of Won)	2013
Total revenue for reportable segments	99,046,240	96,589,238	92,609,460
Elimination of inter-segment revenue	(30,107,515)	(32,985,087)	(30,744,810)
	68,938,725	63,604,151	61,864,650

2) Profit

	2011	2012 (in millions of Won)	2013
--	------	------------------------------	------

Edgar Filing: POSCO - Form 20-F

Total profit for reportable segments	4,194,654	3,218,139	1,803,588
Corporate fair value adjustments	(39,489)	(58,486)	(91,718)
Elimination of inter-segment profits	(440,879)	(774,047)	(356,690)
Income tax expense	1,068,109	982,880	590,997
Profit before income tax expense	4,782,395	3,368,486	1,946,177

F-122

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

3) Assets

	2012	2013
	(in millions of Won)	
Total assets for reportable segments (*1)	99,324,277	104,234,170
Equity-accounted investees	(15,365,984)	(15,758,936)
Goodwill and corporate FV adjustments	3,657,016	3,560,873
Elimination of inter-segment assets	(8,349,458)	(7,580,700)
	79,265,851	84,455,407

(*1) As segment assets and liabilities are determined based on separate financial statements, for subsidiaries which are in a different segment from that of its immediate parent company, their carrying amount in separate financial statements is eliminated upon consolidation. In addition, adjustments are made to adjust the amount of investment in associates and joint ventures from the amount reflected in segment assets to that determined using equity method in consolidated financial statements.

4) Liability

	2012	2013
	(in millions of Won)	
Total liabilities for reportable segments	42,816,044	43,551,906
Corporate fair value adjustments	330,791	337,442
Elimination of inter-segment liabilities	(6,310,403)	(5,255,971)
	36,836,432	38,633,377

5) Other significant items

a) December 31, 2011

Total Segment	Corporate fair value	Elimination of inter-segment	Consolidated
---------------	----------------------------	---------------------------------	--------------

Edgar Filing: POSCO - Form 20-F

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

F-123

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

b) December 31, 2012

	Total Segment	Corporate fair value adjustments (in millions of Won)	Elimination of inter-segment	Consolidated
Interest income	292,762		(13,955)	278,807
Interest expenses	(893,589)	1,372	20,760	(871,457)
Depreciation and amortization	(2,623,983)	(77,496)	137,719	(2,563,760)
Share of profit or loss of investment in associates	(48,176)		25,474	(22,702)
Income tax expense	(1,055,233)	15,150	57,203	(982,880)
Impairment loss of property, plant and equipment and others	(101,015)	(258,451)	24,070	(335,396)
Impairment loss of available-for-sale financial assets	(224,171)			(224,171)
	(4,653,405)	(319,425)	251,271	(4,721,559)

c) December 31, 2013

	Total Segment	Corporate fair value adjustments (in millions of Won)	Elimination of inter-segment	Consolidated
Interest income	275,175		(14,777)	260,398
Interest expenses	(644,371)	(34,814)	21,504	(657,681)
Depreciation and amortization	(2,698,764)	(84,223)	97,437	(2,685,550)
Share of profit or loss of investment in associates	(479,012)		299,203	(179,809)
Income tax expense	(655,336)	25,074	39,265	(590,997)
Impairment loss of property, plant and equipment and others	(51,061)		(97,424)	(148,485)
Impairment loss of available-for-sale financial assets	(311,994)		31,757	(280,237)
	(4,565,363)	(93,963)	376,965	(4,282,361)

(d) Revenue by geographic area for years ended December 31, 2011, 2012 and 2013 was as follows:

	2011	2012 (in millions of Won)	2013
Domestic	53,986,926	47,692,025	45,953,826

Edgar Filing: POSCO - Form 20-F

Japan	2,386,578	2,380,651	1,920,253
China	6,070,588	6,022,875	6,493,119
Asia-other	2,645,428	3,157,469	3,011,980
North America	1,281,906	1,792,706	1,720,895
Others	2,567,299	2,558,425	2,764,577
Total	68,938,725	63,604,151	61,864,650

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

F-124

Table of Contents**POSCO and Subsidiaries****Notes to the Consolidated Financial Statements, Continued****As of December 31, 2011, 2012 and 2013**

(e) Non-current assets by geographic area as of December 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of Won)	
Domestic	31,213,290	33,116,006
Japan	256,532	203,241
China	1,745,076	1,632,490
Asia-other	3,162,715	4,703,943
North America	125,206	167,468
Others	1,957,112	2,292,039
Total	38,459,931	42,115,187

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

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

Table of Contents

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

POSCO
(Registrant)

/s/ Kwon, Oh-Joon
Name: Kwon, Oh-Joon
Title: Chief Executive Officer and Representative
Director
Date: May 12, 2014

Table of Contents

Exhibit Index

1.1	Articles of incorporation of POSCO (English translation)
2.1	Form of Common Stock Certificate (including English translation) (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement No. 33-81554)*
2.2	Form of Deposit Agreement (including Form of American Depositary Receipts) (incorporated by reference to the Registrant's Registration Statement (File No. 333-189473) on Form F-6)*
8.1	List of consolidated subsidiaries
12.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed previously