

POSCO
Form 20-F
June 25, 2010

Table of Contents

As filed with the Securities and Exchange Commission on June 25, 2010

**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, 2009
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 <i>(Translation of Registrant's name into English)</i>	The Republic of Korea <i>(Jurisdiction of incorporation or organization)</i>
--	--

**POSCO Center, 892 Daechi-4-dong, Gangnam-gu
Seoul, Korea 135-777**

(Address of principal executive offices)

**Choi, Dong-Min
POSCO Center, 892 Daechi-4-dong, Gangnam-gu,
Seoul, Korea 135-777**

Telephone: +82-2-3457-0975; E-mail: dmchoi@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.

Title of Each Class	Name of Each Exchange on Which Registered
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 *	New York Stock Exchange, Inc. *

Edgar Filing: POSCO - Form 20-F

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

None

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

None

As of December 31, 2009, there were 77,032,878 shares of common stock, par value Won 5,000 per share, outstanding

(not including 10,153,957 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 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**

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 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 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 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**

* 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
	PART I	
<u>ITEM 1.</u>	<u>IDENTITY OF DIRECTORS, SENIOR MANAGERS AND ADVISORS</u>	2
	<u>Item 1.A. Directors and Senior Management</u>	2
	<u>Item 1.B. Advisers</u>	2
	<u>Item 1.C. Auditors</u>	2
<u>ITEM 2.</u>	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	2
	<u>Item 2.A. Offer Statistics</u>	2
	<u>Item 2.B. Method and Expected Timetable</u>	2
<u>ITEM 3.</u>	<u>KEY INFORMATION</u>	2
	<u>Item 3.A. Selected Financial Data</u>	2
	<u>Item 3.B. Capitalization and Indebtedness</u>	4
	<u>Item 3.C. Reasons for Offer and Use of Proceeds</u>	4
	<u>Item 3.D. Risk Factors</u>	4
<u>ITEM 4.</u>	<u>INFORMATION ON THE COMPANY</u>	15
	<u>Item 4.A. History and Development of the Company</u>	15
	<u>Item 4.B. Business Overview</u>	16
	<u>Item 4.C. Organizational Structure</u>	31
	<u>Item 4.D. Property, Plants and Equipment</u>	31
<u>ITEM 4A.</u>	<u>UNRESOLVED STAFF COMMENTS</u>	34
<u>ITEM 5.</u>	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	34
	<u>Item 5.A. Operating Results</u>	34
	<u>Item 5.B. Liquidity and Capital Resources</u>	48
	<u>Item 5.C. Research and Development, Patents and Licenses, Etc.</u>	53
	<u>Item 5.D. Trend Information</u>	53
	<u>Item 5.E. Off-balance Sheet Arrangements</u>	53
	<u>Item 5.F. Tabular Disclosure of Contractual Obligations</u>	54
	<u>Item 5.G. Safe Harbor</u>	54
<u>ITEM 6.</u>	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	54
	<u>Item 6.A. Directors and Senior Management</u>	54
	<u>Item 6.B. Compensation</u>	57
	<u>Item 6.C. Board Practices</u>	57
	<u>Item 6.D. Employees</u>	59
	<u>Item 6.E. Share Ownership</u>	59
<u>ITEM 7.</u>	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	61
	<u>Item 7.A. Major Shareholders</u>	61
	<u>Item 7.B. Related Party Transactions</u>	62
	<u>Item 7.C. Interests of Experts and Counsel</u>	62
<u>ITEM 8.</u>	<u>FINANCIAL INFORMATION</u>	62
	<u>Item 8A. Consolidated Statements and Other Financial Information</u>	62
	<u>Item 8B. Significant Changes</u>	63

Table of Contents

<u>ITEM 9.</u>	<u>THE OFFER AND LISTING</u>	63
	<u>Item 9.A. Offer and Listing Details</u>	63
	<u>Item 9.B. Plan of Distribution</u>	65
	<u>Item 9.C. Markets</u>	65
	<u>Item 9.D. Selling Shareholders</u>	71
	<u>Item 9.E. Dilution</u>	71
	<u>Item 9.F. Expenses of the Issuer</u>	71
<u>ITEM 10.</u>	<u>ADDITIONAL INFORMATION</u>	71
	<u>Item 10.A. Share Capital</u>	71
	<u>Item 10.B. Memorandum and Articles of Association</u>	71
	<u>Item 10.C. Material Contracts</u>	76
	<u>Item 10.D. Exchange Controls</u>	76
	<u>Item 10.E. Taxation</u>	80
	<u>Item 10.F. Dividends and Paying Agents</u>	85
	<u>Item 10.G. Statements by Experts</u>	86
	<u>Item 10.H. Documents on Display</u>	86
	<u>Item 10.I. Subsidiary Information</u>	86
<u>ITEM 11.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	86
<u>ITEM 12.</u>	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	88
	<u>Item 12.A. Debt Securities</u>	88
	<u>Item 12.B. Warrants and Rights</u>	88
	<u>Item 12.C. Other Securities</u>	88
	<u>Item 12.D. American Depositary Shares</u>	88
	PART II	
<u>ITEM 13.</u>	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	90
<u>ITEM 14.</u>	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	90
<u>ITEM 15.</u>	<u>CONTROLS AND PROCEDURES</u>	90
<u>ITEM 16.</u>	<u>[RESERVED]</u>	91
<u>ITEM 16A.</u>	<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	91
<u>ITEM 16B.</u>	<u>CODE OF ETHICS</u>	91
<u>ITEM 16C.</u>	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	91
<u>ITEM 16D.</u>	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	92
<u>ITEM 16E.</u>	<u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	92
<u>ITEM 16F.</u>	<u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	92
<u>ITEM 16G.</u>	<u>CORPORATE GOVERNANCE</u>	92
	PART III	
<u>ITEM 17.</u>	<u>FINANCIAL STATEMENTS</u>	94
<u>ITEM 18.</u>	<u>FINANCIAL STATEMENTS</u>	94
<u>ITEM 19.</u>	<u>EXHIBITS</u>	95
<u>EX-1.1</u>		
<u>EX-8.1</u>		
<u>EX-12.1</u>		
<u>EX-12.2</u>		
<u>EX-13.1</u>		

Table of Contents

GLOSSARY

ADR	American Depositary Receipt evidencing ADSs.
ADR depositary	The Bank of New York Mellon.
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 September 26, 1994, among POSCO, the ADR Depositary and all holders and beneficial owners from time to time of ADRs issued thereunder, as amended by amendment no. 1 thereto dated June 25, 1997.
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.
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.
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 ₩ W	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 Advisors*

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 as of December 31, 2008 and 2009 and for each of the three years in the period ended December 31, 2009 is derived from our Consolidated Financial Statements included elsewhere in this annual report. Our Consolidated Financial Statements are prepared in accordance with Korean GAAP, which differ in certain significant respects from U.S. GAAP.

Table of Contents**INCOME STATEMENT DATA**

	For the Year Ended December 31,					
	2005	2006	2007	2008	2009	2009 ⁽¹⁰⁾
	(In billions of Won and millions of dollars, except per share data)					
Korean GAAP:						
Sales ⁽¹⁾	₩ 26,302	₩ 25,842	₩ 31,608	₩ 41,743	₩ 36,855	US\$ 31,565
Cost of goods sold ⁽²⁾	18,767	19,897	24,903	32,562	31,037	26,582
Selling and administrative expenses	1,451	1,556	1,785	2,006	1,949	1,670
Operating income	6,083	4,389	4,920	7,174	3,868	3,313
Interest expense	149	183	240	345	532	456
Foreign currency transaction and translation gains (losses), net	159	99	(19)	(940)	366	313
Donations	153	155	197	143	129	110
Income tax expenses	1,474	922	1,274	1,734	536	459
Net income	4,007	3,353	3,678	4,350	3,242	2,777
Net income attributable to controlling interest	4,022	3,314	3,559	4,379	3,218	2,756
Net income attributable to non-controlling interest	(15)	39	119	(29)	24	(21)
Basic and diluted earnings per share of common stock ⁽³⁾	50,790	42,115	46,854	58,002	41,982	35,956
Dividends per share of common stock	8,000	8,000	10,000	10,000	8,000	6,852
U.S. GAAP ⁽⁴⁾:						
Operating income	₩ 5,671	₩ 4,259	₩ 4,967	₩ 7,129	₩ 3,712	US\$ 3,179
Net income	4,097	3,432	3,677	4,084	3,609	3,091
Net income attributable to controlling interest	4,102	3,408	3,565	4,106	3,567	3,055
Net income (loss) attributable to non-controlling interest	(5)	24	112	(22)	42	36
Basic and diluted earnings per share of common stock	51,789	43,304	46,938	54,387	46,534	40

BALANCE SHEET DATA

	As of December 31,					
	2005	2006	2007	2008	2009	2009 ⁽¹⁰⁾
	(In billions of Won and millions of dollars, except per share data)					
Korean GAAP:						
Working capital ⁽⁵⁾	₩ 5,759	₩ 7,155	₩ 7,769	₩ 11,188	₩ 11,359	US\$ 9,729
Property, plant and equipment, net ⁽⁶⁾	12,272	14,643	15,582	18,069	21,840	18,705

Edgar Filing: POSCO - Form 20-F

Total assets ⁽⁶⁾	27,507	31,149	36,275	46,961	50,312	43,090
Long-term debt ⁽⁷⁾⁽⁸⁾⁽⁹⁾	1,131	2,726	3,306	6,896	8,230	7,049
Capital stock	482	482	482	482	482	413
Total shareholders' equity ⁽⁶⁾	19,874	22,402	25,118	28,344	31,664	27,119
U.S. GAAP ⁽⁴⁾:						
Property, plant and equipment, net	₩ 12,420	₩ 14,860	₩ 15,836	₩ 18,328	₩ 22,195	US\$ 19,009
Total assets	27,525	31,208	36,349	47,208	51,074	43,742
Total equity	19,881	22,447	25,171	28,419	32,057	27,455

- (1) Includes sales by our consolidated sales 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 26 of Notes to Consolidated Financial Statements for method of calculation.
- (4) A description of the significant differences between Korean GAAP and U.S. GAAP as well as the reconciliation to U.S. GAAP are provided in detail in Note 31 of Notes to Consolidated Financial Statements.
- (5) Working capital means current assets minus current liabilities.
- (6) Reflects revaluations of assets permitted under Korean law.
- (7) Net of current portion and discount on debentures issued.

Table of Contents

- (8) For information regarding swap transactions entered into by us, see Item 5. Operating and Financial Review and Prospects Item 5.A. Operating Results Exchange Rate Fluctuations and Note 23 of Notes to Consolidated Financial Statements.
- (9) Monetary assets and liabilities denominated in foreign currencies are translated into Won at the basic rates in effect at the balance sheet date and resulting translation gains and losses are recognized in current operations. See Notes 2 and 28 of Notes to Consolidated Financial Statements.
- (10) Translated into U.S. Dollars at the rate of Won 1,167.6 to US\$1.00, the market average exchange rate, announced by Seoul Money Brokerage Services, Ltd., on December 31, 2009. This translation should not be construed as a representation that the Won amounts represent, have been, or could be converted to U.S. Dollars at that rate or any other rate.

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
2005	1,013.8	1,024.2	1,060.3	998.2
2006	929.6	956.1	1,031.0	918.0
2007	938.2	929.2	950.0	902.2
2008	1,257.5	1,102.6	1,509.0	