IMPORTANT NOTICE

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A OR (2) PERSONS WITH ADDRESSES OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following applies to the offering circular following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S., EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the following offering circular or make an investment decision with respect to the securities, investors must be either (I) qualified institutional buyers ("QIBs") (within the meaning of Rule 144A under the Securities Act) or (II) located outside of the U.S. By accepting the e-mail and accessing the following offering circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) located outside of the U.S. and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and (2) you consent to the delivery of such offering circular by electronic transmission.

You are reminded that the following offering circular has been delivered to you on the basis that you are a person into whose possession the following offering circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the following offering circular to any other person. If this is not the case, you must return this offering circular to us immediately.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

The following offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities Ltd., Merrill Lynch International and HMC Investment Securities Co., Ltd. (collectively, the "Managers") nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Offering Circular **Strictly confidential**

Hyundai Steel Company

US$500,000,000 4.625% Notes Due 2016

Issue price: 99.788%

The US$500,000,000 4.625% Notes due 2016 (the "Notes") are issued by Hyundai Steel Company (the "Company"), a joint stock company formed under the laws of the Republic of Korea. The Notes will bear interest from and including April 21, 2011 at the rate of 4.625% per annum payable semi-annually in arrears on April 21 and October 21 of each year up to and excluding the maturity date, April 21, 2016, with the first interest payment to be made on October 21, 2011. The Company may not redeem the Notes in whole or in part prior to maturity except upon the occurrence of certain events related to Korean tax law as described herein. Upon the occurrence of a Change of Control (as defined herein), holders of the Notes will have the right to require the Company to repurchase all or any part of their Notes at a purchase price equal to 101% of the principal amount, plus accrued but unpaid interest, if any, to the redemption date. See "Terms and Conditions of the Notes." The Notes will be in registered form and will be issued in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

The Notes will be the Company's unsecured unsubordinated obligations and will rank pari passu with all of its other unsecured senior indebtedness.

Approval in-principle has been received for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Approval in-principle from, and admission of the Notes to the Official List of, the SGX-ST and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the Company or the Notes.

The Notes are expected to be rated "Baa3" by Moody's Investors Service, Inc. and "BBB-" by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies Inc. Such ratings do not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by such rating organizations.

Investing in the Notes involves risks that are described in the "Risk Factors" section beginning on page 7 of this Offering Circular.

The Notes have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") or the securities laws of any other jurisdiction. Unless they are registered, the Notes may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Notes are initially offered in the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act ("Rule 144A") and outside the United States in compliance with Regulation S under the Securities Act ("Regulation S"). Prospective purchasers of the Notes are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For further details about eligible offerees and resale restrictions, see "Plan of Distribution" and "Transfer Restrictions."

The Notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme, on or about April 21, 2011.

Joint Bookrunners and Lead Managers

BofA Merrill Lynch **Citi** **Credit Suisse** **HSBC** **J.P. Morgan**

Co-Manager

HMC Investment Securities

April 14, 2011.

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You are authorized to use this Offering Circular solely for the purpose of considering the purchase of the Notes (as defined herein) described in the Offering Circular. The Company and other sources identified herein have provided the information contained in this Offering Circular. Having made all reasonable inquiries, the Company confirms that this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and that there are no other facts the omissions of which make this Offering Circular, as a whole, or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Company accepts responsibility accordingly.

This Offering Circular is based on information provided by the Company and by other sources that the Company believes are reliable. The Initial Purchasers (as defined under "Plan of Distribution") make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Initial Purchasers. The Initial Purchasers assume no responsibility or liability for the accuracy or completeness of any of the information contained herein (financial, legal or otherwise) or any other information provided by the Company in connection with the offering of the Notes or their distribution.

You may not reproduce or distribute this Offering Circular, in whole or in part, and you may not disclose any of the contents of this Offering Circular or use of any information herein for any purpose other than considering the purchase of the Notes. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized and any disclosure of any of its contents, without the Company's prior written consent, is prohibited. You agree to the foregoing by accepting delivery of this Offering Circular.

IN CONNECTION WITH THIS OFFERING, MERRILL LYNCH INTERNATIONAL OR ANY PERSON ACTING FOR OR ON BEHALF OF THE INITIAL PURCHASERS (AS DEFINED HEREIN), TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, MAY OVERALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD OF TIME AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON MERRILL LYNCH INTERNATIONAL OR ITS AGENT TO DO THIS. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SEE "PLAN OF DISTRIBUTION."

The distribution of this Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Neither the Company nor any of the Initial Purchasers represents that this Offering Circular may be lawfully distributed or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Company or any of the Initial Purchasers which would permit a public offering of the Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe any such restrictions.

No person is or has been authorized to give any information or to make any representation other than those contained in, or which is not consistent with, this Offering Circular, and, if given or made, such information or representation must not be relied upon as having been authorized. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any Notes by any person except in compliance with all applicable laws and regulations. Neither the delivery of this Offering Circular nor any sale made in connection with this Offering Circular shall under any circumstances imply that the information contained herein is correct at any time subsequent to the date hereof or that any other information supplied in connection with the issue of the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

Industry and market data throughout this Offering Circular was obtained from a combination of the Company's internal surveys, the good faith estimates of the Company's management and publicly available industry publications or public filings made in Korea. While the Company believes that their internal surveys and estimates of their management are reliable and publicly available information has been obtained from sources they believe to be reliable, none of the Company and the Initial Purchasers have independently verified such information or make any representation as to the accuracy of such information. Such information involves risks and uncertainties and is subject to change based on various factors, including those factors discussed in the "Risk Factors" section in this Offering Circular.

THE NOTES HAVE NOT BEEN REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. ACCORDINGLY, THE NOTES HAVE NOT BEEN AND WILL NOT BE OFFERED,

DELIVERED, OR SOLD DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTION LAW OF KOREA AND THE REGULATIONS THEREUNDER) OR TO OTHERS FOR RE-OFFERING OR RESALE DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, UNTIL THE EXPIRATION OF ONE YEAR AFTER THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA WHO IS NOT A PROFESSIONAL INVESTOR AS SET FORTH IN ARTICLE 11, PARAGRAPH 1, ITEM 1, SUB-ITEMS KA AND NA OF THE ENFORCEMENT DECREE OF THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE NOTES OR DETERMINED IF THIS OFFERING CIRCULAR IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. AS A PROSPECTIVE PURCHASER, YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PLEASE REFER TO THE SECTIONS IN THIS OFFERING CIRCULAR ENTITLED "PLAN OF DISTRIBUTION" AND "TRANSFER RESTRICTIONS."

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, OR THE RSA, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with sales of the Notes, the Company will be required under the terms of the Notes to furnish upon request of a holder or beneficial owner of the Notes to such person and any prospective investor designated by such person the information required to be delivered under Rule 144A(d)(4) under the Securities Act unless the Company at the time of the request is a reporting company under

Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended ("Exchange Act"), or is exempt from the registration requirements of Section 12(g) of the Exchange Act (and therefore is required to publish on its website, in English, certain information pursuant to Rule 12g3-2(b) under the Exchange Act). In accordance with the Notes and the Fiscal Agency Agreement (as defined herein), copies of certain documents will be made available free of charge for inspection by holders of the Notes at the specified offices of the Fiscal Agent (as defined herein).

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a corporation with limited liability organized under the laws of Korea. All of the directors and officers of the Company and certain other persons named herein reside in Korea. All or a significant portion of the assets of the directors and officers and certain other persons named herein and a substantial portion of the assets of the Company are located in Korea. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them or against the Company in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this Offering Circular, all references to "Korea" or the "Republic" herein are references to The Republic of Korea. All references to "U.S." or "US" shall mean the United States of America. All references to "China" shall mean the People's Republic of China. All references to "we," "us," "our," "ourselves," "our company," "the Company" or "HSC" herein are references to Hyundai Steel Company unless the context otherwise requires.

All references to "Won" or "₩" are references to the currency of the Republic of Korea, all references to "U.S. dollars," "dollars," "U.S.$," "US$" and "$" are references to the currency of the United States of America, all references to "Euro" and "€" are references to the currency of the European Union, and all references to "Yen" and "¥" are references to the currency of Japan. The Company publishes its financial statements in Won. Unless otherwise indicated, all translations from Won to U.S. dollars herein were made at the rate of ₩1,138.9 to US$1.00, the exchange rate based on the basic rate under the market average exchange rate system, provided by Seoul Money Brokerage Services, Ltd. between U.S. dollars and Won (the "Market Average Exchange Rate") and in effect on December 31, 2010. These translations were made solely for the convenience of the reader. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all. On April 14, 2011, the Market Average Exchange Rate was ₩1,092.5 = US$1.00. See "Exchange Rates."

All references to "m^2" are references to square meters, and all references to "m^3" are references to cubic meters.

Our financial statements are audited and published annually and have been prepared in accordance with generally accepted accounting principles in Korea ("Korean GAAP"), which differ in certain significant respects from generally accepted accounting principles in other countries, including the United States. All financial information, descriptions and other information in this Offering Circular regarding our activities, financial condition and results of operations are, unless otherwise indicated or required by context, presented on a non-consolidated basis.

Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular constitute "forward-looking statements," including statements regarding the Company's expectations and projections for future operating performance and business prospects. The words "believe," "expect," "anticipate," "estimate," "project," "will," "aim," "will likely result," "will continue," "intend," "plan," "contemplate," "seek to," "future," "objective," "goal," "should," "will pursue" and similar expressions or variations of these expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Company's financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to the Company's products and services, are forward-looking statements. Such forward-looking statements and any other projections contained in this Offering Circular (whether made by the Company or any third party) involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. Such forward- looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Factors that could cause the Company's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors." Any forward-looking statements contained in this Offering Circular speak only as of the date of this Offering Circular. Each of the Company and the Initial Purchasers expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

Summary

You are encouraged to read this Offering Circular in its entirety. You should pay special attention to the discussion in "Risk Factors" beginning on page 7.

Overview

The Company is the only steelmaker in Korea with both fully integrated steel mill and mini-mill operations. As Korea's oldest steelmaker, the Company has been a leader in mini-mill steel production in Korea as well as globally. With initial commercial production commencing at its new state-of-the-art, eco-friendly integrated steel mill facilities in April 2010, the Company became one of the two integrated steel producers in Korea and plans to expand its integrated mill production capacity to approximately 12 million tons per year by 2014. The Company currently has its production facilities in Incheon, Pohang and Dangjin, Korea. All of the Company's integrated steel production facilities are located in Dangjin. The Company believes that the new products and markets that the integrated steel mill operations add to its mini-mill steel products and markets will lead to continued stable growth of its operations.

Historically, the Company has maintained a leading market position in the mini-mill industry in Korea and in the world. Based on the Company's sales volume in 2010 and crude steel production capacity as of December 31, 2010, the Company was the largest electric arc furnace steel producer in Korea and the second largest in the world. Mini-mill operations consist of manufacturing and distribution of hot rolled steel products produced from steel scrap, using electric arc furnaces, continuous casting machines and automated rolling mills. The Company's reinforcing bars, wide-flange beams ("H-beams"), structural sections, ingots and track chain assemblies, used mainly in the construction industry, as well as some of its hot rolled coil ("HRC") products are produced at its mini-mill works in Incheon, Pohang and Dangjin, with a total combined crude steel production capacity of 15 million tons per year.

In addition, the Company commenced commercial production at its integrated steel mill in Dangjin in April 2010. The Company currently has two blast furnaces, a plate mill and two hot rolling mills, which enable the Company to produce high-quality flat steel products such as HRC products for automobiles and heavy plates for shipbuilding. With commercial production starting at its second blast furnace in January 2011, the Company's integrated steel mill had an annual product capacity of 6.5 million tons of HRC products and 1.5 million tons of heavy plates as of February 28, 2011. The Company plans to expand its integrated steel production capacity by adding a third blast furnace by 2013, which is expected to reach an annual crude steel production capacity of 4.0 million tons by 2014. The Company began construction of its third blast furnace on April 12, 2011.

The Company manufactures and sells a diversified line of steel products, including reinforcing bars, H-beams and structural sections, HRC products, heavy plates, stainless steel products and other steel products for heavy machinery, which meet a broad range of customer needs from manufacturing and other industries that consume steel, including the construction, automotive, shipbuilding, home appliance, engineering and machinery industries. Long steel products (such as reinforcing bars and H-beams) and flat steel products (such as HRCs and heavy plates) constitute substantially all of the Company's sales, accounting for approximately 54% and 37%, respectively, of the Company's total sales volume in tons in 2010. The Company expects that its current two blast furnaces will reach their full-scale operating capacity by 2012, when the sales volume in tons of flat steel products is expected to constitute close to half of the Company's total sales volume.

The Company enjoys a significant domestic market share in many of its principal product areas. While the primary end-users of the Company's hot rolled long steel products are construction companies, higher quality HRC products and heavy plates produced from blast furnaces are used primarily by automakers and shipbuilders, respectively, including Hyundai Motor Company ("HMC") and Kia Motors Corporation ("Kia"), the Company's affiliates, and Hyundai Heavy Industries Co., Ltd. ("HHI"), the largest shipbuilder in the world. The Company expects to continue to provide its HRC products and heavy plates primarily to HMC, Kia and HHI, directly or (in the case of HRCs for HMC and Kia) indirectly through Hyundai Hysco Co., Ltd. ("Hyundai Hysco"), an affiliate of the Company.

In 2010, the Company recorded sales of ₩10,198 billion and net income of ₩1,014 billion. As of December 31, 2010, the Company had total assets of ₩18,196 billion. In 2010, domestic sales accounted for approximately 69% of the Company's total sales volume in tons. The Company maintains its export sales mix to ensure maximum capacity utilization through business cycles and to balance its foreign exchange exposure associated with its purchases of imported raw materials.

The Company's registered office is 1-10 Songhyun-dong, Dong-gu, Incheon, Korea. The Company's telephone number is 82-32-760-2114.

Competitive Strengths

The Company's principal competitive strengths include the following:

- Balanced product portfolio;
- Stable demand from, and synergies with, Hyundai Motor Group companies;
- Stable operating margins based on leading domestic market position in long steel products;
- State-of-the-art and eco-friendly production facilities; and
- Experienced management team.

Strategy

The Company aims to strengthen its position as a world-leading steelmaker in terms of both production volume and technology through the following principal business strategies:

- Increase production capacity to achieve greater economies of scale;
- Continue pursuing balanced growth between electric arc furnace and integrated steel mill businesses;
- Secure stable sources of raw materials;
- Increase sales of high value-added products;
- Enhance technological capabilities; and
- Focus on manufacturing efficiency.

The Offering

Terms used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes."

Issuer	Hyundai Steel Company.
Notes	US$500,000,000 4.625% Notes due 2016.
Maturity	April 21, 2016.
Issue Price.	99.788%.
Interest Payment Dates. . . .	April 21 and October 21 of each year, commencing October 21, 2011.
Ranking	The Notes will be unsecured and will be the direct, unconditional and unsubordinated obligations of the Company and will rank *pari passu* among themselves and at least equally with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company, except as may be required by mandatory provisions of law.
Denomination and Form . . .	The Notes will be denominated in principal amounts of US$200,000 and integral multiples of US$1,000 in excess thereof. The Notes sold to qualified institutional buyers pursuant to Rule 144A and outside the United States pursuant to Regulation S will be evidenced by separate Global Notes, in fully registered book-entry form, and deposited with a custodian for and registered in the name of a nominee of The Depository Trust Company ("DTC").
Certain Covenants.	The Notes contain certain limitations on the creation, incurrence, issuance or assumption or the guarantee by the Company or certain of its subsidiaries of certain debt denominated in a foreign currency secured by any mortgage, charge, pledge, encumbrance or other security interest on any property or asset of the Company or those of such subsidiaries. The Notes also contain certain limitations on sale and leaseback transactions by the Company or certain of its subsidiaries. See "Terms and Conditions of the Notes — Certain Covenants."

Optional Tax Redemption . .	The Company may redeem the Notes at its option, in whole but not in part, at their principal amount plus accrued but unpaid interest to, but excluding, the date fixed for redemption and any Additional Amount becoming due, if the Company has or would become obligated to pay Additional Amounts in respect of certain Korean taxes imposed in respect of payments of principal of or interest (or premium, if any) on the Notes. See "Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Redemption for Taxation Reasons."
Change of Control	Upon the occurrence of a Change of Control, each holder of Notes will have the right to require the Company to redeem all or any part of such holder's Notes at a redemption price equal to 101% of the principal amount thereof plus accrued but unpaid interest, if any, to, but excluding, the date of redemption. See "Terms and Conditions of the Notes — Redemption, Purchase and Cancellation — Change of Control Redemption."
Use of Proceeds	The net proceeds from the sale of the Notes are estimated to amount to approximately US$496 million, after deducting underwriting commissions but before certain out-of-pocket expenses relating to the offering. The net proceeds from the offering will be used for repayment of short-term debt (primarily usance bills) and for other general corporate purposes.
Lock-up.	The Company has agreed that it will not issue, offer, sell, contract to sell or otherwise dispose of, or announce the offering of, any non-Won denominated debt securities (other than the Notes) issued or guaranteed by the Company with a maturity of over one year, without the prior written consent of the Initial Purchasers (as defined herein) for a period of 60 days from the date of the Purchase Agreement (as defined herein). See "Plan of Distribution."
Further Issues	The Company may from time to time, without the consent of the existing holders of the Notes, create and issue additional notes to the extent permitted under the Fiscal Agency Agreement, having the same terms and conditions as the Notes in all respects except for issue date and/or issue price, which may be consolidated and form a single series with the Notes outstanding at the time of such further issuance. The Company will not issue any such additional notes unless such additional notes have no more than a *de minimis* amount of original issue discount or such issuance would constitute a "qualified reopening" for U.S. federal income tax purposes.

Listing and Trading	Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST.		
Rating of the Notes	The Notes are expected to be rated "Baa3" by Moody's Investor Service, Inc. ("Moody's") and "BBB-" by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies Inc. ("S&P"). Such ratings do not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, revision or withdrawal at any time by such rating organizations.		
Transfer Restrictions	The Notes have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction. Unless they are registered, the Notes may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Notes may be offered for sale only (i) in the United States, to qualified institutional buyers within the meaning of, and in reliance on, Rule 144A; or (ii) outside the United States in reliance on, and in accordance with, Regulation S, in each case in compliance with applicable laws, regulations and directives. See "Plan of Distribution — Selling Restrictions" and "Transfer Restrictions."		
Governing Law	The Notes and the Fiscal Agency Agreement will be governed by, and construed in accordance with, the laws of the State of New York.		
		Rule 144A Notes	**Regulation S Notes**
Security Codes	CUSIP	44919Q AA8	Y38383 AJ7
	ISIN	US44919QAA85	USY38383AJ76
	Common Code	061373276	061373837

Summary Financial Information

The following table summarizes certain non-consolidated financial information for the Company as of and for the years ended December 31, 2008, 2009 and 2010. The summary non-consolidated financial information set forth below has been derived from and should be read in conjunction with the Company's audited non-consolidated financial statements and the notes thereto as of and for the years ended December 31, 2008, 2009 and 2010, which are included elsewhere herein. The summary non-consolidated financial information as of and for the year ended December 31, 2008 set forth below has been derived from the Company's audited non-consolidated financial statements dated as of and for the year ended December 31, 2008. The summary non-consolidated financial information as of and for the years ended December 31, 2009 and 2010 set forth below has been derived from the Company's non-consolidated financial statements dated as of and for the years ended December 31, 2009 and 2010, which have been audited by Deloitte Anjin LLC, independent accountants. The Company's non-consolidated financial statements as of and for the years ended December 31, 2008, 2009 and 2010 have been prepared in accordance with Korean GAAP applicable during such periods, which differ in certain significant respects from U.S. GAAP. See "Summary of Certain Differences Between Korean GAAP and U.S. GAAP."

Non-Consolidated Financial Information

As of or for the Year Ended December 31, (Won in billions and US$ in millions, except per share amounts)	2008	2009	2010	2010
Income Statement Information:				
Sales	₩10,503	₩ 7,966	₩10,198	$ 8,954
Cost of sales	8,746	7,021	8,716	7,653
Gross profit	1,757	946	1,482	1,302
Selling and administrative expenses	435	368	445	391
Operating income	1,321	578	1,038	911
Non-operating income	(367)	629	114	100
Income before income tax	954	1,207	1,152	1,011
Income tax expense	132	55	137	121
Net income	823	1,152	1,014	891
Basic earnings per share of common stock	₩ 9,798	₩13,721	₩12,085	$ 10.61
Balance Sheet Information:				
Current assets	₩ 4,235	₩ 4,450	₩ 4,782	$ 4,199
Cash and cash equivalents	953	829	1,010	886
Inventories	1,712	1,505	2,277	1,999
Other current assets	1,571	2,116	1,495	1,313
Non-current assets	7,504	11,130	13,414	11,778
Property, plant and equipment, net	5,689	9,845	11,778	10,341
Other non-current assets	1,815	1,285	1,636	1,437
Total assets	11,740	15,580	18,196	15,976
Current liabilities	2,746	3,923	5,400	4,741
Short-term borrowings and current portion of long-term borrowings and debentures (net of discount)	856	1,567	3,376	2,964
Other current liabilities	1,890	2,356	2,024	1,777
Non-current liabilities	4,165	5,051	5,056	4,439
Total long-term borrowings and debentures (net of discount)	3,859	4,773	4,766	4,184
Other long-term liabilities	306	279	291	255
Total liabilities	6,910	8,974	10,456	9,181
Total shareholders' equity	4,829	6,606	7,740	6,796
Total liabilities and shareholders' equity	11,740	15,580	18,196	15,976

Risk Factors

An investment in the Notes is subject to various risks, including those listed below. Investors should carefully consider the following risks as well as the other information contained in this Offering Circular before purchasing the Notes. These risks could materially affect the Company's ability to meet its obligations under the Notes. In such case, investors may lose all or part of their original investment in, and the expected return on, the Notes.

Risks Relating to the Steel Industry and the Global Economy

Volatility in the prices of raw materials or limitations on or disruptions in the supply of raw materials could adversely affect the Company's profitability.

Steel production requires substantial amounts of raw materials, including iron ore, coking coal and scrap, which are subject to significant price volatility and availability of supply. Raw material prices and availability are subject to market forces largely beyond the control of the Company. The availability and prices of raw materials may be negatively affected by, among other factors: increase in global demand for raw materials; interruptions in production by suppliers; accidents or other similar events at suppliers' premises or along the supply chain; wars, natural disasters and other similar events; suppliers' allocations to other purchasers; business continuity of suppliers; consolidation in steel-related industries; the bargaining power of raw material suppliers; fluctuations in exchange rates; new laws or regulations; and the availability and cost of transportation. Any prolonged interruption in the supply of raw materials, or increases in costs which the Company cannot pass on to its customers, could adversely affect its business, financial condition, results of operations and prospects.

One of the Company's principal raw materials is steel scrap, which accounted for approximately 75% of the manufacturing costs for the products made at its electric arc furnaces from 2008 to 2010. The Company purchases approximately half of its scrap requirements in Korea and the remainder from overseas, subject to adjustment depending on market prices. The Company purchases substantially all of its steel scrap at spot market prices, which have varied significantly and are expected to continue to vary significantly in the future. In general, the domestic scrap prices follow movements of imported scrap prices. In 2006, 2007 and through the first half of 2008, the prices of most commodities used in the steel-making process rose significantly before declining sharply in late 2008 as a result of the global financial crisis and economic downturn. In recent months, however, purchase prices of steel scrap have nearly recovered to pre-crisis levels, which has adversely affected the profitability of companies that purchase scrap to produce steel products. The weighted average cost per ton of steel scrap decreased by 45.6% in 2009 compared to 2008 and increased by 28.2% in 2010.

With the launch of an integrated steel mill, the Company is also increasingly exposed to fluctuations in the prices of iron ore and coking coal, the principal raw materials used in producing steel at blast furnaces. The Company purchases substantially all of these raw materials from sources outside Korea. The Company imported approximately 12,939,000 dry metric tons of iron ore and approximately 6,215,000 wet metric tons of coal in 2010. According to Platts, a leading global industry publication, the average price of iron ore per dry metric ton (free on board price of Platts Iron Ore Index with 62% iron (Fe) content) was US$126 in 2008, US$67 in 2009 and US$135 in 2010, respectively, while the average price of coal per wet metric ton (benchmark free on board price of Peak Downs premium hard coking coal) was US$308 in 2008, US$156 in 2009 and US$229 in 2010, respectively.

Although the Company has entered into long-term supply contracts for a significant portion of its iron ore and coal requirements, such contracts provide for periodic price adjustments based on prevailing market prices. Future increases in prices of the Company's key raw materials and its inability to pass along such increases to its customers could adversely affect the Company's margins and profits. Increased prices may also cause potential customers to defer purchase of steel products, which would have an adverse effect on the Company's business, financial condition and results of operations.

The raw materials industry is highly concentrated and suppliers in recent years have had significant pricing power, as was the case during 2007 and the first half of 2008, when demand peaked at record levels. Further consolidation among suppliers would exacerbate this trend. Should raw materials suppliers continue to move toward sales based on spot prices rather than long-term fixed price contracts, steel producers would face increased exposure to production cost and price volatility. Unlike some of its competitors, the Company does not operate its own mines, and relies on spot market purchases to procure steel scrap and long-term supply contracts to procure iron ore and coking coal. There is a limited futures contracts market, both in terms of trading volumes and the products covered, for the Company's raw materials, limiting the Company's ability to hedge its exposure to fluctuations in raw material prices. There can be no assurance that the Company will be able to secure sufficient supply of raw materials at commercially acceptable prices. Although the Company has 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 the Company imports these materials, could adversely affect its ability to meet its requirements for raw materials. For instance, Australia is a major supplier of the world's coking coal, and the recent flooding in Queensland, Australia resulted in a disruption in the supply of coking coal and increases in spot prices.

Excess capacity and oversupply in the steel industry globally and particularly in China may hamper the steel industry's recovery and prolong the downward cycle.

Global steel-making capacity exceeds global steel consumption, particularly during periods of global recession. This excess capacity results in manufacturers in certain countries exporting significant amounts of steel and steel products at very low prices. These imports, which are also affected by demand in the domestic market, exchange rates and domestic and international government actions, can result in downward pressure on domestic steel prices in Korea, which could materially and adversely affect the Company's business, results of operations, financial condition and cash flows. In particular, China is the largest global steel producer by a large margin and the balance between China's domestic production and consumption is an important factor affecting general global steel prices. According to press reports, in 2009, China announced steel industry restructuring plans to close outdated mills and ban new capacity expansions until the end of 2011 in order to curb excess capacity. However, at least over the short to medium term, and in the longer term if China does not successfully curb its capacity expansion, the Company is exposed to the risk of steel production increases in China and other markets outstripping increases in real demand, which may weigh on price recovery.

There can be no assurance that the Company will be able to continue to compete successfully in this economic environment or that production over-capacity will not have a material adverse effect on its business, results of operations and financial condition.

The Company's business is subject to general economic and business cycles, and difficult conditions in the global and Korean economies have adversely affected, and could continue to adversely affect, the Company's business.

Historically, the steel industry has been a cyclical industry. The Company's activities and results are substantially affected by international, regional and domestic economic conditions. Starting in late 2008 and lasting through early 2010, a steep downturn in the global economy, sparked by uncertainty in credit markets and deteriorating consumer confidence, has adversely affected global demand for products manufactured by the Company's customers such as those in the automobile, shipbuilding and construction industries. The Korean economy is closely integrated with, and is significantly affected by, developments in the global economy and financial markets, and the global economic downturn also had a significant adverse impact on the Korean economy and in turn on the Company's business and profitability.

After rising in the first half of 2008, global steel prices fell and remained depressed as the financial crisis and economic downturn led to a substantial decline in global demand for steel. Although a gradual recovery was seen beginning in the second half of 2009 in certain segments and markets, lower prices have had an adverse effect on steel producers in general due to lower revenues, lower margins and writedowns of inventories of finished steel products and raw materials. Significant price decreases during periods of economic weakness have historically not been balanced by commensurate price increases during periods of economic strength. Steel prices have recovered and stabilized since the financial crisis to a certain degree, but the timing and the extent of the recovery and potential return to pre-crisis price levels and the improvement of the Company's operating results remain uncertain.

Partly in response to weakening demand, the Company implemented several measures, including cutting costs and reducing its production volume and sales prices during the first half of 2009. Although prices of the Company's products have recovered to a certain degree, the Company may decide to adjust its future production volume or sales prices from time to time or on an on-going basis subject to market demand for its products, the production outlook of the global steel industry and global and Korean economic conditions in general. Deterioration of market conditions may also result in changes in assumptions underlying the carrying value of certain assets, which in turn could result in impairment of such assets, including its inventories of finished steel products and raw materials. The Company cannot predict how long the current market conditions will last or how they will change in the future. Although the global and Korean economies showed signs of recovery by the end of 2009, with improved conditions for the automobile industry, the Korean construction industry continues to suffer from the economic downturn and sluggish demand. The impact of the earthquake and tsunami in March 2011 and related developments in Japan on the global and Korean economies and the steel industry also remains uncertain. Reduced levels of demand for the Company's steel products may continue to prevail at least in the near future, which could adversely affect the Company's business, results of operations and financial condition.

Other developments in the competitive environment in the steel industry than over-capacity could also have an adverse effect on the Company's competitive position and hence its business, financial condition, results of operations and prospects.

The markets in which steel companies operate are highly competitive, and competition could cause the Company to lose market share, increase expenditures or reduce prices. In addition to over-capacity, in recent years, there has been a trend toward industry consolidation among the Company's competitors. For example, consolidation of Mittal and Arcelor in 2006 has created a company with approximately 10% of global steel production capacity, and it has been reported that Nippon Steel Corp. and Sumitomo Metal Industries Ltd. have agreed to merge by 2012 to become the world's second largest steelmaker by output. The Company's larger competitors may use their resources, which may be greater than the Company's, against it in a variety of ways, including by making additional acquisitions, investing in the procurement and production of raw materials, investing more aggressively in product development and capacity increases and displacing demand for the Company's products. Any of these developments could have a material adverse effect on its business, financial condition, results of operations and prospects.

Competition from other materials that can substitute for steel could also reduce market prices and demand for steel products and thereby reduce the Company's revenues and profitability. In many applications, steel competes with other materials that may be used as substitutes, such as aluminum (particularly in the automobile industry), cement, composites, glass, plastic and wood. Government regulatory initiatives mandating the use of such materials in lieu of steel, whether for environmental or other reasons, as well as the development of other new substitutes for steel products, could significantly reduce market prices and demand for steel products and therefore adversely affect the Company's business, financial condition, results of operations and prospects.

Availability and cost of required energy are subject to volatile market conditions that could adversely affect the Company's production, especially its electric arc furnace operations.

Energy costs, including the cost of electricity, represent a substantial portion of the cost of goods sold by steel companies. Historically, energy prices have varied significantly, and this trend may continue due to market conditions and other factors beyond the control of steel companies. The Company consumed 6,783 million KWh, 6,156 million KWh and 7,419 million KWh of electricity in 2008, 2009 and 2010, respectively. The cost of electricity accounted for approximately 4.3% to 5.7% of the Company's manufacturing costs during such years. A vast majority of such electricity is provided by the Korea Electric Power Corporation ("KEPCO"). To date, KEPCO has provided sufficient electricity for the Company's steel production at its production facilities in Incheon and Pohang. In addition, Hyundai Green Power Co., Ltd. ("HGP"), which is operated jointly by the Company and Korea Midland Power Co., Ltd., a power plant supplier and KEPCO's subsidiary, produces power using by-product gas emitted from the Company's integrated steel mill in Dangjin and currently supplies approximately 55% of the Company's power demand in Dangjin, with the remainder supplied by KEPCO. A decrease in the availability of electricity from KEPCO could adversely affect both the Company's production levels and its ability to produce the necessary by-product gases for HGP, which in turn may impede HGP's ability to supply the Company with necessary electricity.

Korea has recently experienced electricity shortages due to unusually cold weather. On December 15, 2010, electricity demand in Korea reached a record 71.3 million kilowatts. To minimize power shortages, the Ministry of Knowledge Economy held an emergency meeting on December 27, 2010, to discuss, among other solutions, raising the price of electricity to prevent power shortages, and the Korea Railroad suspended 16 runs on its nine subway lines for two hours each day from January 24, 2011 until the end of February 2011. Electric arc furnace operators such as the Company, as major consumers of electricity, also participated in KEPCO's reduced daytime use campaign, which encouraged industrial electricity consumers to curtail their use of electricity during peak demand hours by running their facilities in rotation. In January 2011, domestic electric arc furnace operators, including the Company, suspended their furnace operations for four hours daily for 10 to 19 days and conducted maintenance activities during that time.

Decreases or disruptions in the supply of the Company's energy resources, including electricity, could impair its ability to manufacture products for its customers, which could adversely affect the Company's business, financial condition, results of operations and cash flows. Increases in energy costs, whether as a result of decreases or disruptions in supply, increases in demand or otherwise, could also adversely affect the Company's business, results of operations, financial condition and cash flows.

Risks Relating to the Company

The Company's business is highly dependent on the performance of the Hyundai Motor Group and the Korean construction industry.

With the launch of new blast furnaces designed to increase the Company's flat steel production volume, the Company expects to have greater dependence on demand from other companies in the Hyundai Motor Group. HMC and Kia are the leading automobile manufacturers in Korea, with a combined market share of approximately 75% to 80% in 2010 based on units of new vehicles sold (excluding imported units), according to the Korea Automobile Manufacturers Association. HMC and Kia are also Korea's largest vehicle exporters. Hyundai Hysco, another member company of the Hyundai Motor Group and one of the Company's key flat steel customers, supplies automotive sheets and other steel products used in the manufacture of automobiles to HMC and Kia. Accordingly, any decline in the sales of HMC or Kia due to a reduction or suspension of HMC's or Kia's production, declining market share, excess industry capacity, industry pricing pressures, declines in consumer demand, labor unrest, government action, negative publicity, significant changes to marketing programs or otherwise may have a material adverse effect on the Company's business, financial condition and results of operations. The Company also expects that its sales to HHI will increase with an increase in production of heavy plates at its blast furnaces. As a result, HHI's negative performance could also adversely affect the Company's business, although it expects such impact to be more limited compared to adverse impact that would be caused by HMC's or Kia's negative performance. In addition, the Company believes that its affiliation with the Hyundai Motor Group has contributed to its growth and market recognition, and accordingly, any negative events related to the Hyundai Motor Group or its financial condition may have an adverse effect on the Company's business and financial condition.

The Company's business is also highly dependent on the general condition of the construction industry in Korea, as a large portion of the Company's steel products are used by domestic construction companies. The construction industry in Korea is experiencing a prolonged downturn, due to excessive investment in recent years in residential and commercial property development projects, stagnation of real property prices and reduced demand for residential and commercial properties, 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, banks and other financial institutions in Korea have recently become generally unwilling to engage in project financing and other lending activities to construction companies. There can be no assurance that further declines in demand or prices will not take place in the Korean property market in the future or that the prolonged downturn in the Korean construction industry will not have a material adverse effect on the Company's business, results of operations or financial condition.

The Company has a substantial amount of indebtedness, which could adversely affect its future business performance and financial condition.

Due primarily to capital expenditures relating to the construction of its integrated steel mill, the Company has incurred a substantial amount of indebtedness in recent years. As of December 31, 2010, the Company had total debt outstanding of ₩8,142 billion, consisting of ₩3,376 billion of short-term debt (including the current portion of long-term debt) mainly related to the funding of raw material purchases settled through usance bills and ₩4,766 billion of long-term debt (consisting of long-term borrowings and debentures and excluding the current portion of ₩1,132 billion) on a non-consolidated basis. The Company expects short-term borrowings relating to usance financing for raw material procurements to decrease as it plans to pay down such usance bills with operating cash flow generated from the integrated steel mill and the proceeds from this offering. As of December 31, 2010, the Company had ₩1,010 billion of cash and cash equivalents, ₩461 billion of short-term financial instruments and ₩1,414 billion available to be drawn under existing credit facilities.

Substantial amounts of long-term indebtedness are scheduled to mature in 2011 (₩1,132 billion), 2012 (₩939 billion), 2013 (₩1,513 billion) and 2014 (₩934 billion), as of December 31, 2010. In addition, the Company plans to incur additional indebtedness primarily in connection with the capital expenditures for the construction of its third blast furnace. The Company estimates the capital expenditures for the third blast furnace to be approximately ₩3,250 billion and intends to fund approximately half through debt financing. The Company's substantial amount of indebtedness may increase the possibility that it will be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of its indebtedness. Such indebtedness may also require the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures and other requirements.

If the Company's cash flow deteriorates due to adverse economic conditions, work stoppages, increases in the prices of raw materials or other reasons, or if the Company is unable to find additional liquidity sources, it may need to refinance or restructure all or a portion of its indebtedness before its maturity, reduce or delay capital investments, or seek to raise capital. It may not be able to implement one or more of these alternatives on terms acceptable to it. In addition, certain of its agreements contain various covenants, including covenants relating to limitations on incurrence of indebtedness, liens and asset sales as well as maintenance of certain financial ratios, that restrict it from pursuing some of these alternatives. Should the Company's cash flow deteriorate or if it fails to implement any of these alternatives, this could materially and adversely affect its ability to comply with its covenants and otherwise have a material adverse effect on its business, financial condition and results of operations.

The Company may not be able to meet its capital expenditure requirements.

The Company's business is capital intensive and will require substantial expenditures for, among other things, the construction, purchase and maintenance of plant and equipment used in its steel-making operations and compliance with environmental laws. In 2008, 2009 and 2010, the Company's total capital expenditures were approximately ₩2,159 billion, ₩3,595 billion and ₩2,175 billion, respectively, largely due to the investment in two new blast furnaces that were completed in 2010. The Company estimates its capital expenditures relating to a third blast furnace, which the Company plans to complete in 2013, to be approximately ₩3,250 billion. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Requirements." In order to finance its capital expenditures, the Company intends to use cash on hand, funds from operations and additional debt financing. For instance, the Company plans to fund approximately half of the capital expenditures for the third blast furnace through cash generated by operations and the remaining half through debt financing. However, no assurance can be given that such sources will provide the Company with sufficient amounts of capital in a timely manner. There can be no assurance that additional financing will be available to the Company or, if available, that it can be obtained on terms acceptable to the Company and within the covenants and limitations imposed by the Company's existing or any future financings, and the applicable regulations to which the Company may be subject. In addition, the Company may also seek to selectively acquire or invest in companies or businesses that may complement its business, such as mines, which may require additional sources of capital.

Changes in the value of the Won against the U.S. dollar may have a material adverse effect on the results of operations of the Company.

Depreciation of the Won may adversely affect the results of the Company's operations because, among other things, it causes an increase in Won terms in the costs of imported raw materials and equipment, an increase in the amount of Won required for the Company to make interest and principal payments on the Company's foreign currency-denominated debt (including, in the future, the Notes offered hereby), and an increase in foreign exchange translation losses on liabilities which lowers the Company's earnings for accounting purposes. Because of the larger negative effects of depreciation of the Won, appreciation of the Won generally has a net positive impact (that is the reversal of the negative impact of depreciation) on the Company's results of operations despite its effect of reducing net sales in Won from export sales.

The Company enters into derivative transactions to a limited extent in order to hedge its foreign currency exposure. Such hedging covers approximately 20% of the Company's foreign currency exposure on an annual basis. Fluctuations in exchange rates, especially depreciation of the Won against the U.S. dollar and, to a lesser extent, Euro or Japanese Yen, may have a material adverse effect on the Company's results of operations and financial condition. For information regarding historical movements in exchange rates, see "Exchange Rates."

The Company may not be able to successfully realize the anticipated benefits of its blast furnace operations and its expansion plans.

A major element of the Company's business strategy is to expand its production capacity and diversify its product portfolio. In 2010, the Company successfully expanded its operations through the completion of its first and second blast furnaces. The Company intends to produce a wide array of flat steel products through the operation of its integrated steel mill at Dangjin and to continue diversifying its products to secure greater potential returns. However, the Company has less experience in the operation of blast furnaces than in the operation of electric arc furnaces compared to its major competitors. The Company may face considerable reputational and financial risks if its integrated mill operations do not meet its or its customers' expectations. While the Company has not encountered any material issues in relation to the operation of its blast furnaces to date, it may not always be in a position to identify or resolve any issues that may arise in relation to their operations. In addition, the Company plans to expand its steel-making capacity through the construction of an additional blast furnace, which will require substantial capital expenditures, and timely completion may be affected by factors beyond the control of the Company. These factors include the availability of any necessary financing on reasonable terms, the availability of required regulatory approvals and licenses, the existence of local opposition to project development, the level of demand for the Company's products and general economic conditions. Any of these factors may cause the Company to delay, modify or forego some or all aspects of its expansion plans. The Company cannot guarantee that it will be able to execute this project, and to the extent that it proceeds, that it will be able to complete it on schedule, within budget, or achieve an adequate return on its investment.

The Company's ability to implement its diversification strategy will also depend on a variety of factors, some of which are beyond its control, including the establishment of new relationships, the availability of qualified engineers and personnel, access to investment capital at reasonable costs, expansion of existing relationships with various customers and suppliers and procurement of necessary technology and know-how. The Company cannot guarantee that the diversification of its product offerings will be profitable, that it can recoup the costs related to such investments or that it will be able to successfully execute its diversification strategy.

Unexpected production interruptions and related losses may adversely affect the Company's operations and financial results.

Under normal business conditions, the Company operates its facilities at production levels at or near capacity. High levels of production are important to the Company's financial results because they enable the Company to spread its fixed costs over a greater volume of products. However, the steel-making business is subject to various inherent risks, such as unanticipated power outages or equipment failures, explosions, fires, other accidents, inclement weather and transportation interruptions. While the Company's insurance coverage could offset certain losses relating to some of those types of events, its results of operations and cash flows could be adversely impacted to the extent any such losses are not covered by its insurance. In addition, the Company may experience strikes or work stoppages, which may have an adverse effect on the Company's business, financial condition and results of operations. The Company does not carry any business interruption insurance.

The Company is subject to risks normally associated with cross-border transactions, and the Company's export products have been and may become subject to anti-dumping or countervailing duty proceedings.

The Company's exports accounted for 22%, 28% and 31% of its sales volume in 2008, 2009 and 2010, respectively. Countries to which the Company makes export sales may take restrictive measures, including anti-dumping duties and other non-tariff barriers, to protect their own markets. In recent years, several of the Company's products have been subject to anti-dumping or countervailing duty proceedings. For example, in August 2010, the Company received notifications from the Brazilian Department of Trade Defense regarding the commencement of investigations with respect to allegations of dumping activities in connection with a small amount of steel plates exported to Brazil. The Company expects that a final determination in respect of such allegations will be made in mid-2011. Increases in or new imposition of anti-dumping duties, countervailing duties, quotas or tariffs on the Company's sales in major overseas markets for the Company may have a material adverse effect on the Company's exports to these markets in the future. By virtue of its transactions with parties outside Korea, the Company will also be subject to the risks normally associated with cross-border business transactions and activities. In addition, the Company will be exposed to the risk of changes in social, legal, political and economic conditions in the countries where it engages in business, including developing countries such as China. In particular, unexpected changes in regulatory requirements, tariffs and other trade barriers and price or exchange controls could limit the Company's operations and make the repatriation of profits difficult.

Affiliates of the Hyundai Motor Group collectively own approximately 34% of the Company and their interests may differ from those of the Noteholders.

As of December 31, 2010, certain affiliates of Hyundai Motor Group collectively held 33.81% of the outstanding shares of the Company. See "Principal Shareholders." In addition, the Company engages in a variety of related party transactions with affiliates of the Hyundai Motor Group. See "Related Party Transactions."

When exercising their rights as the Company's shareholders, either alone or in concert, such affiliates of the Hyundai Motor Group may take into account not only the Company's interests, but also their interests and the interests of their respective affiliates, including other member companies of the Hyundai Motor Group. The interests of the Hyundai Motor Group and the Company may not always align, giving rise to various conflicts of interest between the Hyundai Motor Group and the Company in the future in a number of areas relating to the Company's business and relationships, including incurrence of indebtedness, financial commitments, sales and marketing functions, indemnity arrangements, service arrangements and potential acquisitions of businesses or properties. Such conflicts of interest may not be resolved in the Company's favor, which may adversely affect the interests of the Noteholders.

Risks Relating to Laws and Regulations

The Company is subject to various laws and regulations, including environmental and safety regulations, and its operations could expose the Company to substantial liabilities.

The Company's operations are subject to various laws and regulations imposing various requirements and restrictions relating to supervision and regulation. Non-compliance with applicable statutes or regulations could result in the suspension or revocation of any license or registration at issue, as well as the imposition of civil fines and criminal penalties, which could have a material adverse effect on the Company's operations and on its reputation generally.

In particular, the Company is subject to national and local environmental laws and regulations, including increasing pressure to reduce emission of carbon dioxide relating to its manufacturing process, and its steel manufacturing and facility construction operations could expose the Company to risk of substantial liability relating to 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. The Company may be responsible for the investigation and remediation of environmental conditions at currently and formerly operated manufacturing or construction sites. The Company may also be subject to associated liabilities, including liabilities for natural resource damage, third party property damage, workers' safety or personal injury resulting from lawsuits brought by the government or private litigants. In the course of the Company's operations, hazardous wastes may be generated at, disposed of or treated at third party owned or operated sites. If those sites become contaminated, the Company 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.

No assurance can be given that applicable laws or regulations will not be amended or construed unfavorably or that onerous new laws and regulations will not be adopted, any of which could materially and adversely affect the Company's business, financial condition and results of operations. In the future, Korea may establish or tighten environmental regulations affecting companies that consume fossil fuels and/or release carbon dioxide into the environment. These regulations could include quantitative restrictions, environmental taxes or other restrictions. The resulting limitations could have a material adverse impact on the Company's business and operations.

On November 19, 2009, the President of Korea announced Korea's medium-term target to reduce greenhouse gas ("GHG") emissions nationwide by 30% from the expected business-as-usual level of 2020. Pursuant to the Framework Act on Low Carbon Green Growth, and the Presidential Decree enacted thereunder, both of which came into effect on April 14, 2010, the Korean government will require designated entities whose recent three-year average GHG emissions exceeded 125,000 tons of CO2 equivalent to report their GHG emissions to the government and impose an emissions target on such companies (the "GHG Target Management System"). As a result, the Company is required to report its GHG emissions (which may be subject to disclosure by the government) by the end of March of each year, beginning in 2011, and will be subject to a GHG emissions target beginning in January 2012.

In addition to the GHG Target Management System, it is likely that the government will introduce a cap and trade based emissions trading system ("ETS") pursuant to a separate bill, the first draft of which was proposed in November 2010, and the second draft of which was proposed in February 2011. Under the ETS, a certain number of GHG emission credits will be allocated to relevant companies, which will be required to submit credits equivalent to their actual emissions, and such credits may be traded among companies. The ETS has not yet been implemented, and certain details including sector/industrial coverage of the ETS and the monetary penalties for non-compliance have not yet been determined (except that the proposed bill provides that a non-complying company will be subject to fines equal to three times the average price of the relevant GHG emission credits multiplied by the number of such credits the non-complying company failed to submit). While it is difficult to forecast the price of future Korean GHG emission credits which companies may need to purchase in order to meet the regulatory requirements, such price may be substantial. Accordingly, the introduction of the ETS and related regulations may have a material adverse impact on the Company's business and operations.

The Company's transactions with other affiliates of the Hyundai Motor Group may be restricted under Korean fair trade and tax regulations.

The Company's business operations and transactions with other member companies of the Hyundai Motor Group and its other affiliates, such as inter-company sales and joint research and development efforts, are subject to on-going scrutiny of the Fair Trade Commission of Korea ("KFTC") as to, among other things, whether such transactions may constitute undue financial support among the companies of a same group. Each of the Company's material business transactions with the Hyundai Motor Group member companies and its other affiliates are subject to the approval by the Board of Directors and a public disclosure requirement. Any future determinations by the KFTC or other regulators that the Company has engaged in transactions in violation of applicable laws and regulations may result in fines or other punitive measures and may have a material adverse effect on the Company's reputation and business.

In addition, under Korean tax law, there is an inherent risk that the Company's transactions with its subsidiaries or affiliates or any other person or company that is related to it may be challenged by the Korean tax authorities if such transactions are viewed as having been made on terms that are not on an arm's-length basis. If the Korean tax authorities determine that any of the Company's transactions with related parties was not on an arm's-length basis, the Company would not be permitted to deduct the amount equivalent to such undue financial support as expenses, which may have adverse tax consequences for the Company.

Labor laws and recent court decisions on contract-based workers could restrict flexibility in the Company's labor management and adversely affect its labor costs.

Under the Dispatched Worker Protection Act ("DWPA") of Korea, if certain contract-based workers dispatched to a company by a third party contractor of such company under a worker dispatch contract meet certain requirements, including direct supervision by the company of the dispatched workers and the performance of work substantially similar to full-time direct employees of the company for a period exceeding two years, such workers will be deemed full-time direct employees of the company and the company will be obligated to hire them as such and will not be allowed to terminate the employment without a justifiable cause. In July 2010, the Supreme Court of Korea held that a worker employed by a third party contractor and dispatched to an automotive company who had performed tasks in an automobile assembly line under direct supervision of the automotive company together with the automotive company's full-time employees was in a direct employment relationship under the DWPA if the automotive company had used the worker's services for more than two years. Based on this reasoning, the Supreme Court reversed the original ruling of lower courts which did not recognize the application of the rule of deemed direct employment and remanded the case to the Seoul High Court. In February 2011, the Seoul High Court confirmed the direct employment status. It was reported that there are similar cases pending in other courts. The Company is not involved in any of such cases. As of December 31, 2010, the Company had 4,814 contract-based employees dispatched by third party contractors working at the Company's sites. The application of the applicable labor law and court decisions will be based on the specific facts of cases, and the general applicability of the recent court holding, including with respect to the Company, cannot be determined with certainty at this time. However, if a similar decision were to be made against the Company, it could restrict the Company's ability to manage its labor force flexibly and thereby increase its labor-related costs.

The Company is subject to Korean foreign exchange controls which may require the Company to obtain governmental approval prior to remitting payments on the Notes.

Korean law does not limit the right of non-Koreans to hold Notes outside of the Republic. In order for the Company to issue the Notes outside of the Republic, the Company is required to file a report with the Ministry of Strategy and Finance through a designated foreign exchange bank for the issuance of the Notes. Such report must be obtained prior to the offer and sale of the Notes. Furthermore, in order for the Company to make payments of principal of or interest on the Notes and other amounts as provided in the Fiscal Agency Agreement and the Notes, the Company is required to submit the relevant documents to a foreign exchange bank at the time of each actual payment. The purpose of this submission is to enable such foreign exchange bank to verify that the amount being remitted conforms to the amount required to be paid under the relevant documents and that any necessary requirement under the Foreign Exchange Transaction Law of Korea has been met. Under the Foreign Exchange Transaction Law of Korea, if the Korean government deems that certain emergency circumstances, including, but not limited to, sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilizing the balance of payments or a substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restrictions such as requiring foreign investors in the Notes to obtain prior approval from the relevant Korean authority or require certain portions of payments received by the foreign investors in connection with the Notes to be deposited in Korea.

Risks Relating to Korea

If economic conditions in Korea deteriorate, the Company's customers may face financial problems and the Company's current business and future growth could be materially and adversely affected.

The Company is incorporated in Korea, and most of its operations and assets are located in Korea. In addition, Korea is the Company's most important market, accounting for 69% of its total sales volume in 2010. Domestic demand for the Company's products is affected by the condition of major steel consuming industries, such as the construction, automotive, shipbuilding and engineering industries, and the Korean economy in general. As a result, the Company is 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 the Company's control. Any future deterioration of the Korean and global economies could adversely affect the Company's business, financial condition and results of operations. Developments that could hurt Korea's economy in the future include:

- financial problems relating to chaebols (Korean conglomerates), or their suppliers, and their potential adverse impact on the Korean economy, including as a result of investigations relating to unlawful political contributions by chaebols;

- difficulties in the housing and financial sectors in Korea, the United States and elsewhere and the resulting adverse effects on the global financial markets;
- adverse changes or volatility in foreign currency reserve levels, commodity prices, exchange rates, interest rates and stock markets;
- continuing adverse conditions in the economies of countries that are important export markets for Korea, such as the United States, Japan and China, or in emerging market economies in Asia or elsewhere;
- financial problems, loss of investor confidence arising from corporate accounting irregularities and corporate governance issues or lack of progress in the restructuring of chaebols, other large troubled companies, their suppliers or the financial sector;
- the economic impact of any pending or future free trade agreements;
- geo-political uncertainty, including tensions or an outbreak of hostilities between North Korea and Korea or the United States, and risk of further attacks by terrorist groups around the world;
- the recurrence of SARS or an outbreak of H1N1 or avian flu in Asia 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 or social and labor unrest;
- hostilities or unrest involving oil producing countries in the Middle East or other regions and any material disruption in the supply of oil or increase in the price of oil; and
- natural disasters in Korea and other parts of the world, particularly in trading partners, such as the severe earthquake and tsunami in Japan in March 2011 and the related disruptions in the economies of Japan and other countries.

Any future deterioration of the Korean and global economy could adversely affect the business, financial condition, results of operations and liquidity of Korean companies in general, including the Company's customers, and in turn those of the Company.

Tensions with North Korea could have a material adverse effect on the Company and the price of the Notes.

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 current and future events. In recent years, there have been heightened security concerns stemming from North Korea's military provocations, nuclear weapons and long-range missile programs and uncertainty regarding North Korea's actions and possible responses from the international community. Most recently, in November 2010, North Korean forces fired artillery shells at Yeonpyeong Island off the west coast of Korea killing four South Koreans. Efforts at multilateral negotiations with North Korea have been made in response to North Korean provocations, but the prospects of such negotiations remain unclear.

There recently has been increased uncertainty about the future of North Korea's political leadership and its implications for the economic and political stability of the region. In June 2009, Korean and U.S. officials announced that Kim Jong-il, the North Korean ruler who reportedly suffered a stroke in August 2008, designated his third son, Kim Jong-eun, who is reported to be in his twenties, to become his successor. In September 2010, Kim Jong-eun was made a general in the North Korean army, named the vice chairman of the Central Military Commission and appointed to the Central Committee of the Workers' Party in a series of measures widely believed to be part of the succession plan. In addition, North Korea's economy faces severe challenges. For example, on November 30, 2009, North Korea redenominated its currency at a ratio of 100 to 1 as part of its first currency reform in 17 years as a way to control inflation and reduce the income gap among its citizens. 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 and instability in the Korean Peninsula will not escalate in the future, or that the political regime or economic system in North Korea will not suddenly collapse. The Company currently is not engaged in any business activities in North Korea. However, any further increase in tension or uncertainty relating to the military or economic stability on the Korean Peninsula, including as a result of a breakdown of diplomatic negotiations over the North Korean nuclear program, occurrence of military hostilities or heightened concerns about the stability of North Korea's political leadership, could have a material adverse effect on the Company's business, financial condition and results of operations and the Notes.

The Company is subject to Korean accounting standards and corporate disclosure standards that differ in material respects from those applicable in certain other countries.

The Company is subject to Korean accounting standards and requirements that differ in significant respects from those applicable to companies in certain other countries, including the United States. The Company's historical audited and unaudited financial statements were prepared in accordance with Korean GAAP and accounting and reporting guidelines prescribed by Korean regulatory authorities, which differ in certain significant respects from U.S. GAAP. See "Summary of Certain Differences Between Korean GAAP and U.S. GAAP." In March 2007, the Korean government announced that all companies listed on the Korea Exchange will be required to comply with the Korean equivalent of International Financial Reporting Standards ("IFRS") by 2011. IFRS is the financial reporting standard adopted in more than 110 countries and has requirements that are substantially different from those under Korean GAAP and U.S. GAAP. Because there is not yet a significant body of established practice on which to draw in forming judgments regarding the implementation and application of the Korean equivalent of IFRS, it is not possible to estimate the impact that such adoption will have on the Company's financial reporting. Accordingly, the Company may experience difficulties or face unexpected issues or hurdles in its transition to IFRS. For information regarding differences between Korean GAAP and IFRS, see Note 31 to the Company's audited non-consolidated financial statements.

Risks Relating to the Notes

There is currently no existing trading market for the Notes and, therefore, the Notes offer limited liquidity.

The Notes constitute a new issue of securities for which there is currently no existing trading market. Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. However, no assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the liquidity and market price of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;
- the Company's results of operations, financial condition and prospects;
- the rate of exchange between the Won and the U.S. dollar;
- political and economic developments in and affecting Korea and other regions;
- the market conditions for similar securities; and
- the financial condition and stability of the Korean steel and other sectors.

The Notes are not protected by restrictive covenants.

The Notes and the Fiscal Agency Agreement governing the Notes do not contain various restrictive financial, operating or other covenants or restrictions on the payment of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by the Company or any of its subsidiaries.

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States, except to qualified institutional buyers ("QIBs"), as defined in Rule 144A, in reliance on the exemption provided by Rule 144A, to certain persons in offshore transactions in reliance on Regulation S, or, if available, pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and, in each case, in accordance with applicable state securities laws. In addition, subject to the conditions set forth herein and the Fiscal Agency Agreement, Notes may be transferred only if the principal amount of Notes transferred is at least US$200,000. For a further discussion of the transfer restrictions applicable to the Notes, see "Transfer Restrictions."

Use of Proceeds

The Company will use the net proceeds from the sale of the Notes, which are estimated to amount to approximately US$496 million (after deducting underwriting commissions but before certain out-of-pocket expenses relating to the offering), for the repayment of short-term debt (primarily usance bills) and for other general corporate purposes.

Exchange Rates

The following table sets forth information concerning the Market Average Exchange Rate. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

Year Ended December 31, (Won per US$1.00)	At End of Period	Average Rate(1)	High	Low
2006	929.6	956.1	1,013.0	918.0
2007	938.2	929.2	950.0	902.2
2008	1,257.5	1,102.6	1,509.0	934.5
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 (through April 14)	1,092.5	1,116.0	1,138.9	1,084.4
January	1,114.3	1,120.1	1,138.9	1,112.2
February	1,127.9	1,118.1	1,127.9	1,104.4
March	1,107.2	1,122.5	1,137.6	1,107.2
April (through April 14)	1,092.5	1,089.9	1,100.1	1,084.4

Source: Seoul Money Brokerage Services, Ltd.

Note:
(1) Represents the average of the Market Average Exchange Rate on each trading day during the relevant period.

Capitalization

The following table sets forth the actual non-consolidated short-term debt and capitalization of the Company as of December 31, 2010 and as adjusted to give effect to the issuance of the Notes. This information should be read in conjunction with the Company's audited non-consolidated financial statements as of and for the year ended December 31, 2010 included elsewhere in this Offering Circular.

As of December 31, 2010[1] **(Won in billions and US$ in millions)**	**Actual**	**Adjusted**	**Actual**	**Adjusted**
Short-term debt:				
Short-term borrowings	₩ 2,244	₩ 2,244	$ 1,970	$ 1,970
Current portion of long-term debt (net of discount on debentures)	1,132	1,132	994	994
Total short-term debt	3,376	3,376	2,964	2,964
Long-term debt (excluding current portion):				
Long-term borrowings denominated in Won	1,692	1,692	1,486	1,486
Long-term borrowings denominated in foreign currencies	1,179	1,179	1,035	1,035
Debentures (net of discount)	1,895	1,895	1,664	1,664
Notes offered hereby	—	565	—	496
Total long-term debt	4,766	5,331	4,185	4,681
Shareholders' equity:				
Capital stock of ₩5,000 par value:				
Authorized — 300,000,000 shares				
Outstanding:				
Common stock — 85,314,475 shares	427	427	375	375
Capital surplus	712	712	625	626
Capital adjustments	(20)	(20)	(18)	(18)
Accumulated other comprehensive income	924	924	812	812
Retained earnings	5,696	5,696	5,002	5,002
Total shareholders' equity	7,740	7,740	6,796	6,796
Total capitalization[2]	₩12,505	₩ 13,071	$10,981	$ 11,477

Notes:

(1) In January 2011, the Company issued ₩450 billion of debentures. Except for such debentures and otherwise as discussed in this Offering Circular, there has been no material change in the Company's capitalization since December 31, 2010.

(2) Represents the sum of long-term debt and shareholders' equity.

Selected Financial Data

The following table presents certain selected non-consolidated financial data of the Company as of and for the years ended December 31, 2008, 2009 and 2010. The selected non-consolidated financial data set forth below have been derived from and should be read in conjunction with the Company's audited non-consolidated financial statements and the notes thereto as of and for the years ended December 31, 2008, 2009 and 2010, which are included elsewhere herein. The selected non-consolidated financial data as of and for the year ended December 31, 2008 set forth below have been derived from the Company's audited non-consolidated financial statements dated as of and for the year ended December 31, 2008. The selected non-consolidated financial data as of and for the years ended December 31, 2009 and 2010 set forth below have been derived from the Company's non-consolidated financial statements dated as of and for the years ended December 31, 2009 and 2010, which have been audited by Deloitte Anjin LLC, independent accountants. The Company's non-consolidated financial statement as of and for the years ended December 31, 2008, 2009 and 2010 have been prepared in accordance with Korean GAAP applicable during such periods, which differ in certain significant respects from U.S. GAAP. See "Summary of Certain Differences Between Korean GAAP and U.S. GAAP."

Non-Consolidated Financial Data

As of or for the Year Ended December 31, (Won in billions and US$ in millions, except per share amounts)	**2008**	**2009**	**2010**	**2010**
Income Statement Data:				
Sales	₩10,503	₩ 7,966	₩10,198	$ 8,954
Cost of sales	8,746	7,021	8,716	7,653
Gross profit	1,757	946	1,482	1,302
Selling and administrative expenses	435	368	445	391
Operating income	1,321	578	1,038	911
Non-operating income	(367)	629	114	100
Income before income tax	954	1,207	1,152	1,011
Income tax expense	132	55	137	121
Net income	823	1,152	1,014	891
Basic earnings per share of common stock	₩ 9,798	₩13,721	₩12,085	$ 10.61
Balance Sheet Data:				
Current assets	₩ 4,235	₩ 4,450	₩ 4,782	$ 4,199
Cash and cash equivalents	953	829	1,010	886
Inventories	1,712	1,505	2,277	1,999
Other current assets	1,571	2,116	1,495	1,313
Non-current assets	7,504	11,130	13,414	11,778
Property, plant and equipment, net	5,689	9,845	11,778	10,341
Other non-current assets	1,815	1,285	1,636	1,437
Total assets	11,740	15,580	18,196	15,976
Current liabilities	2,746	3,923	5,400	4,741
Short-term borrowings and current portion of long-term borrowings and debentures (net of discount)	856	1,567	3,376	2,964
Other current liabilities	1,890	2,356	2,024	1,777
Non-current liabilities	4,165	5,051	5,056	4,439
Total long-term borrowings and debentures (net of discount)	3,859	4,773	4,766	4,184
Other long-term liabilities	306	279	291	255
Total liabilities	6,910	8,974	10,456	9,181
Total shareholders' equity	4,829	6,606	7,740	6,796
Total liabilities and shareholders' equity	11,740	15,580	18,196	15,976

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the Company's results of operations and financial condition and all financial information set forth below are presented on a non-consolidated basis unless otherwise specified. The following discussion should be read in conjunction with the audited non-consolidated financial statements of the Company and notes thereto included in this Offering Circular. Such financial statements have been prepared in accordance with Korean GAAP. For a summary of certain differences between Korean GAAP and U.S. GAAP, see "Summary of Certain Differences between Korean GAAP and U.S. GAAP."

Overview

The Company is the only steelmaker in Korea with both fully integrated steel mill and mini-mill operations. As Korea's oldest steelmaker, the Company has been a leader in mini-mill steel production in Korea as well as globally. With initial commercial production commencing at its new state-of-the-art, eco-friendly integrated steel mill facilities in April 2010, the Company became one of the two integrated steel producers in Korea and plans to expand its integrated mill production capacity to approximately 12 million tons per year by 2014. The Company manufactures and sells a diversified line of steel products, including reinforcing bars, H-beams, structural sections, HRC products, heavy plates, stainless steel products and other steel products for heavy machinery, which meet a broad range of customer needs from manufacturing and other industries that consume steel, including the construction, automotive, shipbuilding, home appliance, engineering and machinery industries.

Long steel products (such as reinforcing bars and H-beams) and flat steel products (such as HRCs and heavy plates) constitute substantially all of the Company's sales, accounting for approximately 54% and 37%, respectively, of the Company's total sales volume in tons in 2010. The Company expects that its current two blast furnaces will reach their full-scale operating capacity by 2012, when the sales volume in tons of flat steel products is expected to constitute close to half of the Company's total sales volume.

Major Factors Affecting the Company's Results of Operations

The Company's results of operations are affected primarily by the following factors:

- sales volume, unit prices and product mix;
- fluctuations in raw material prices;
- production efficiency and cost savings; and
- production ramp-up at its integrated steel mill.

These factors are expected to continue to affect the Company's future results of operations substantially in the same manner and degree or, especially in the case of integrated steel mill production, to a larger extent as a result of the increase in the proportion of the Company's integrated steel mill operations within the Company's business.

Sales Volume, Prices and Product Mix

Historically, the Company's sales have been affected primarily by the following factors:

- the demand for its products in the Korean market and its capacity to meet that demand;
- price levels for its products; and
- its product mix.

The Company has primarily focused on serving the domestic steel market, with exports supplementing domestic sales to enhance the Company's production capacity utilization. The Company maintains its export sales mix to ensure maximum capacity utilization through business cycles and to balance its foreign exchange exposure associated with its purchases of imported raw materials. Domestic demand for the Company's products is affected by the condition of major steel consuming industries, most importantly the construction industry, and to a lesser extent, the automotive, shipbuilding and machinery equipment industries, as well as the Korean economy in general. The Company expects its business and results of operations will become more affected by the automotive industry as it increases the production of flat steel products from its blast furnaces. Starting in September 2008 and lasting through early 2010, uncertainty in credit markets and deteriorating consumer confidence resulted in a steep downturn in the global economy. The Korean economy is closely integrated with, and significantly affected by, developments in the global economy and financial markets. The recent global financial crisis and economic downturn adversely affected the Company's business and profitability by having a significant adverse impact on the Korean economy and in turn on the major industries from which the demand for the Company's products is derived, including the construction industry. In 2009, the Company's domestic sales volume decreased 12.9% compared to 2008, reflecting a 14.8% decrease in sales volume of long steel products, which are used primarily in the construction industry, and a 6.2% decrease in sales volume of flat steel products. See "Risk Factors — Risks Relating to the Steel Industry and the Global Economy — The Company's business is subject to general economic and business cycles, and difficult conditions in the global and Korean economies have adversely affected, and could continue to adversely affect, the Company's business." The pace of decline in market conditions slowed in the second quarter of 2009, and demand from certain segments of the Company's customer base, including the domestic construction industry, showed signs of slow recovery starting in the second quarter of 2009. As a result, the Company's production output returned to approximately 90% of pre-crisis levels during the second quarter of 2009. In 2010, the Company's domestic sales volume increased 16.1% compared to 2009.

After rising in the first half of 2008, global steel prices fell and remained depressed as the financial crisis and economic downturn led to a substantial decline in global demand for steel. Although a gradual recovery was seen beginning in the second half of 2009 in certain segments and markets, lower prices have had an adverse effect on steel producers in general due to lower revenues, lower margins and writedowns of inventories of finished steel products and raw materials. In 2009, the weighted average unit prices of the Company's products decreased by 20.1% compared to 2008, as a result of general decreases in prices of the Company's products, including a 23.1% decrease in the unit sales price of long products and a 15.7% decrease in the unit sales price of flat products. In 2010, the weighted average unit prices of the Company's products increased slightly by 5.3%, reflecting a 2.6% increase in the unit sales price of its long products and a 12.8% increase in the unit sales price of its flat products compared to 2009.

The Company's results of operations are also affected by the mix of products it sells. In 2008 and 2009, long steel products accounted for approximately 65% and 69% of the Company's total sales volume, respectively, and flat steel products accounted for approximately 25%. With the commencement of commercial production at the Company's first blast furnace in April 2010, the Company increased its HRC product-making capacity and added heavy plates to its product mix. As a result, flat steel products accounted for over 35% of the Company's total sales volume in 2010, while long steel products accounted for approximately 54%. The Company expects that the portion of its total sales volume accounted for by flat steel products, which are generally higher value-added compared to long steel products, will further increase as it increases its integrated steel mill production capacity. Although the Company's integrated steel mill production has not been at its full capacity during 2010, such production, together with improved operating margins from export sales mainly attributable to recovering global steel demand, has contributed to a higher profit margin in 2010 compared to 2009 and is expected to further increase the Company's overall profit margins as such production capacity increases. In addition, the Company expects more stable sales to be generated as a result of the diversification of its product mix. Flat steel products, such as HRC products and heavy plates, are used primarily by the automotive and shipbuilding industries, which do not necessarily share the same business cycles as the domestic construction industry where the Company's long steel products are primarily consumed.

Fluctuations in Raw Material Prices

The Company's major cost is raw material costs, accounting for approximately 75% to 80% of its total manufacturing costs during the period from 2008 to 2010. Fluctuations in raw material prices have affected and are expected to continue to affect the Company's results of operations. One of the Company's principal raw materials is steel scrap, which accounted for approximately 75% of the manufacturing costs (input cost for the period without taking into account the effect of an increase or decrease in inventories or credits to or debits from other accounts) for products produced at its electric arc furnaces from 2008 to 2010. The Company procures approximately half of its scrap requirements in Korea and the remainder from overseas, subject to adjustment depending on market prices. The Company purchases substantially all of its steel scrap at spot market prices, which have varied significantly and are expected to continue to vary significantly in the future. In general, the domestic scrap prices follow movements of imported scrap prices. From 2006 through the first half of 2008, the prices of most commodities used in the steel-making process rose significantly before declining sharply in late 2008 as a result of the global financial crisis and economic downturn. In recent months, purchase prices for steel scrap have nearly recovered to pre-crisis levels. The weighted average cost per ton of steel scrap decreased by 45.6% in 2009 compared to 2008 and increased by 28.2% in 2010.

With the launch of an integrated steel mill, the Company is also increasingly exposed to fluctuations in the prices of iron ore and coking coal, the principal raw materials used in producing steel at blast furnaces. The Company purchases substantially all of these raw materials from sources outside Korea. The Company imported approximately 12,939,000 dry metric tons of iron ore and approximately 6,215,000 wet metric tons of coal in 2010. According to Platts, the average price of iron ore per dry metric ton (free on board price of Platts Iron Ore Index with 62% iron (Fe) content) was US$126, US$67 and US$135 in 2008, 2009 and 2010, respectively, while the average price of coal per wet metric ton (benchmark free on board price of Peak Downs premium hard coking coal) was US$308, US$156 and US$229 in 2008, 2009 and 2010, respectively. The Company purchases most of its iron ore and coal imports pursuant to long-term contracts, subject to periodic price adjustments based on prevailing market prices.

Raw materials prices and availability are subject to market forces largely beyond the control of the Company, including demand by Korean and international steel producers, freight costs and other factors such as interruptions in production by suppliers. In addition, depreciation of the Won against the U.S. dollar and, to a lesser extent, Euro or Japanese Yen, may adversely affect the Company's results of operations primarily because it causes an increase in Won terms in the costs of imported raw materials that the Company purchases from overseas sources. See "Business — Raw Materials and Energy" and "Risk Factors — Risks Relating to the Steel Industry and the Global Economy — Volatility in the prices of raw materials or limitations on or disruptions in the supply of raw materials could adversely affect the Company's profitability."

Production Efficiency and Cost Savings

In addition to raw material costs, the Company's production efficiency and the resulting cost savings affect its results of operations and profitability. The table below sets out the Company's cost of sales and total operating expenses as a percentage of its sales, as well as its margins, for the periods indicated.

For the Year Ended December 31, **(Percentages of sales)**	**2008**	**2009**	**2010**
Cost of sales	83.3%	88.1%	85.5%
Selling and administrative expenses	4.1	4.6	4.4
Total operating expenses	87.4	92.7	89.9
Gross margin	16.7	11.9	14.5
Operating margin	12.6	7.3	10.2

The Company's production efficiency is primarily affected by its product capacity utilization rate, raw materials mix, distribution and logistics costs, extent of steel recycling and maintenance of optimal production facilities. Product capacity represents the maximum amount of products that the Company can produce with an optimal level of operations of its facilities, and capacity utilization rate represents its actual steel output divided by its product capacity. The Company achieves higher production efficiency and lower production costs when it operates at its full production capacity, which results in greater economies of scale in production.

The table below sets out certain information regarding the Company's production and sales for the periods indicated.

For the Year Ended December 31,	**2008**	**2009**	**2010(1)**
Actual product capacity (thousand tons)(2)	12,776	12,869	13,994
Actual steel output (thousand tons)	10,776	9,949	11,958
Capacity utilization rate (%)(3)	84	77	85
Sales volume (thousand tons)	10,456	9,926	12,045

Notes:

(1) The 2010 figures reflect both electric arc furnace and blast furnace operations, based on actual days of operations.

(2) Calculated as the sum of the daily product capacity for the period, based on actual days of operations.

(3) Ratio of actual steel output to product capacity.

The Company's gross margin and operating margin decreased significantly in 2009 as a result of a difficult business environment following the onset of the global financial crisis and economic downturn in September 2008. Prior to the global economic downturn, the Company operated its production facilities near full capacity levels. The Company reduced its production in the fourth quarter of 2008 but returned to approximately 90% of its pre-crisis production levels during the second quarter of 2009.

In April 2010, the Company commenced operation of its integrated steel mill, with its first blast furnace with an annual crude steel production capacity of 4.0 million tons. However, the Company was in the process of ramping up its integrated steel mill production capacity in 2010 and, as a result, production was not at its full capacity in 2010. The first blast furnace started to operate at its full capacity from May 2010. In addition, the Company started to operate its second blast furnace with an annual crude steel production capacity of four million tons in January 2011. The second blast furnace reached its full operating capacity in March 2011. The Company began construction of its third blast furnace on April 12, 2011, for completion by 2013, which is expected to reach an annual crude steel production capacity of four million tons by 2014. See "— Liquidity and Capital Resources — Capital Requirements" and "Business — Production Facilities." The Company expects to achieve greater economies of scale and cost savings when this additional capacity is added and is fully utilized, although it would not be able to enjoy the full benefit of such economies of scale during the ramp-up phase.

Critical Accounting Policies

The Company's historical financial statements and financial information presented in this Offering Circular were prepared in accordance with Korean GAAP. The preparation of the Company's financial statements requires management to make judgments, involving significant estimates and assumptions, in the application of certain accounting policies about the effects of matters that are inherently uncertain. These estimates and assumptions, which may materially affect the reported amounts of certain assets, liabilities, sales and expenses, are based on information available to the Company as of the date of the financial statements, and changes in this information over time could materially impact amounts reported in the financial statements as a result of the use of different estimates and assumptions. Certain accounting policies, by their nature, have a greater reliance on the use of estimates and assumptions, and could produce results materially different from those originally reported.

Based on the sensitivity of financial statement amounts to the methods, estimates and assumptions underlying reported amounts, the Company has identified the following significant accounting policies that involve critical accounting estimates. These policies require subjective or complex judgments, and as such could be subject to revision as new information becomes available. For a discussion of the Company's other significant accounting policies, see Note 2 to the Company's audited non-consolidated financial statements included in this Offering Circular.

Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are stated at cost, except for assets revalued in accordance with Statements of Korea Accounting Standards ("SKAS") No. 5, "Property, Plant and Equipment." The Company last revalued its land in 2009 and 2010 using the revaluation method and recorded gain on revaluation of property, plant and equipment of ₩885 billion and ₩160 billion as other comprehensive income in 2009 and 2010, respectively. Assets acquired from investments in kind, by donation or otherwise free of charge are stated at fair value.

In accordance with SKAS No. 7, "Capitalization of Financing Costs," the Company has opted to capitalize interest expenses incurred during the construction period in relation to the acquisition, construction or development of assets as part of the cost of those assets. Expenditures that result in the increase of future economic benefits such as the enhancement of the value or extension of the useful lives of the facilities involved are capitalized. Other expenditures, such as routine maintenance and repairs, are expensed as incurred. For further details regarding capitalization of interest expenses, see Note 10 to the Company's audited non-consolidated financial statements.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Useful Lives (years)
Buildings	15–50
Structures	5–30
Machinery	10–30
Vehicles	5–20
Tools and equipment	5–15

The Company reviews its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When the expected future cash flow from use or disposal of the property, plant and equipment is lower than the carrying amount due to obsolescence, physical damage or other causes, the carrying amount is adjusted to the recoverable amount (the higher of net sales price or value in use) and the difference is recognized as an impairment loss. When the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss. However, such reversal of impairment loss may not exceed the previously recognized impairment loss amount.

Valuation of inventories

Inventories are stated at cost which is determined by using the average method or the moving average. The Company maintains perpetual inventory, which is adjusted to physical inventory counts performed at year end. When the market value of inventories (net realizable value for finished goods or merchandise and current replacement cost for raw materials) is less than the carrying value, the carrying value is stated at the lower of cost or market. Loss on inventory valuation is presented as a deduction from inventories and charged to cost of sales. However, when the circumstances that previously caused inventories to be written down below cost no longer exist and the market value of inventories subsequently recovers, the valuation loss is reversed to the extent of the original valuation loss and the reversal is deducted from cost of sales.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts to cover estimated losses on receivables (account receivable — trade, account receivable — other, loans and other), based on collection experience and analysis of the collectibility of individual outstanding receivables.

Transition to International Financial Reporting Standards

In March 2007, the Financial Services Commission and the Korea Accounting Institute announced a roadmap for the adoption of the Korean equivalent of IFRS, pursuant to which all companies listed on the Korea Exchange are required to prepare their quarterly and annual financial statements in accordance with IFRS beginning in 2011. IFRS is the financial reporting standard adopted in more than 110 countries and has requirements that are substantially different from Korean GAAP or U.S. GAAP. All standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee have been adopted for IFRS in Korea. The transition from Korean GAAP to IFRS could cause the Company's reported results beginning in 2011 to be different from those for prior periods that had been prepared in accordance with Korean GAAP, to a significant degree in certain areas. The transition to IFRS is expected to have a significant impact on the Company's financial statements, including the treatment of elimination of financial assets and the calculation of accrued severance indemnities using actuarial assumptions and discount rate. For further information regarding significant differences between Korean GAAP and IFRS as they apply to the Company, see Note 31 to the Company's audited non-consolidated financial statements.

Results of Operations

The following table sets forth selected non-consolidated income statement data of the Company for the three years ended December 31, 2010.

For the Year Ended December 31, (Won in billions and US$ in millions)	**2008**	**2009**	**2010**	**2010**
Sales	₩10,503	₩7,966	₩10,198	$8,954
Cost of sales	8,746	7,021	8,716	7,653
Selling and administrative expenses	435	368	445	391
Operating income	1,321	578	1,038	911
Non-operating income (expenses)	(367)	629	114	100
Income before income tax	954	1,207	1,152	1,011
Income tax expense	132	55	137	121
Net income	823	1,152	1,014	891

2010 Compared to 2009

Sales

The Company's total sales increased 28.0% to ₩10,198 billion in 2010 from ₩7,966 billion in 2009. Such increase was primarily due to an increase in sales volume mainly as a result of the commencement of commercial production at the Company's new integrated steel mill and, to a lesser extent, higher unit prices as a result of an increase in global demand for steel in general.

With the commencement of commercial production at the integrated steel mill in April 2010, sales volume of flat steel products increased by 75.0% to 4,425 thousand tons, accounting for 36.7% of total sales volume in 2010 compared to 25.5% in 2009. Sales volume of stainless steel and other steel products supplied to heavy machinery manufacturers increased by 97.3% to 1,156 thousand tons in 2010. On the other hand, sales volume of long steel products decreased 5.1% to 6,464 thousand tons and accounted for 53.7% of total sales volume in 2010 compared to 68.6% in 2009. The weighted average unit sales price of the Company's products, including heavy plate products, increased by 5.3% in 2010.

In 2010, domestic sales, including sales of products to Hyundai Hysco for further processing into auto sheets sold to HMC and Kia, accounted for approximately 68.7% of total sales volume and 69.4% of sales. The Company's domestic sales increased by 22.4% to ₩7,074 billion in 2010 from ₩5,779 billion in 2009 principally due to an increase in sales volume by 16.1% to 8,269 thousand tons in 2010 from 7,125 thousand tons in 2009 as a result of an increase in production of flat steel products following the commencement of commercial production at the new integrated steel mill. Domestic sales from the Company's long steel products decreased by 3.9% to ₩3,431 billion in 2010 from ₩3,572 billion in 2009, reflecting decreases in sales from reinforcing bars and structural sections by 11.3% and 6.5%, respectively, partially offset by a relative increase in sales from H-beams by 15.5% compared to a steep decline in 2009. Such decreases in sales were primarily due to a continued recession in the domestic construction industry. On the other hand, domestic sales from the Company's flat steel products nearly doubled in 2010 from 2009. Domestic sales from HRC products increased by 48.3% in 2010 from 2009, primarily as a result of production from the Company's new blast furnaces in 2010. Heavy plates, which the Company started to produce in 2010, became an additional source of sales. Domestic sales from the Company's stainless steel products and other steel products supplied primarily to heavy machinery manufacturers increased by 21.9% in 2010 from 2009, primarily due to increased unit prices of stainless steel products that resulted from an increase in demand.

The Company's export sales increased by 42.8% to ₩3,125 billion in 2010 from ₩2,188 billion in 2009, primarily as a result of an increase in sales volume by 34.8% to 3,775 thousand tons in 2010 from 2,801 thousand tons in 2009 and an increase in global steel prices, partially offset by an appreciation of the Won against the U.S. dollar, which resulted in lower export sales figures stated in Won. Export volume of flat steel products and stainless steel and other steel products increased by 127.5% and 325.3%, respectively, while export volume of long steel products decreased by 3.8%. The increase in export volume of other steel products supplied primarily to heavy machinery manufacturers was attributable primarily to increased demand for heavy machinery from the active construction sector in China.

Cost of Sales and Gross Profit

Cost of sales increased 24.1% to ₩8,716 billion in 2010 from ₩7,021 billion in 2009. The increase in cost of sales was primarily attributable to the higher production volume, including due to the operation of the new integrated steel mill that resulted in an increase in the quantity of raw materials used as well as in labor and other manufacturing costs, and an increase in raw material prices. Production at the integrated steel mill also required the Company to procure new raw materials such as iron ore and coking coal, in addition to steel scrap.

Gross profit increased by 56.8% to ₩1,482 billion in 2010 from ₩946 billion in 2009 due to a larger increase in sales than the cost of sales increase in 2010, which was attributable to higher prices of the Company's products and increased sales of flat steel products (which generally command a higher margin), as well as a time lag in the recognition of the cost of raw materials (which were purchased in prior periods at lower costs) in cost of sales. Gross margin also increased to 14.5% in 2010 from 11.9% in 2009.

Selling and Administrative Expenses and Operating Income

The Company's selling and administrative expenses increased by 21.0% to ₩445 billion in 2010 from ₩368 billion in 2009 mainly due to increases in export related expenses, freight expenses related to domestic sales and salaries. Export related expenses increased by 20.3% to ₩142 billion in 2010 from ₩118 billion in 2009 primarily due to a 34.8% increase in total export volume. Freight expenses increased by 16.1% to ₩137 billion in 2010 from ₩118 billion in 2009, primarily as a result of a 16.1% increase in domestic sales volume. Salaries increased by 37.8% to ₩62 billion in 2010 from ₩45 billion in 2009 reflecting the commencement of operations at the new integrated steel mill, which resulted in an increase in the number of salaried employees, and, to a lesser extent, an increase in salaries in general.

Operating income increased 79.5% to ₩1,038 billion in 2010 compared to ₩578 billion in 2009. Operating margin increased to 10.2% in 2010 from 7.3% in 2009 reflecting the 56.8% increase in gross profit that exceeded the 21.0% increase in selling and administrative expenses.

Non-Operating Income and Expense

Net non-operating income decreased by 81.9% to ₩114 billion in 2010 from ₩629 billion in 2009. Net non-operating income decreased primarily as a result of a decrease in net gain on disposal of investment securities accounted for using the equity method. The decrease was also attributable in part to an increase in interest expenses and a decrease in net gain on foreign currency translation.

While the Company recorded a ₩463 billion net gain on disposal of investment securities accounted for using the equity method in 2009, primarily due to a net gain of ₩441 billion on disposal of all HMC shares that the Company held, the Company recorded no such gain in 2010. The Company's net interest expenses increased 83.3% to ₩110 billion in 2010 from ₩60 billion in 2009 due primarily to an increase in short-term indebtedness as a result of increased raw materials purchases settled through usance bills. In addition, as facilities at the integrated steel mill were completed in 2010, the Company began to recognize interest expenses attributable to the construction of such facilities. See "— Critical Accounting Policies — Property, Plant and Equipment and Related Depreciation."

The Company's net gain on foreign currency translation decreased to ₩42 billion in 2010 as compared to ₩76 billion in 2009, due primarily to a significant depreciation of the Won against the Japanese Yen and its effect on the Company's Yen-denominated loans. Depreciation of the Won against major currencies, especially the U.S. dollar and Yen, has a negative effect on the Company's foreign currency translation gains and losses mainly due to its foreign currency-denominated accounts payable and indebtedness, including usance bills, relating primarily to payment for imported raw materials and equipment. The Company's net gain on foreign currency transactions also decreased in 2010 compared to 2009 as a result of the lower level of appreciation of the Won and less volatile foreign exchange movements in 2010 compared to 2009.

The foregoing decreases were partially offset by a 50.5% or ₩50 billion increase in net gain on valuation of investment securities accounted for using the equity method, primarily resulting from a gain on valuation of the Company's holdings of Hyundai Mobis shares.

As a result of the foregoing factors, the Company's income before income tax expense decreased from ₩1,207 billion in 2009 to ₩1,152 billion in 2010.

Income Taxes and Net Income

Income tax expense increased from ₩55 billion in 2009 to ₩137 billion in 2010. The Company's effective tax rate was 11.9% in 2010 compared to 4.5% in 2009. The increase in effective tax rate in 2010 was mainly due to a decrease in investment tax credits relating to the construction of the integrated steel mill facilities. The statutory income tax rate applicable to the Company, including resident tax surcharges, in 2009 and 2010 was 24.2%.

As a result of the foregoing, the Company's net income decreased by 12.0% from ₩1,152 billion in 2009 to ₩1,014 billion in 2010.

2009 Compared to 2008

Sales

The Company's total sales decreased 24.2% to ₩7,966 billion in 2009 from ₩10,503 billion in 2008, although there was little decrease in total sales volume. Such decrease was primarily due to price decreases for steel products globally and in Korea as a result of a significant decrease in demand for steel products following the onset of the global financial crisis and economic downturn in the second half of 2008, in particular from the construction and automobile industries. The weighted average unit sales price of the Company's products decreased by 20.1% in 2009 compared to 2008.

The Company's domestic sales decreased by 26.2% to ₩5,779 billion in 2009 from ₩7,832 billion in 2008, principally due to significant price decreases resulting from a recession in the domestic construction industry, a major customer of the Company's products. Decreased demand in the domestic construction industry also adversely affected the Company's domestic sales volume, which decreased by 12.9% to 7,125 thousand tons in 2009 from 8,182 thousand tons in 2008. Domestic sales from the Company's long steel products decreased by 29.6% to ₩3,572 billion in 2009 from ₩5,072 billion in 2008, reflecting decreases in sales from reinforcing bars, H-beams and structural sections by 28.9%, 34.9% and 22.6%, respectively. Domestic sales from the Company's HRC products, which are sold primarily to Hyundai Hysco for further processing into auto sheets, decreased to a lesser extent by 18.7% in 2009 from 2008, primarily as a result of the relatively strong performance of HMC and Kia, two key end-users of the Company's HRC products. Domestic sales from the Company's stainless steel products and other steel products supplied primarily to heavy machinery manufacturers also decreased by 23.0% in 2009 from 2008.

The Company's export sales decreased by 18.1% to ₩2,188 billion in 2009 from ₩2,671 billion in 2008, primarily as a result of decreases in global steel prices, the impact of which was partially offset by a depreciation of the Won against the U.S. dollar, which resulted in higher sales in Won terms, and an increase in export sales volume by 23.2% to 2,801 thousand tons in 2009 from 2,274 thousand tons in 2008. The increase in export sales volume was primarily attributable to the decrease in domestic demand for the Company's products during this period and the Company's efforts to maintain its capacity utilization by increasing export sales.

Cost of Sales and Gross Profit

Cost of sales decreased 19.7% to ₩7,021 billion in 2009 from ₩8,746 billion in 2008. The decrease in cost of sales was primarily due to decreases in raw materials prices while there was little decrease in total sales volume. The average steel scrap cost per ton decreased by 27.5% for domestic procurements and by 38.3% for imports. The decrease in sales in 2009 outpaced the decrease in cost of sales, as some of the inventory of raw materials purchased at peak prices in 2008 were not reflected in cost of sales until 2009 while lower steel prices in 2009 reduced sales without a time lag.

Gross profit decreased by 46.2% to ₩946 billion in 2009 from ₩1,757 billion in 2008 and gross margin also decreased to 11.9% in 2009 from 16.7% in 2008.

Selling and Administrative Expense and Operating Income

The Company's selling and administrative expenses decreased by 15.5% to ₩368 billion in 2009 from ₩435 billion in 2008 mainly due to decreases in export related expenses and freight expenses for domestic sales. Export related expenses decreased by 30.3% to ₩118 billion in 2009 from ₩169 billion in 2008 primarily due to a decrease in shipping costs generally and a 40.9% decrease in the export volume to the Americas, and certain other distant regions that entail higher shipping costs, despite an increase in total export sales volume primarily to Asian markets. Global demand for dry bulk shipping recorded a historical high in 2008, resulting in high shipping costs in 2008 and a relative decline in 2009. Freight expenses decreased by 9.9% to ₩118 billion in 2009 from ₩131 billion in 2008, primarily as a result of the decrease in domestic sales volume.

Operating income decreased by 56.3% to ₩578 billion in 2009 compared to ₩1,321 billion in 2008. Operating margin decreased to 7.3% in 2009 from 12.6% in 2008.

Non-Operating Income and Expense

The Company recorded net non-operating income of ₩629 billion in 2009 compared to net non-operating expenses of ₩367 billion in 2008, recording a change in the amount of ₩996 billion. Such change was primarily as a result of increases in net gain on disposal of investment securities accounted for using the equity method, net gain on foreign currency transactions and net gain on foreign currency translation.

The Company recorded a ₩463 billion net gain on disposal of investment securities accounted for using the equity method in 2009 compared to a net loss of ₩1 billion in 2008, primarily as a result of the gain on disposal of HMC shares. Reflecting relatively moderate appreciation of the Won against U.S. dollar and certain other currencies and less volatile foreign exchange movements in 2009, the Company recorded a net gain on foreign exchange transaction of ₩34 billion, as compared to a net loss of ₩196 billion in 2008 when the Won depreciated relatively rapidly and fluctuated more. The Market Average Exchange Rate depreciated from ₩938.2 to US$1.00 as of December 31, 2007 to ₩1,257.5 to US$1.00 as of December 31, 2008, and appreciated to ₩1,167.6 to US$1.00 as of December 31, 2009. As a result of these movements, the Company recorded net foreign currency translation gains of ₩76 billion in 2009, compared to a net loss of ₩136 billion in 2008. The Company's foreign currency translation gains and losses are mainly due to its foreign currency-denominated accounts payable and indebtedness, including usance bills, relating primarily to payment for imported raw materials and equipment. Depreciation of the Won against major currencies, especially the U.S. dollar and Yen, has a negative effect on such gains and losses.

As a result of the foregoing factors, the Company's income before income tax expense increased from ₩954 billion in 2008 to ₩1,207 billion in 2009.

Income Taxes and Net Income

Income tax expense decreased from ₩131 billion in 2008 to ₩55 billion in 2009. The Company's effective tax rate was 4.5% in 2009 compared to 13.8% in 2008. The decrease in effective tax rate in 2009 was mainly due to an increase in investment tax credits relating to a large amount of capital expenditures for the construction of the integrated steel mill facilities. The statutory income tax rate applicable to the Company, including resident tax surcharges, was 24.2% in 2009 compared to 27.5% in 2008.

In 2009, the Company recorded net income of ₩1,152 billion as compared to net income of ₩823 billion in 2008.

Liquidity and Capital Resources

The following table sets forth a summary of the Company's cash flows for the periods indicated.

For the Year Ended December 31, (Won in billions and US$ in millions)	2008	2009	2010	2010
Net cash provided by (used in) operating activities . . .	₩ 826	₩ 1,415	₩ (154)	$ (136)
Net cash provided by (used in) investing activities. . . .	(1,889)	(3,238)	(1,480)	(1,300)
Net cash provided by (used in) financing activities . . .	1,499	1,700	1,815	1,594
Net increase (decrease) in cash and cash equivalents . .	436	(124)	181	159

Capital Requirements

Historically, the Company has financed, and it intends to continue to finance, its working capital and capital expenditure requirements primarily through a combination of cash on hand, funds from operations and debt financing.

Working Capital

The Company had a working capital (current assets minus current liabilities) deficit of ₩618 billion as of December 31, 2010, while it had a working capital surplus of ₩527 billion and ₩1,490 billion as of December 31, 2009 and 2008, respectively. The deficit in 2010 was primarily as a result of an increase of ₩1,318 billion in short-term borrowings to ₩2,244 billion as of December 31, 2010 from ₩926 billion as of December 31, 2009. Such significant increase was mainly due to an increase in usance financing for the procurement of raw materials in advance of the commencement of production at its new integrated steel mill in 2010. The Company expects short-term borrowings relating to usance financing for raw material procurements to decrease as it plans to pay down such usance bills with operating cash flow generated from the integrated steel mill and the proceeds from this offering, thereby extending the Company's overall debt maturity profile.

The reduced working capital surplus and the working capital deficit in recent years were also attributable to the Company's highly leveraged financial structure resulting from increased indebtedness to finance the construction of its new integrated steel mill facilities. A substantial portion of the Company's long-term debt (consisting of long-term borrowings and debentures) was incurred in 2007 and 2008 with a maturity of approximately 5 to 11.5 years, with a significant portion of such debt scheduled to be repaid in installments from 2011. In December 2007 and May 2008, for example, the Company entered into export credit agency loan agreements with a syndicate of international financial institutions. The loans provided under such agreements consist of Euro facilities in the aggregate amount of €381 million and U.S. dollar facilities in the aggregate amount of $375 million. In general, the loans are repayable in installments and have maturities of up to 11.5 years, with interest rates tied to LIBOR. In April 2008, the Company entered into a ₩1,500 billion syndicated loan agreement. The loan provided under such agreement is repayable in installments over eight years including a three-year grace period and is subject to interest rates tied to a 91-day benchmark certificate of deposit rate and five-year benchmark treasury bond rate in Korea. In June 2009, the Company entered into a ¥24 billion facility agreement with a syndicate of financial institutions. The loan provided under such agreement is repayable in installments over seven years including a two-year grace period and is subject to interest rates tied to LIBOR. As a result of such increases in debt, the current portion of the Company's long-term debt (long-term borrowings and debentures) increased from ₩101 billion as of December 31, 2008 to ₩641 billion and ₩1,132 billion as of December 31, 2009 and 2010, respectively.

Historical Capital Requirements

Historically, the Company's primary uses of cash consisted of capital expenditures, purchases of raw materials, repayments of outstanding debt and payments of dividends. Recently, the Company's principal capital expenditures were for the construction of its new integrated steel mill facilities at Dangjin Works, including acquisition of equipment. Net cash used for investing activities amounted to ₩1,889 billion, ₩3,238 billion and ₩1,480 billion in 2008, 2009 and 2010, respectively, which reflect ₩2,159 billion, ₩3,595 billion and ₩2,175 billion used for acquisition of property, plant and equipment in 2008, 2009 and 2010, respectively. The increase in capital expenditures in 2009 resulted from the construction of the integrated steel mill facilities reaching peak levels during that year. The decrease in capital expenditures in 2010 compared to 2009 was due primarily to the completion of such facilities in 2010, including the completion of the first and second blast furnaces in January and November 2010, respectively.

Net cash used for operations amounted to ₩154 billion in 2010, compared to net cash provided from operations of ₩1,415 billion in 2009. This change was due primarily to a significant increase in inventories resulting from the commencement of operation of the new integrated steel mill facilities, a decrease in non-trade accounts payable as a result of repayment of a significant portion of construction-related accounts payable in 2010, and an increase in accounts receivable attributable to increased sales in 2010. Net cash used for repayments of short-term borrowings amounted to ₩1,772 billion, ₩1,236 billion and ₩1,830 billion, and net cash used for repayments of current portions of long-term debt (including debentures) amounted to ₩162 billion, ₩101 billion and ₩641 billion in 2008, 2009 and 2010, respectively. Long-term debt (long-term borrowings and debentures), including its current portion, was ₩3,961 billion, ₩5,414 billion and ₩5,898 billion as of December 31, 2008, 2009 and 2010, respectively. Short-term debt (excluding the current portion of long-term debt) was ₩755 billion, ₩926 billion and ₩2,244 billion as of December 31, 2008, 2009 and 2010, respectively, and comprised mainly banker's usance bills. As of December 31, 2010, approximately 45% of the Company's indebtedness carried floating interest rates.

The Company paid dividends on common stock in the amount of ₩42 billion in each of 2008, 2009 and 2010. On March 28, 2011, the Company also declared a dividend for fiscal year 2010 of ₩42 billion, or ₩500 per share, with respect to its common stock. The Company expects to pay dividends at similar levels for the next few years.

Future Capital Requirements

The Company anticipates that capital expenditures, working capital requirements including purchases of raw materials and repayments of outstanding debt will represent the most significant uses of funds for the next several years. In addition to its ordinary course capital expenditures for maintenance of facilities, the Company began construction of its third blast furnace at Dangjin Works on April 12, 2011 to expand its production capacity. The Company estimates that the aggregate capital expenditures relating to the third blast furnace will amount to approximately ₩3,250 billion for 2011 through 2013. The Company plans to fund approximately half of such capital requirements through cash generated by operations and the remaining half through debt financing. When the third blast furnace is completed, the Company expects that it will require resources to procure raw materials in advance of the commencement of production. See "Business — Production Facilities — Expansion/Ramp-up Plans for Integrated Mill." In addition, payments of principal of and interest on indebtedness will require substantial resources. As of December 31, 2010, short-term borrowings and the current portion of long-term debt and debentures amounted to ₩3,376 billion. See "Risk Factors — Risks Relating to the Company — The Company has a substantial amount of indebtedness, which could adversely affect its future business performance and financial condition."

The following table presents the repayment schedule for the Company's long-term debt (long-term borrowings and debentures) as of December 31, 2010. The amounts below may change slightly as the amounts and timing of the drawdowns to finance equipment purchases may change depending on the actual amounts and timing of such equipment purchases. Such changes, if any, would not be material. See Notes 13 and 14 to the Company's audited non-consolidated financial statements.

Year	Won in billions	US$ in millions
2012	₩ 939	$ 824
2013	1,513	1,328
2014	934	820
2015	854	750
2016 and after	530	465

In January 2011, the Company issued Won-denominated debentures with an aggregate principal of ₩450 billion in Korea, consisting of ₩350 billion of debentures with a maturity of five years and ₩100 billion with a maturity of three years. See Note 29 to the Company's audited non-consolidated financial statements.

Capital Resources

The Company intends to rely primarily on cash provided by operating activities and long-term debt and short-term borrowings to meet its future working capital and other capital requirements. The Company intends to utilize, in addition to cash from its operations, long-term debt to meet its capital expenditure requirements and short-term borrowings to meet its working capital requirements.

In 2010, the Company's operations required net cash use as explained above. Net cash provided by operations increased 71.3% to ₩1,415 billion in 2009 from ₩826 billion in 2008. Sales decreased by 24.1% in 2009, primarily reflecting a 20.1% decrease in the weighted average unit sales price of the Company's products, which reduced cash inflow from sales activities. However, net cash provided by operating activities increased significantly in 2009, reflecting primarily a significant decrease in the volume of inventories due to lower levels of steel production in 2009 as well as a decrease in accounts receivable attributable to decreased sales in 2009, which more than offset the decrease in cash inflow from sales.

Net cash provided by financing activities amounted to ₩1,499 billion, ₩1,700 billion and ₩1,815 billion in 2008, 2009 and 2010, respectively. As of December 31, 2008, 2009 and 2010, the Company's short-term borrowings and current portion of long term borrowings and debentures (net of discount) amounted to ₩856 billion, ₩1,567 billion and ₩3,376 billion, respectively, and its long-term borrowings (net of discount) amounted to ₩3,859 billion, ₩4,773 billion and ₩4,766 billion, respectively. The Company periodically adjusts its short-term borrowings and long-term debt financing levels depending on changes in its working capital and investment capital requirements. The Company increased its long-term debt substantially in 2008 and 2009 in order to procure funding for its capital expenditure plans, and its outstanding short-term borrowings more than doubled in 2010 as a result of an increase in working capital requirements including raw materials purchases due to the heightened level of business activity in 2010 compared to 2009. The Company issued ₩450 billion of Won-denominated debentures in January 2011 as described above.

The Company believes that it has adequate sources of funds to meet its ongoing financing requirements and that different alternatives are available to satisfy its financing requirements. The Company's ability to access these sources of funding, however, could be affected by, among other factors, its results of operations, its financial condition including leverage, the liquidity of the Korean and international financial markets, and the Korean government's policies regarding Won currency and foreign currency financings.

Liquidity

The Company's liquidity is affected primarily by its raw material purchases, payments for capital expenditures and repayments of debt at maturity. The Company purchases substantially all of its steel scrap requirements at spot market prices and has long-term contractual arrangements to purchase most of its iron ore and coal requirements, subject to periodic price adjustments based on prevailing market prices. Raw material costs accounted for approximately 75% to 80% of manufacturing costs during the period from 2008 to 2010. The Company's policy is to maintain sufficient liquidity for payment of current obligations as they become due and currently it does not foresee any liquidity issues. However, it may face unanticipated increases in capital expenditures and raw materials purchases and there can be no assurance that the Company will be able to secure funds on satisfactory terms from financial institutions or other sources that are sufficient for its unanticipated needs.

As discussed above, the Company had a working capital surplus of ₩1,490 billion and ₩527 billion as of December 31, 2008 and 2009, respectively, and a working capital deficit of ₩618 billion as of December 31, 2010. See "— Capital Requirements." As of December 31, 2010, the Company had unused credit lines of ₩1.4 trillion out of total available credit lines of ₩7.1 trillion. The Company has not had, and does not believe that it will have, difficulty gaining access to short-term financing sufficient to meet its current requirements.

Contingent Liabilities and Guarantees

In May 2009 and August 2010, the Company entered into trust bond agreements for asset-backed securitization ("ABS") facilities to transfer certain trade receivables of the Company to Hyundai Steel 1st Asset Securitization Specialty Co., Ltd. and Hyundai Steel 2nd Asset Securitization Specialty Co., Ltd, respectively. As of December 31, 2010, trade receivables transferred to these companies amounted to ₩970 billion, for which the Company received consideration of ₩500 billion in cash and ₩470 billion in beneficiary certificates which are accounted for as available-for-sale securities. The Company is contingently liable for the securities if the underlying assets do not meet the conditions set forth in the trust bond agreement.

As of December 31, 2010, the Company was contingently liable for guarantees of obligations of ₩11 billion in favor of Qingdao Hyundai Machinery Co., Ltd., a subsidiary of the Company, relating to a foreign currency loan and ₩310 billion in favor of Hyundai Green Development Co., Ltd. and others relating to an industrial complex development agreement and purchases of raw materials. If drawn upon, these guarantees may have a material adverse effect on the Company's liquidity.

See Notes 4, 21 and 23 to the Company's audited non-consolidated financial statements.

Market Risks

Primary market risk exposures of the Company are to fluctuations in raw material costs, foreign exchange rates and interest rates.

Raw Material Prices

The Company is exposed to fluctuations in prices of raw materials, which accounted for 75% to 80% of its manufacturing cost during the period from 2008 to 2010. Historically, steel scrap has been one of the Company's key raw materials, and the Company purchases substantially all of its requirements at spot market prices. With the launch of its new integrated steel mill in 2010, the Company is also increasingly exposed to fluctuations in the prices of iron ore and coking coal. Although the Company has entered into long-term contracts with major suppliers to procure substantially all of its iron ore and coal requirements, such long-term contracts provide for periodic price adjustments based on prevailing market prices. See "— Overview — Fluctuations in Raw Material Prices."

Raw materials prices are subject to market forces largely beyond the control of the Company, including demand by Korean and international steel producers, freight costs and other factors such as interruptions in production by suppliers. In addition, there is a limited futures contracts market, both in terms of trading volumes and the products covered, for the Company's raw materials, limiting the Company's ability to hedge its exposure to fluctuations in raw material prices. See "Risk Factors — Risks Relating to the Steel Industry and the Global Economy — Volatility in the prices of raw materials or limitations on or disruptions in the supply of raw materials could adversely affect the Company's profitability."

In order to limit its raw material price exposure, the Company is examining the possibility of making investments in overseas mining projects. With respect to steel scrap, the Company maintains long-term relationships with large suppliers in Korea. See "Business — Business Strategy — Secure Stable Sources of Raw Materials."

Foreign Exchange Rates

The Company is exposed to foreign exchange risk mainly related to its purchases of raw materials, including iron ore, coking coal and steel scrap, and the repayment of its outstanding debt denominated in foreign currencies. The Company purchases substantially all of its iron ore and coking coal requirements and approximately half of its scrap requirements from sources outside of Korea, using settlement through usance bills and, to a lesser extent, cash payment. See "Business — Raw Materials and Energy — Payments." The Company also imports equipment from sources outside Korea. Payments for such raw materials and equipment are made in foreign currencies, principally in U.S. dollars, Japanese Yen and Euro. Furthermore, the Company obtains borrowings denominated in currencies other than Won, in order to fund its capital requirements. As a result, depreciation of the Won against such currencies may adversely affect the Company's results of operations primarily because it causes an increase in Won terms in the costs of imported raw materials and equipment, an increase in the amount of Won required for the Company to make interest and principal payments on the Company's foreign currency-denominated debt and an increase in foreign exchange translation losses on liabilities which lowers the Company's earnings for accounting purposes. See "Risk Factors — Risks Relating to the Company — Changes in the value of the Won against the U.S. dollar may have a material adverse effect on the results of operations of the Company."

The Company seeks to mitigate its exposure to currency fluctuations by maintaining export sales, which result in foreign currency receipts, at a level that covers foreign currency obligations to the extent feasible. Approximately 25%, 27% and 31% of the Company's sales in 2008, 2009 and 2010, respectively, were from its exports, all of which were denominated in foreign currencies, mostly in U.S. dollars. A decrease in the Company's export sales could increase its net foreign exchange risk exposure.

The Company enters into derivative transactions to a limited extent in order to hedge its foreign currency exposure. Such hedging covers approximately 20% of the Company's foreign currency exposure on an annual basis. Fluctuations in exchange rates, especially depreciation of the Won, may have a material adverse effect on the Company's results of operations.

For information regarding historical movements in exchange rates, see "Exchange Rates."

Interest Rates

The Company is exposed to interest rate risk due to outstanding amounts of short-term and long-term debt. Upward fluctuations in interest rates increase the cost of additional debt and the interest cost of outstanding floating rate borrowings. As of December 31, 2010, 100% of the short-term borrowings and approximately 25% of the long-term borrowings (including current portion) of the Company were floating rate borrowings. The Company's floating rate short-term and long-term borrowings have interest rates which are determined in reference to six-month LIBOR, Euribor and a 91-day benchmark certificate of deposit rate and five-year benchmark treasury bond rate in Korea. As of December 31, 2010, the weighted average interest rate for the Company's total borrowings was 4.25%.

Industry Overview

Market data and certain industry forecasts used in this section were obtained from internal surveys, market research, publicly available information and industry publications, including those published by the World Steel Association, Korea Iron & Steel Association, the Bank of Korea, Korea National Statistical Office, the Korea Development Bank and Korea International Trade Association. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Company or any of the Initial Purchasers makes any representation as to the accuracy or completeness of this information.

Overview

Steel is a metal alloy consisting of iron as the key component. Steel also consists of carbon and other alloys, which vary according to the grade of steel, and is generally considered to be a cornerstone of industrial development. Steel is highly versatile, as it is hot and cold formable, weldable, hard, a good conductor of heat and electricity, malleable, ductile, recyclable and resistant to corrosion, water and heat. The industries in which steel is used extensively include construction, automotive, shipbuilding and engineering. Steel is also used in the production of power lines, pipelines, electrical and electronic appliances and containers.

Production Process

Integrated Steel Production and Mini-Mill Steel Production

There are generally two kinds of primary steel production methods, "integrated" and "mini-mill" steel production.

Steel manufacturing by an "integrated" producer involves a series of distinct but related processes, often separated in time and in plant geography. Production of steel from iron ore begins with the reduction of iron ore (which consists primarily of iron and oxygen) in a blast furnace using metallurgical coke as a reducing agent. The metal produced in the blast furnace is then processed in a basic oxygen furnace (a "BOF"), where oxygen is blown into molten iron in order to reduce its carbon content (the "BF-BOF process"). This process may, in turn, be followed by various finishing processes (such as rolling) or various coating processes (including galvanizing). In 2009, the BF-BOF process was used in the production of approximately 71% of the steel produced globally, according to the World Steel Association (the "WSA") (formerly the International Iron and Steel Institute). The metallurgical coke used in the BF-BOF process is produced out of low ash-content coking coal.

In contrast, a mini-mill employs an electric arc furnace to directly melt steel scrap or iron (the "EAF process"), thus entirely eliminating the energy-intensive blast furnace. The EAF process was developed due to inadequate supplies of coking coal in some parts of the world. In the EAF process, steel scrap or directly reduced iron ("DRI") is charged in an electric arc furnace and is melted using graphite electrodes charged with electricity produced using natural gas. The molten steel is then poured into continuous casting systems, where it is cast into various shapes.

An alternative way of producing steel is by using a medium or high frequency electrical induction furnace. In an induction furnace, metal is melted through electro-magnetic induction using an electrically conductive metal coil. Mild steel, stainless steel and low and high alloy steel can be made by using induction furnaces. Alloying elements are added to the melted metal as needed.

The major raw materials used in steel production depend on the production technology. The BF-BOF process mainly requires iron ore and coke (which in turn requires coking coal); the EAF process requires scrap or sponge iron and non-coking coal; and the induction furnace requires scrap or DRI. The availability of the relevant raw materials at commercial prices is essential to sustain profits for steel producers.

Products

Steel produced by these processes is either cast into long products, such as bars, rods, rails and structural shapes, or into flat products, such as HRCs and sheets.

Long products are so called because they come out of the mill as long bars of steel. However, they are produced in a wide range of shapes and sizes and can have cross-sections shaped like an H or I (called joists, beams and columns), a U (channels) or a T (T-sections). Long products are principally used in the construction industry and also used in the production of capital goods and railways.

Flat products, mainly in the form of HRCs and sheets, are used in structural materials, welded pipes and tubes and in the automobile and white goods (home appliances) industries. The major end-use sectors for pipes and tubes are water supply and distribution, other industrial applications, housing applications and transport of petroleum products. Welded steel pipes are manufactured from HRCs by electrical resistance welding and are used in many piping applications. Submerged arc-welded pipes are manufactured from HRCs and are mainly used in the supply and distribution of water and gas. Seamless steel pipes and tubes manufactured from HRCs are used in the oil and gas sectors.

HRCs can also be further processed in cold rolling mills to produce cold rolled products by passing the HRCs or strips through rollers to reduce their thickness. “Rolling” is the main method used to shape steel into different products. Rolling the steel by passing it between a set of rolls revolving at the same speed but in opposite directions makes the otherwise coarse grain structure of cast steel re-crystallise into a much finer grain structure, giving greater toughness, shock resistance and tensile strength. In addition to hot rolling, in which the steel is rolled at a high temperature, steel may also be rolled at “cold” or ambient temperatures, resulting in a different set of physical and metallurgical properties.

The Global Steel Industry

The global steel industry is cyclical. The growth or decline of the steel industry is linked to the economic cycle of a country and in particular, to industrial production and infrastructure development. Global production capacity, trade policies of countries and the regional demand-supply scenario also strongly influence the industry. Steel producers may attempt to reduce the impact of cyclicality through various measures such as the diversification of manufacturing operations to various geographies (preferably emerging markets with low-cost operations), diversification of customer base and focus on high value-added products.

Global Steel Production

Growth in steel production has been volatile. According to the WSA, global steel production grew on average by negative 0.5% per year from 1990 to 1995, 2.4% per year from 1995 to 2000 and 6.1% per year from 2000 to 2005. According to the same source, over the period from 2005 to 2010, global steel production increased on average by approximately 4.7% per year, although actual annual growth rates for these years varied widely; for example, the growth rate shifted from a 7.9% reduction in global steel production in 2009 to 15.0% growth in 2010.

According to the WSA's preliminary estimates, overall global crude steel production in 2010 was approximately 1,414 million tons. In 2010, crude steel production increased by 11.6% in Asia (driven mainly by a 25.2% increase in Japan, a 20.3% increase in Korea, a 9.3% increase in China and a 6.4% increase in India); increased by 35.7% in North America (driven mainly by a 38.5% increase in the United States); increased by 24.6% in the member states of the European Union (the "EU") (driven mainly by a 34.1% increase in Germany and a 29.7% increase in Italy); and increased by 11.2% in the countries of the Commonwealth of Independent States (the "CIS") (driven mainly by a 12.4% increase in the Ukraine and an 11.7% increase in Russia).

The following table sets forth total crude steel production by country or region for the periods indicated.

Country/Region (in million tons)	Year ended December 31,										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010(p)
China	128.5	151.6	182.4	222.3	282.9	353.2	419.1	489.3	500.3	573.6	626.7
EU	193.4	187.5	188.2	192.5	202.5	195.6	207.0	209.7	198.0	138.8	172.9
Japan	106.4	102.9	107.7	110.5	112.7	112.5	116.2	120.2	118.7	87.5	109.6
United States	101.8	90.1	91.6	93.7	99.7	94.9	98.6	98.1	91.4	58.2	80.6
India	26.9	27.3	28.8	31.8	32.6	45.8	49.5	53.5	57.8	62.8	66.8
Russia	59.1	59.0	59.8	61.5	65.6	66.1	70.8	72.4	68.5	60.0	67.0
Korea	43.1	43.9	45.4	46.3	47.5	47.8	48.5	51.5	53.6	48.6	58.5
South America	39.1	37.4	40.9	43.0	45.9	45.3	45.3	48.2	47.4	37.8	43.8
Middle East	10.8	11.7	12.5	13.4	14.3	15.3	15.4	16.5	16.6	17.7	19.6
Rest of World	139.7	139.8	146.9	154.9	167.9	167.6	176.9	186.7	174.9	144.5	168.1
World	848.9	851.1	904.2	969.9	1,071.5	1,144.1	1,247.2	1,346.1	1,327.2	1,229.4	1,413.6

Source: WSA World Crude Steel Production January 2011

(p) Preliminary

Over the past decade, steel production has continued to shift from its traditional base in heavily industrialized countries to fast-growing developing markets such as China and India. According to the WSA, in 2000, the United States, the EU and Japan collectively accounted for approximately 47.3% of global steel production, while China and India accounted for 15.1% and 3.2%, respectively. By 2005, however, the collective share of the United States, the EU and Japan decreased to 35.2%, while that of China and India increased to 30.9% and 4.0%, respectively. In 2010, the United States, the EU and Japan collectively accounted for only 25.7% of global steel production, while China and India accounted for 44.3% and 4.7%, respectively. In 2010, China was the largest single producer of crude steel in the world, producing approximately 626.7 million tons of crude steel, which represented a 9.3% increase over 2009.

The recent shift in production to Asia has largely been the result of proximity to the major growth markets for steel consumption and the greater availability of key raw materials. Moreover, while production in the United States, Europe and Japan has started to recover following the global economic downturn in 2008 and 2009, steel producers in those regions are facing continuing challenges due to reduced demand. The CIS region (mainly Russia and Ukraine) are large exporters due primarily to lower operating costs stemming from easier access to cheap raw materials and weakened currencies. The recent production shift to Asia is also evident in the number of Asia-based steel producers that are ranked among the top ten in crude steel production.

Global Steel Consumption

The United States and the EU have historically been the major consumers of steel. According to the WSA, in 2000, the United States and the EU collectively accounted for 37.8% of apparent consumption of steel globally, as measured by the volume of finished steel products consumed, while Japan accounted for 10% and India and China accounted for 3.6% and 16.3%, respectively. By 2005, the United States and the EU collectively accounted for 26.4%, Japan accounted for 7.3% and China and India accounted for 33.2% and 3.8%, respectively, of global apparent steel consumption. In 2009, the collective share of the United States and the EU was only 15.8% and that of Japan was 4.7%, while the share of China and India was 48.1% and 4.9%, respectively.

According to the WSA, overall apparent steel consumption in 2009 was 1,127.3 million tons, a 6.7% decrease compared to the previous year. Over this period, as reflected in the table below, apparent steel consumption decreased in all regions except China and India. The EU's apparent consumption in 2009 was 118.7 million tons, a 34.9% decrease compared to the previous year. The decrease in the EU represented 78.2% of the total global decrease in apparent consumption from 2008 to 2009. The progression of the U.S. financial crisis into a global economic crisis brought about a substantial global decline in demand for steel in late 2008. For most of the world, this trend continued into the first quarter of 2009. In 2009, China was the largest single apparent consumer of finished steel products in the world, consuming approximately 542.4 million tons of finished steel products, which represented a 24.8% increase over 2008. In 2009, India was the fourth largest apparent steel consumer, consuming approximately 55.3 million tons of crude steel.

The following table sets forth apparent steel consumption data, as measured by the volume of finished steel products consumed, by country or region for the periods indicated.

Country/Region	**Year ended December 31,**									
(in million tons)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
China	124.3	158.0	191.3	240.5	275.8	347.5	377.7	422.5	434.7	542.4
EU	167.7	163.6	162.4	164.2	172.6	166.2	189.5	200.2	182.3	118.7
United States	120.0	106.0	107.3	105.7	120.9	110.3	122.4	111.2	101.1	59.3
India	27.6	28.5	30.7	33.1	35.3	39.9	45.6	51.5	51.4	55.3
Japan	76.1	73.2	71.7	73.4	76.8	76.7	79.0	81.2	78.0	53.2
South Korea	38.3	38.1	43.7	45.4	47.2	47.1	50.2	55.1	58.6	45.4
Middle East	19.5	23.1	25.3	30.2	31.0	34.6	36.2	41.5	45.4	40.1
Russia	24.4	26.9	24.9	25.3	26.3	29.3	34.9	40.4	35.4	24.7
Rest of World	162.8	160.3	171.6	175.8	194.9	196.1	207.6	222.2	221.7	188.2
World	760.7	777.7	828.9	893.6	980.8	1,047.7	1,143.1	1,225.8	1,208.6	1,127.3

Source: WSA Steel Statistical Yearbook 2010

Global Steel Prices

Steel prices are volatile and fluctuate in response to a combination of factors, including changes in global supply and demand, raw material costs, exchange rates, transportation and labor costs, trade levels and general economic conditions. After a downturn in demand beginning in 1998, global steel prices reached a historic low in the third quarter of 2001. Since then, global steel prices have generally increased, reflecting stronger global demand, notably led by China. In the third quarter of 2008, global steel prices declined sharply due to weak global economic conditions, which led to a fall in global demand. Since 2009, global steel prices have recovered to a certain degree.

In recent years, global steel prices have also been increasingly volatile due to increased information flow and transparency across global markets and levels of steel trading as a percentage of total steel production.

Market Trends

The emergence of China as a significant producer and consumer of steel has been and will continue to be a significant factor affecting the global steel industry. Several additional trends have emerged.

- Higher raw material costs. The cost of procuring key raw materials used in the production of steel, including iron ore and coking coal, has steadily increased due to robust growth in global crude steel production levels. In addition, the sources of many of these materials are concentrated in a limited number of locations. Costs associated with transportation and logistics add to the cost of sourcing such raw materials. Consequently, many major iron ore and coal producers are investing in new mines to increase production capacity. Several global steel producers, such as ArcelorMittal and Baosteel, have sought to secure access to iron ore from low-cost, iron ore rich countries such as Brazil and Russia. Steel producers, including Tata Steel, CSN and Bhushan Steel, have also acquired stakes in coking coal assets in Africa and Australia in order to secure their future supplies. Recently, several global steel producers have looked to Africa to secure their key raw materials. However, many have faced difficulties due to the relatively under-developed transportation infrastructure in Africa.

- Globalization of the steel industry. Steel production and trade have become increasingly global. Increased access to key raw materials, declining steel tariffs and reduced import restrictions have had a significant impact on domestic steel markets. In addition, developed countries have experienced increased costs associated with labor, freight and raw materials, which have in turn reduced the economic viability of basic steel production. Emerging markets, such as India, have become a target for global steel producers because of their relatively low market penetration and comparatively strong GDP growth outlook. In addition, cheap skilled labor and the presence of domestic sources for raw materials make certain emerging markets, including India, attractive locations for steel production operations. Leading steel producers such as ArcelorMittal, Nippon Steel, POSCO and Severstal are setting up or have announced plans to set up steel operations in India either through joint ventures or independently.

- Increased bargaining power of raw material suppliers. Three of the largest mining companies, BHP Billiton, CVRD and Rio Tinto, supply the majority of the global market with processed iron ore used by steel mills and therefore have significant bargaining power. Substantial increases in iron ore prices by these mining companies in recent years have resulted in steel producers having to raise prices to maintain margins. As described above, many leading steel companies are also looking to pursue investments in mines as a safeguarding measure against rising raw material costs. In addition, steelmakers are adjusting to a recent shift in the pricing of iron ore and coking coal after CVRD, BHP Billiton and other raw material suppliers abandoned the 40-year tradition of annual price contracts in favor of the quarterly, index-linked contracts system. This change to quarterly pricing exposes steel producers to additional volatility and price risk.

Steel producers have responded to these industry trends in part through consolidation. In 2002, Europe's Usinor, Arbed and Aceralia merged to form Arcelor, and Japan's Kawasaki Steel and NKK merged to form JFE. Also in 2002, Nucor acquired the assets of Birmingham Steel, and International Steel Group ("ISG") acquired the assets of Acme, LTV and Bethlehem Steel in the United States. In late 2004, Ispat International N.V. and LNM Holdings N.V., which comprised the LNM Group, merged to form Mittal Steel, and in early 2005, Mittal Steel merged with ISG, forming the world's then largest steel company. The merger of Arcelor and Mittal Steel in 2006 created a steel giant that continues to be the largest steel producer in the world, accounting for approximately 77.5 million tons of steel production in 2009, which represented approximately 6.3% of total global output, according to the WSA. Chinese steel producers are also consolidating to become major players.

Despite such consolidation, the global steel market remains highly fragmented. According to the WSA, in 2009, the five largest global steel producers accounted for approximately 16% of total worldwide steel production, and the fifteen largest steel producers accounted for approximately 29% of total worldwide steel production.

Global Steel Outlook

According to data published by the WSA in October 2010, apparent steel consumption in the United States declined by 36.2% in 2009 compared to 2008 but was expected to increase by 32.9% in 2010 and 9.4% in 2011, bringing it back to 80% of its 2007 level. Europe had been the most affected region outside the North American Free Trade Agreement ("NAFTA") region due to the global financial crisis and economic downturn. The EU, other European countries and the CIS had shown declines of 35.7%, 17.3% and 28.3%, respectively, in their apparent steel consumption in 2009. However, apparent steel consumption in the EU was expected to increase by 18.9% in 2010 and 5.7% in 2011, due primarily to inventory rebuilding and strength in the export sector as well as an increase in real usage, such that EU steel demand was expected to reach 75% of its 2007 level in 2011. Other European countries were also expected to witness growth in apparent steel consumption of 20.1% in 2010 and 9.5% in 2011. Japan was also affected by a sharp decline in the exports of its steel-using industries, especially the automotive and machinery industries. Apparent steel consumption in Japan declined by 32.3% in 2009 but was expected to increase by 19% in 2010.

Steel demand in emerging economies was affected by the global economic downturn as well, but to a lesser degree. China was expected to witness growth of 6.7% in apparent steel consumption in 2010 and 3.5% in 2011, after growing 24.8% in 2009. India was projected to have positive growth of 13.9% for apparent steel consumption in 2010 and 13.7% in 2011, after growing 7.7% in 2009. Apparent steel consumption in the so-called "BRIC" countries (Brazil, Russia, India and China), as a whole, was forecasted to grow by

8.6% in 2010 and 4.9% in 2011 after growing 17.5% in 2009. The BRIC countries were expected to contribute 37.4% and 50.5% of the incremental demand in 2010 and 2011, respectively.

The following table sets forth the WSA's 2009 figures and 2010 and 2011 forecasts for global steel consumption based on apparent steel use by country or region.

	Year ended December 31,					
	2009(a)	2010(f)	2011(f)	2009	2010	2011
Country/Region	(in million tons)			(percentage change)		
EU	117.2	139.4	147.4	(35.7)	18.9	5.7
Other Europe	23.9	28.7	31.4	(17.3)	20.1	9.5
CIS	35.8	45.3	50.3	(28.3)	26.5	11.1
NAFTA	82.7	108.5	118.0	(36.2)	31.3	8.7
Central and South America	34.1	43.6	47.6	(23.6)	28.2	9.1
Africa	26.6	28.0	30.0	9.7	5.1	7.1
Middle East	42.2	45.6	47.6	(7.5)	7.9	4.4
China	542.4	578.7	599.0	24.8	6.7	3.5
India	55.3	63.0	71.6	7.7	13.9	13.7
Asia and Oceania	762.8	833.1	867.4	8.9	9.2	4.1
World	1,125.3	1,272.2	1,339.7	(6.6)	13.1	5.3
BRIC	641.0	696.0	730.1	17.5	8.6	4.9
World (excl. BRIC)	484.3	576.3	609.6	(26.6)	19.0	5.8
World (excl. China)	582.9	693.5	740.7	(24.4)	19.0	6.8

Source: WSA Short Range Outlook for Apparent Steel Use October 2010 Tables

(a) Actual
(f) Forecast

Korean Steel Industry

History and Overview

The Korean steel industry has played a crucial role in the economic development of Korea, by supplying a key industrial raw material to other basic industries such as automobile, shipbuilding and construction. Korea's modern steel industry began in 1953 with the establishment of Daehan Heavy Industry Co., Ltd. (the Company's predecessor). With the construction of POSCO's first blast furnace in 1973, Korea commenced the production of steel through the integrated steel-making process. In 1970s and 1980s, steel production capacity in Korea increased rapidly supported by the government's economic policy focused on the industrial development and growth. During this period, POSCO expanded its Pohang Works and constructed its Gwangyang Works, while electric arc furnace operators increased their capacities significantly. In the late 1990s, the Korean steel industry experienced a significant decrease in steel demand in the wake of the Asian financial crisis, as a result of which several steel producers, including Hanbo Steel, were restructured. Since 2000, as Chinese steelmakers increased their production, the Korean steel industry has focused primarily on achieving qualitative growth through the development of high value-added products in order to remain competitive in the global market.

According to the WSA, in 2010, Korea was the sixth largest producer of crude steel in the world, producing approximately 58.5 million tons of crude steel, which represented a

20.3% increase in production over 2009. In 2009, Korea had the highest per capita consumption of steel in the world with 938kg, which exceeded 418kg for Japan, 415kg for China and 194kg for the United States.

The nominal gross domestic production ("NGDP") of the Korean steel industry increased from ₩10.2 trillion in 2000 to ₩20.1 trillion in 2009, accounting for 2.1% of the NGDP of all industries and 7.6% of the NGDP of the manufacturing industry in 2009. The nominal investment in facilities and equipment for the steel industry has increased from ₩1.7 trillion in 2000 to ₩8.8 trillion in 2009. The following table sets forth the NGDP, nominal export and import, nominal investment and employees of the Korean steel industry compared to other industries for the years indicated.

Classification		1980	1990	2000	2005	2009
NGDP						
(Won in billions)	All Industries	34,490	167,713	538,548	775,890	958,231
	Manufacturing Industry	8,431	45,725	152,177	213,646	265,783
	Steel Industry	569	3,940	10,207	19,461	20,132
	Steel's Percentage of All Industries (%)	1.6	2.3	1.9	2.5	2.1
	Steel's Percentage of Manufacturing Industry (%)	6.7	8.6	6.7	9.1	7.6
Export						
(US$ in billions).	All Industries	17.5	65.0	172.3	284.4	363.5
	Steel Industry	1.9	4.2	7.6	16.2	22.1
	Steel's Percentage of All Industries (%)	11.0	6.5	4.1	5.1	6.1
Import						
(US$ in billions).	All Industries	22.3	69.8	160.5	261.2	323.1
	Steel Industry	1.8	4.1	6.8	18.3	23.4
	Steel's Percentage of All Industries (%)	8.1	5.9	4.2	7.0	7.2
Investment						
(Won in billions)	Manufacturing Industry	2,318	16,095	24,420	44,859	44,006
	Steel Industry	457	2,582	1,258	4,599	8,599
	Steel's Percentage of Manufacturing Industry (%)	19.7	16.0	5.2	10.3	19.4
Employment						
(in thousands)	Manufacturing Industry	N/A	N/A	2,328	2,435	2,454
	Steel Industry	N/A	N/A	62	69	78
	Steel's Percentage of Manufacturing Industry (%)	N/A	N/A	2.7	2.8	3.2

Source: Korea Iron & Steel Association, the Bank of Korea, National Statistical Office, the Korea Development Bank, Korea International Trade Association

N/A: Not available.

Domestic Steel Production

Crude steel is produced in Korea through both the BF-BOF process and the EAF process. The following table sets forth the total domestic crude steel production by type of production method for the periods indicated.

Year (in million tons, except percentage)	Electric Arc Furnace	Blast Furnace	Total	Change from Previous Year
2005	21.1	26.7	47.8	0.6%
2006	22.2	26.3	48.5	1.3%
2007	24.0	27.6	51.5	6.3%
2008	23.2	30.1	53.3	3.5%
2009	20.9	27.7	48.6	(8.9%)
2010	24.3	34.1	58.4	20.2%

Source: Korea Iron & Steel Association

Various steel products, including long products, HRCs, sheets and stainless steel, are manufactured from crude steel. The Korean steel companies can be generally classified as follows, based on the type of products produced and production methods used.

Production Method/Product Type	Company
Blast Furnace/Integrated Steel Producer . . .	POSCO, Hyundai Steel
Electric Arc Furnace.	Hyundai Steel, Dongguk Steel, KISCO, Daehan Steel, YK Steel, HANSCO
Specialty Steel.	POSCO Specialty Steel, Seah Besteel
Cold Rolled Steel.	Hyundai Hysco, Dongbu Steel, Union Steel, POSCO C&C, TCC Tongyang, Dongguk Industries, Hankook Metal
Stainless Steel	BNG Steel, Daeyang Steel

Source: Korea Iron & Steel Association

Domestic Steel Demand

Domestic steel demand is driven by demand mainly from the automobile, shipbuilding, construction, electronics and machinery industries. Long products are used primarily in the construction industry, while flat products are used primarily in other industries. According to the Korea Iron & Steel Association, in 2010, Korea's apparent steel consumption was 52 million tons, a 14.4% increase over the previous year. According to the Korea Iron & Steel Association, the domestic consumption of long products increased to 19.0 million tons in 2010 from 18.1 million tons in 2009 primarily due to the recovery in the construction industry, while the domestic consumption of flat products increased to 27.9 million tons in 2010 from 22.7 million tons in 2009 primarily due to strong demand from the automobile, machinery, electronics and shipbuilding industries. According to the Korea Iron & Steel Association, in 2011, domestic steel consumption is expected to increase by 3.8% from 2010 to approximately 53.9 million tons.

Exports and Imports

In recent years, Korea's imports of steel products have exceeded exports, as domestic demand exceeded domestic production capacity. The following table sets forth Korea's total exports and imports of steel products for the periods indicated.

Year (in million tons)	Exports	Imports
2005	16.3	18.9
2006	18.2	22.5
2007	19.1	26.5
2008	20.8	28.9
2009	20.5	20.6
2010	24.9	25.1

Source: Korea Iron & Steel Association

Business

The following discussion is based on non-consolidated financial information of the Company unless otherwise indicated.

Overview

The Company is the only steelmaker in Korea with both fully integrated steel mill and mini-mill operations. As Korea's oldest steelmaker, the Company has been a leader in mini-mill steel production in Korea as well as globally. With initial commercial production commencing at its new state-of-the-art, eco-friendly integrated steel mill facilities in April 2010, the Company became one of the two integrated steel producers in Korea and plans to expand its integrated mill production capacity to approximately 12 million tons per year by 2014. The Company currently has its production facilities in Incheon, Pohang and Dangjin, Korea. All of the Company's integrated steel production facilities are located in Dangjin. The Company believes that the new products and markets that the integrated steel mill operations add to its mini-mill steel products and markets will lead to continued stable growth of its operations.

Historically, the Company has maintained a leading market position in the mini-mill industry in Korea and in the world. Based on the Company's sales volume in 2010 and crude steel production capacity as of December 31, 2010, the Company was the largest electric arc furnace steel producer in Korea and the second largest in the world. Mini-mill operations consist of manufacturing and distribution of hot rolled steel products produced from steel scrap, using electric arc furnaces, continuous casting machines and automated rolling mills. The Company's reinforcing bars, H-beams, structural sections, ingots and track chain assemblies, used mainly in the construction industry, as well as some of its HRC products are produced at its mini-mill works in Incheon, Pohang and Dangjin, with a total combined crude steel production capacity of 15 million tons per year.

In addition, the Company commenced commercial production at its integrated steel mill in Dangjin in April 2010. The Company currently has two blast furnaces, a plate mill and two hot rolling mills, which enable the Company to produce high-quality flat steel products such as HRC products for automobiles and heavy plates for shipbuilding. With commercial production starting at its second blast furnace in January 2011, the Company's integrated steel mill had an annual product capacity of 6.5 million tons of HRC products and 1.5 million tons of heavy plates as of February 28, 2011. The Company plans to expand its integrated steel production capacity by adding a third blast furnace by 2013, which is expected to reach an annual crude steel production capacity of 4.0 million tons by 2014. The Company began construction of its third blast furnace on April 12, 2011.

The Company manufactures and sells a diversified line of steel products, including reinforcing bars, H-beams and structural sections, HRC products, heavy plates, stainless steel products and other steel products for heavy machinery, which meet a broad range of customer needs from manufacturing and other industries that consume steel, including the construction, automotive, shipbuilding, home appliance, engineering and machinery industries. Long steel products (such as reinforcing bars and H-beams) and flat steel products (such as HRCs and heavy plates) constitute substantially all of the Company's sales, accounting for approximately 54% and 37%, respectively, of the Company's total sales volume in tons in 2010. The Company expects that its current two blast furnaces will reach their full-scale operating capacity by 2012, when the sales volume in tons of flat steel products is expected to constitute close to half of the Company's total sales volume.

The Company enjoys a significant domestic market share in many of its principal product areas. While the primary end-users of the Company's hot rolled long steel products are construction companies, higher quality HRC products and heavy plates produced from blast furnaces are used primarily by automakers and shipbuilders, respectively, including HMC and Kia, the Company's affiliates, and HHI, the largest shipbuilder in the world. The Company expects to continue to provide its HRC products and heavy plates primarily to HMC, Kia and HHI, directly or (in the case of HRCs for HMC and Kia) indirectly through Hyundai Hysco.

In 2010, the Company recorded sales of ₩10,198 billion and net income of ₩1,014 billion. As of December 31, 2010, the Company had total assets of ₩18,196 billion. In 2010, domestic sales accounted for approximately 69% of the Company's total sales volume in tons. The Company maintains its export sales mix to ensure maximum capacity utilization through business cycles and to balance its foreign exchange exposure associated with its purchases of imported raw materials.

Competitive Strengths

Balanced Product Portfolio

As the only steelmaker in Korea with both blast furnace and electric arc furnace operations, the Company has a balanced product portfolio that includes both long steel and flat steel products. Historically, long steel products, such as reinforcing bars and H-beams, comprised a majority of the Company's sales. In 2008, prior to the completion of the Company's integrated steel mill at Dangjin, long steel and flat steel products accounted for approximately 65% and 23%, respectively, of the Company's total sales. With the commencement of commercial production at the Company's first blast furnace at the integrated steel mill in April 2010, the Company's production of flat steel products, including HRC and heavy plate products, has increased and accounted for approximately 35% of the Company's total sales in 2010. The Company plans to further increase its sales of flat steel products by ramping up production at the Company's second blast furnace, which commenced operations in January 2011, and constructing a third blast furnace at Dangjin, which will be operational in 2014. Due to the Company's balanced portfolio of long steel and flat steel products, the Company believes that it has diversified its risk exposure and reduced its reliance on sales to any single industry or market. The Company's long steel products are primarily consumed in the domestic construction industry, while its flat steel products are primarily used in the export-driven automobile and shipbuilding industries.

Stable Demand from, and Synergies with, Hyundai Motor Group Companies

As a member of the Hyundai Motor Group, the Company benefits from its business relationship with other member companies of the Group, which serve as a stable source of demand for the Company's products. The Company is a major supplier of HRC products to Hyundai Hysco, another Group company that produces cold rolled steel products, such as automotive sheets, from HRCs. Hyundai Hysco, in turn, is the primary supplier of automotive sheets to HMC and Kia, which are the leading automobile manufacturers in Korea. The Company supplied 1.5 million tons of HRC products to Hyundai Hysco in 2010, which accounted for approximately 31% of the aggregate demand of Hyundai Hysco for HRC products in 2010 according to Company estimates. Hyundai Hysco's demand for HRC products is expected to increase as the Hyundai Motor Group seeks to increase its global automobile production. The Company's close collaboration with HMC, Kia and Hyundai

Hysco in research and development has enabled it to develop production technologies for automotive sheets that accommodate HMC's and Kia's specific needs, which in turn has strengthened the Company's position as the main steel supplier to these companies through Hyundai Hysco. The Company expects that its sales to Hyundai Hysco will continue to grow in volume as the Company increases production from its blast furnaces, while becoming more focused on high value-added products such as premium automotive sheets as the Company continues to enhance its technological capabilities. In addition, in 2010, the Company started to supply heavy plates to HHI, the largest shipbuilder in the world in terms of the tonnage of ships constructed, which, although not a member company of the Hyundai Motor Group, has a close business relationship with the Company, including as a result of the history of their affiliation under the former Hyundai Group umbrella and family ties between their respective controlling shareholders and senior management. The Company expects that its sales to HHI will increase with the ramp-up in production of heavy plates at its integrated steel mill.

Stable Operating Margins based on Leading Domestic Market Position in Long Steel Products

The Company is the leading producer of long steel products in Korea, with a market share of approximately 50% for H-beams and approximately 30% for reinforcing bars, based on total sales volume in 2010. The Company's competitors in the domestic long steel market have significantly less production capacity than the Company. As the leading producer, the Company has strong bargaining power with respect to purchasers in the long steel market, most importantly construction companies in Korea, which enables the Company to pass on a significant portion of any increases in production cost to customers. Furthermore, on April 1, 2011, certain companies of the Hyundai Motor Group acquired a controlling stake in Hyundai Engineering & Construction Co., Ltd. ("Hyundai Construction"), a leading construction company in Korea. Although the Company does not hold any equity interest in Hyundai Construction, the Company expects that this acquisition will strengthen its existing supply relationship with Hyundai Construction and further solidify the Company's position as the leading producer in Korea of long steel products. In addition, the size of the Company's operations enables it to obtain economies of scale and invest more extensively and cost effectively compared to its competitors. The Company believes that its leading market position in the domestic long steel market has contributed, and will continue to contribute, to the Company's relatively stable operating margins.

State-of-the-Art and Eco-friendly Production Facilities

The Company believes that its advanced and efficient production facilities provide it with a competitive advantage relative to other domestic, as well as foreign, steelmakers. The Company's Dangjin Works, which comprises blast furnaces, steel-making and continuous casting plants, HRC plants, a heavy plate plant, a port and raw material processing facilities in addition to electric arc furnace facilities, functions as a fully integrated steel mill capable of producing HRCs and heavy plates from iron ore and coal. Completed in 2010, the new integrated steel mill employs state-of-the-art technologies that are cost- and energy-efficient and eco-friendly. For example, Dangjin Works is equipped with an innovative raw material processing system that enables the Company to unload iron ore and coal from ships quickly, transport them on conveyor belts and store them in airtight domes and linear storage buildings to prevent scattering of dust and limit air pollution. The Company has acquired ISO 9001 (quality management) and ISO 14001 (environmental management) certifications with respect to both its integrated steel mill at Dangjin and its electric arc furnaces. The large capacity (5,250m^3) of each of the Company's blast furnaces also contributes to its high productivity.

Experienced Management Team

The Company's senior management team and key operating personnel have extensive operating experience in the steel industry. Mr. Mong Koo Chung, the Company's Director, also serves as the Chairman of the Hyundai Motor Group and has been instrumental in forging the Company's cooperative business relationship with other Group companies. Members of the Company's current management team have successfully implemented significant strategic initiatives that have enabled the Company's growth, including the acquisition of Hanbo Steel's Dangjin Works and the construction of the Company's integrated steel mill as well as the merger with Kangwon Industry and the acquisition of Sammi Steel Company (currently BNG Steel, the Company's subsidiary). See "— History and Growth."

Business Strategy

Through the following principal business strategies, the Company aims to continue to pursue balanced growth in order to strengthen its position as a world-leading steelmaker in terms of both production volume and technology.

Increase Production Capacity to Achieve Greater Economies of Scale

The Company's crude steel production capacity has grown significantly from 4.8 million tons per year as of December 31, 1998 to approximately 15.2 million tons per year as of December 31, 2010, representing a compounded annual average growth rate of 9.4%. Such growth was driven both by acquisitions between 2000 and 2005 and by the construction of the Company's integrated steel mill facilities at Dangjin. See "— History and Growth." The growth in the Company's production capacity has allowed the Company to manage its manufacturing and distribution costs more effectively, with lower per-unit procurement and logistics costs, increased bargaining power with respect to suppliers and customers, improved product flow and better management of inventory. In addition, the Company's increased production scale provides the Company with greater resources to support its fixed costs, such as research and development expenses, and permits the use of shared services to eliminate duplicative business functions and administrative expenses. The Company plans to further increase its production capacity by ramping up production at its second blast furnace and constructing a third blast furnace at Dangjin, which the Company believes will enable it to achieve greater economies of scale and cost efficiencies. The Company expects that the increased production of HRC products and heavy plates will be absorbed primarily in domestic markets where the demand for such products has exceeded the supply, including through an increase in sales to the Hyundai Motor Group companies and HHI.

Continue Pursuing Balanced Growth between Electric Arc Furnace and Integrated Steel Mill Businesses

The Company is committed to ensuring that its business is not overly dependent on any particular downstream industry, and the Company therefore seeks to continue diversifying its growth opportunities. The Company believes that balanced growth between electric arc furnace and integrated steel mill businesses can enable it to achieve stable operating margins while reducing the adverse effects from cyclical fluctuations in any single industry.

Through the addition of blast furnace production capacity, including through the construction of its third blast finance, the Company plans to increase the production of HRC and heavy plate products from its integrated steel mill to strengthen its position as a supplier of flat steel products to the automobile and shipbuilding industries. At the same time, the Company plans to maintain its leading position in long steel products produced at the Company's electric arc furnaces and supplied to the construction industry, by continuing its research and development efforts in this area and making timely investments to modernize core facilities and rationalize manufacturing processes. The Company also plans to improve its overseas marketing capabilities to diversify its customer base and reduce its exposure to fluctuations in the Korean economy.

Secure Stable Sources of Raw Materials

The Company purchases steel scrap, the primary raw material for its electric arc furnaces, from domestic and foreign sources, while importing substantially all of its iron ore and coal, the primary raw materials for its blast furnaces, from sources outside Korea. Market prices of these raw materials have fluctuated substantially in recent years. In order to secure stable sources of supply for its iron ore and coal requirements, the Company has entered into long-term supply contracts with Australia's BHP Billiton and Rio Tinto, as well as Brazil's Vale, and will continue to search for opportunities to establish similar supply relationships with leading international producers of iron ore and coal. With respect to steel scrap, the Company continues to maintain long-term relationships with large suppliers in Korea.

Increase Sales of High Value-Added Products

The Company plans to increase production and sales of high value-added products, such as premium automotive steel sheets and high-strength steel plates, by leveraging its close relationships with major automobile, shipbuilding and construction companies in Korea and utilizing increased production capacity from its blast furnaces. The operation of the Company's blast furnaces starting from 2010 has allowed the Company to manufacture its own steel slabs with unique properties and dimensions suitable for automotive use, adding to the Company's capacity to supply steel products to customers in the automobile industry. By leveraging its strong business relationship with HMC, Kia and Hyundai Hysco, the Company plans to produce and sell a wider range of premium automotive sheets, including those for use in outer panels, fenders, hoods and structural frames. The Company also plans to develop high-strength and value-added steel products for the shipbuilding and construction industries, including plates for off-shore structures and high-strength API-grade steel used mainly for pipelines.

Enhance Technological Capabilities

The Company's research center located at Dangjin, which opened in February 2007, has been instrumental in its ability to develop key product and manufacturing technologies in a relatively short period of time. The success of the Company's research and development efforts was aided by its close collaboration with HMC, Kia and Hyundai Hysco in the area of automotive steel sheets, as well as the Company's technology alliance with Germany's Thyssen Krupp Group, a global integrated materials and technology group, in the area of integrated steel mill construction and operation. The Company plans to expand its research center in terms of both size and number of personnel, in order to enable it to continue enhancing its technological capabilities. With such added research and development capabilities, the Company plans to shift its technology development focus from core steel-making technologies to high value-added steel products, such as ultra high-strength products, diversified H-beams for aseismic structures and heat-treatment products.

Focus on Manufacturing Efficiency

The Company continually seeks to achieve cost reductions through improved production processes and energy recycling. The Company is focused on implementing advanced manufacturing methods that can optimize its production efficiency and enhance the quality of its products. For example, through its Early Vendor Involvement program, the Company invites end-users to provide input early in the production process in order to supply products that meet customers' needs. The Company also continually seeks to improve the quality of its products and prevent safety incidents, thereby cutting production costs and achieving greater customer satisfaction, by utilizing its accumulated know-how and skilled workforce. In addition, the Company is making various efforts to reduce energy consumption and recycle industrial by-products. For example, HGP, which is operated jointly by the Company and Korea Midland Power Co., Ltd., a power plant supplier, supplies approximately 55% of Dangjin Works' power requirements using by-product gas emitted by Dangjin Works. Furthermore, the Company plans to install energy collection facilities at selected stages of the steel-making process to collect and recycle heat and gas generated by the Company's blast furnaces. The Company also plans to recycle up to 99% of the by-products generated by its production processes, such as coal tar, crude light oil and slags. The Company aims to pursue cost efficiency as well as eco-friendly growth through its efforts toward energy conservation and recycling.

History and Growth

The Company was established by the Korean government on June 10, 1953 as Daehan Heavy Industries Co., Ltd., which changed its name to Inchon Heavy Industries Co., Ltd. when it was privatized in 1962. In 1970, Inchon Heavy Industries merged into Inchon Iron & Steel Co., Ltd. In 2000, the Company acquired Kangwon Industry, which was a mini-mill steel producer based in Pohang, and a 68.4% equity interest in BNG Steel Co., Ltd. ("BNG Steel") (formerly Sammi Steel Co., Ltd.), a stainless steel producer. In 2001, the Company changed its name to INI Steel Company. In 2004, the Company acquired Hanbo Steel's Dangjin Works. The Company has established its integrated steel mill operations in Dangjin by constructing its first and second blast furnaces in 2010 and commenced commercial production from those furnaces in April 2010 and January 2011, respectively.

The Company became a member company of the former Hyundai Group in 1978 and was disaffiliated from the former Hyundai Group in 2000 when the member companies of the current Hyundai Motor Group were disaffiliated from the former Hyundai Group. The Company became a member company of the Hyundai Motor Group in 2001, when the Fair Trade Commission designated the Hyundai Motor Group as a new "large scale business group." See "Principal Shareholders" and "The Hyundai Motor Group."

Major Products

The Company manufactures and sells a broad range of steel products, covering all three types of steel products that steelmakers usually produce: long steel products, flat steel products and stainless steel. More specifically, the Company produces and sells the following products:

- Long Steel:
  – Reinforcing bars ("rebars" or deformed bars)
  – H-beams
  – Structural sections (including channels, piles and angles)

- Flat Steel:
  – HRC
  – Heavy plates

- Others:
  – Stainless steel and heavy machinery components

The table below sets out, on a non-consolidated basis, the Company's sales volume in tons and percentage of total sales volume by major steel product category for the periods indicated.

Year Ended December 31, (in thousand tons, except percentages)	2008		2009		2010	
	Sales volume	Percentage	Sales volume	Percentage	Sales volume	Percentage
Long Steel:						
Reinforcing bars	3,602	34%	3,687	37%	3,319	28%
H-beams	2,365	23	1,977	20	2,219	18
Structural sections	918	9	1,147	12	926	8
Subtotal	6,885	66	6,811	69	6,464	54
Flat Steel:						
HRC	2,771	27	2,529	25	3,611	30
Heavy plates	—		—		814	7
Subtotal	2,771	27	2,529	25	4,425	37
Others(1)	800	8	586	6	1,156	10
Total	10,456	100	9,926	100	12,045	100

Note:
(1) Includes stainless steel products and other steel products supplied primarily to heavy machinery manufacturers.

Long Steel

Long steel products, such as bars and structural sections, are rolled from blooms and billets, using electric arc furnaces. Billets and blooms are semi-finished steel products. These products are either continuously cast or rolled from ingots and are used for further processing by rolling to produce finished products like bars, H-beams and other structural sections. Bars are long steel products that are rolled from billets. Structural sections or shapes refer to hot rolled flanged shapes and include H-beams, channels, piles and angles. The Company's long steel products have various industrial applications. They are used primarily as structural steel for the construction of buildings, structures, bridges, harbors, ships, tunnels and railroads. Other applications after further processing include heavy machinery components and automobile components.

The following table shows the Company's annual product capacity for major long steel products as of December 31, 2010.

	Incheon Works	Pohang Works	Dangjin Works
Annual product capacity (in thousand tons).	4,396	3,212	1,261

Reinforcing bars

Reinforcing bars, also known as deformed bars or "rebars", are steel bars used to strengthen concrete in highways, bridges and buildings. Reinforcing bars are rolled with deformations on the bar, which provides gripping power so that concrete adheres to and is reinforced by the bar. The Company believes it has the largest domestic market share for reinforcing bars.

H-beams

H-beams are beams with H-shaped cross sections and are used primarily in the construction of buildings. The Company is Korea's leading H-beam producer, with an approximately 50% market share in 2010 according to Company estimates based on industry reports and public disclosure materials of other steelmakers. It is also one of the world's leading producers of H-beams.

Structural sections

The Company produces various steel shapes such as T-sections, I-beams and I-section steel for mine support, angles, channels, sheet piles, track shoes, mast beams and rails.

Flat Steel

Flat products, such as HRCs or plates, are produced from slabs or through continuous casting. A slab is a semi-finished steel product obtained by the continuous casting of steel or rolling ingots on a rolling mill and cutting them into various lengths. A slab has a rectangular cross-section and is used as a starting material in the production process of other flat products such as hot rolled sheets.

The following table shows the Company's product capacity for major flat steel products as of December 31, 2010 based on the actual number of days of operations in 2010.

	Incheon Works	Pohang Works	Dangjin Works
Actual product capacity (in thousand tons) .	—	—	5,125

HRC

HRC products are flat rolled steel sheets. HRC products have many different industrial applications. They are used to produce structural steel used for automotive sheets, industrial pipes, automobile chassis and the construction of buildings. HRC 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. The Company began producing HRC products with the acquisition in 2004 of Hanbo Steel's electric arc furnace facilities at Dangjin, which utilize continuous casting machines to produce flat sheets. The Company added a slab-based HRC plant to its facilities in 2006, and it intends to further expand HRC production through its new blast furnaces. Out of the Company's HRC sales in 2010, 2,694 tons of sales volume or ₩2,123 billion of revenue was attributable to HRCs produced from its state-of-the-art first blast furnace, representing 75% of both HRC sales volume and revenues. The Company expects that the portion of HRC products produced from its blast furnaces, primarily for sales to Hyundai Hysco for use by HMC and Kia, will continue to increase as it expands its blast furnace production capacity.

Heavy plates

Heavy plates are produced by hot-rolling reheated slabs or ingots supplied exclusively from blast furnaces. Heavy plates are widely used in the structural components of ships, bridges, offshore structures and other very large structures. Accordingly, heavy plates require superior strength and durability to ensure long-term safety and reliability for use under diverse conditions. The Company commenced its production of heavy plates in 2010 and expects that the portion of its sales accounted for by heavy plates will continue to increase as it expands its blast furnace production capacity. The Korean shipbuilding industry is and is expected to continue to be the Company's largest customer of heavy plates.

Others

Stainless steel is steel with a carbon content of 1.2% or less, with a chromium content of at least 10.5% and possibly with additional alloying elements. Stainless steel products are used by the chemical, aviation, automobile, construction, electrical appliances and food processing industries. The Company believes that, when combined with BNG Steel, its subsidiary, it is the second largest cold rolled stainless steel producer in Korea in terms of sales volume in tons. In 2010, the Company and BNG Steel produced approximately 0.1 million tons and 0.2 million tons of stainless steel, respectively.

The Company also produces heavy machinery products such as steel casting products and ingots, cast rolls, heavy construction equipment components and crushers. Steel casting products (such as rudder horns and anchors) and ingots are used mainly in the shipbuilding industry. The Company manufactures fork arms for lift trucks and undercarriage parts, such as track chain assemblies, links and track shoes and a variety of machinery including feeders, vibrating screens, crushers, crushing plants and grinding mills at its Pohang Works. The Company also produces semi-finished hot rolled products such as billets, blooms and beam blanks.

Markets and Sales

The Company markets and sells its steel products in both the domestic market and the export market. Korea is the Company's most important market. Domestic sales represented 78%, 72% and 69% of the Company's total sales volume and 75%, 73% and 69% of the Company's sales revenues in 2008, 2009 and 2010, respectively. The portion of the Company's sales revenues accounted for by sales to Hyundai Motor Group companies, such as HMC, Kia and Hyundai Hysco, increased from 9% and 8% in 2008 and 2009, respectively, to 13% in 2010. The Company's sales strategy has been to devote its production primarily to satisfy domestic demand, while seeking export sales to utilize capacity to the fullest extent, to expand its international market presence and to earn foreign exchange.

Domestic Market and Sales

The table below sets out the Company's domestic sales volume in tons and percentage of total sales volume by major steel product category for the periods indicated, on a non-consolidated basis.

Year Ended December 31, (in thousand tons, except percentages)	2008		2009		2010	
	Sales volume	Percentage	Sales volume	Percentage	Sales volume	Percentage
Long Steel:						
Reinforcing bars	3,464	42%	3,013	42%	2,627	32%
H-beams	1,304	16	1,017	14	1,167	14
Structural sections	633	8	572	8	545	7
Subtotal	5,400	66	4,602	65	4,339	53
Flat Steel:						
HRC	2,230	27	2,091	29	2,842	34
Heavy plate	—		—		587	7
Subtotal	2,230	27	2,091	29	3,429	41
Others(1)	551	7	432	6	501	6
Total(2)	8,182	100	7,125	100	8,269	100

Note:
(1) Includes stainless steel products and other steel products supplied primarily to heavy machinery manufacturers.
(2) Includes sales to Hyundai Hysco and HHI.

In 2010, the Company had a domestic market share of approximately 31% in the reinforcing bars segment, 50% in the H-beams segment, 18% in the HRC segment and 7% in the heavy plates segment, according to Company estimates based on sales volume data released by Korea Iron & Steel Association for the domestic market (including imports) as well as public disclosure materials of other steelmakers.

Price is the most important competitive factor in the domestic market. In setting prices, the Company takes into account its costs, supply (both by domestic manufacturers and imports) and demand in the Korean market and, to a lesser extent, conditions in the international steel market.

The Company's sales are made either through distributors or directly to end-users. The Company sells long steel products primarily through its distributors, including sales brokers, whereas a large majority of its flat steel products are sold directly to end-users. In addition, the Company sells its products directly to its end-users when they are the Company's major customers, and uses distributors for smaller customers. In 2010, domestic sales through distributors in terms of sales volume in tons accounted for approximately 40% of the Company's total sales and approximately 82% of the Company's sales of reinforcing bars, 70% of its H-beam sales, 55% of its structural section sales, 23% of its HRC sales, 10% of its heavy plate sales, and 55% of its sales of other products.

The Company has four regional sales departments for domestic steel sales: one covering the Seoul metropolitan area, one covering Daejon and the central region of Korea, one covering Busan and the southeastern region of Korea, and one covering Gwangju and the southwestern region of Korea. Approximately 60% of domestic sales are conducted on a cash basis and the remaining 40% of domestic sales are made against promissory notes that are paid on average 60 days after the sales.

For a discussion of the Company's domestic sales of steel products in 2008, 2009 and 2010, and factors that affect domestic sales, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations."

Sales to Hyundai Hysco and HHI

The Company supplies its HRC products to Hyundai Hysco and its heavy plates to HHI. These sales are accounted for in the Company's domestic sales. The Company supplied 1.5 million tons of HRC products to Hyundai Hysco in 2010, which accounted for approximately 31% of the aggregate demand of Hyundai Hysco in HRC products in 2010, according to Company estimates. Hyundai Hysco produces cold rolled steel products, such as automotive sheets, from HRCs and supplies them to HMC and Kia. In 2010, the Company started to supply heavy plates to HHI, the largest shipbuilder in the world in terms of the tonnage of ships constructed.

The Company has a team dedicated to managing business with auto panel suppliers, including Hyundai Hysco-dedicated personnel, as well as a team dedicated to sales to shipbuilding companies.

Export Markets and Sales

The table below sets forth the Company's export sales volume in tons and percentage of total sales volume by geographical market and by product for the periods indicated, on a non-consolidated basis.

Year Ended December 31,	2008		2009		2010	
(in thousand tons, except percentages)	Sales volume	Percentage	Sales volume	Percentage	Sales volume	Percentage
By region						
Southeast Asia	480	21%	1,053	38%	1,194	32%
Middle East (including Southwest Asia)	470	21	534	19	834	22
Greater China (including Hong Kong and Taiwan)	179	8	492	18	677	18
Americas	401	18	237	8	349	9
Others	744	32	485	17	721	19
Total exports[(1)]	2,274	100	2,801	100	3,775	100
By product						
Long Steel:						
Reinforcing bars	138	6	674	24	692	18
H-beams	1,061	47	960	34	1,052	28
Structural sections	285	13	575	21	381	10
Subtotal	1,485	65	2,209	79	2,125	56
Flat Steel:						
HRC	540	24	438	16	769	21
Heavy plate	—		—		227	6
Subtotal	540	24	438	16	996	27
Others[(2)]	249	11	154	5	655	17
Total exports[(1)]	2,274	100	2,801	100	3,776	100

Notes:

(1) Includes both direct export sales and exports made through Korean trading companies.

(2) Includes stainless steel products and other steel products supplied primarily to heavy machinery manufacturers.

The Company's largest export market in 2010 was Southeast Asia, followed by the Middle East including Southwest Asia. The Company's principal products exported to Southeast Asia are reinforcing bars and H-beams and those to the Middle East are H-beams. The Company also makes substantial export sales to Greater China. The Company's principal products exported to China are reinforcing bars and structural sections.

The Company's export prices can fluctuate considerably over time, depending on local market conditions, exchange rates and other factors. Recent difficulties affecting the U.S. and global financial sectors, adverse conditions and volatility in the U.S. and worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economies have increased the uncertainty of global economic prospects. Such developments have weakened global demand for steel, which has resulted in weak export prices in recent years. See "Industry Overview — The Global Steel Industry — Global Steel Outlook."

The Company distributes approximately 50% of its export products through Korean trading companies and approximately 42% of its export products through its seven overseas sales offices. Most of the Company's export sales are on a letter-of-credit basis and are made in U.S. dollar terms. Trading companies generally make payments through a local letter of credit, and customer-importers generally make payments with an irrevocable letter of credit, under which the Company receives payment on delivery of shipping documents in Korea.

The Company's products that have been subject to anti-dumping or countervailing duty proceedings in the aggregate have not accounted for a material portion of the Company's total sales in recent years. Consequently, the anti-dumping or countervailing duties imposed on the Company's products have not had a material adverse effect on the Company's total sales. However, there can be no assurance that further increases in or new imposition of anti-dumping duties, countervailing duties, quotas or tariffs on the Company's sales in China, the United States, Europe or elsewhere will not have a material adverse effect on the Company's exports to these or other regions in the future. See "Risk Factors — Risks Relating to the Company —The Company is subject to risks normally associated with cross-border transactions, and the Company's export products have been and may become subject to anti-dumping or countervailing duty proceedings."

Competition

Domestic Market

In the mini-mill sector, the Company is the oldest and largest electric arc furnace steel producer in Korea based on sales volume and production capacity. The Company believes that it has a leading market position in each of the domestic markets for reinforcing bars and H-beams, its major mini-mill products, and that such leading position provides the Company with competitive advantages such as economies of scale and a better position in its materials procurement and sales negotiations and pricing. The Company's major competitors in the mini-mill sector include Dongguk Steel Mill Co., Ltd. and various foreign producers, primarily from China and Japan.

In the integrated mill sector, the Company recently commenced commercial production when its first blast furnace became commercially operational in April 2010 and its second blast furnace in January 2011. The Company competes principally with POSCO, Korea's largest integrated steelmaker, in the Korean market for high-end flat steel products.

As a World Trade Organization signatory, Korea has removed all steel tariffs. The Korean government does not impose quotas on steel imports or provide subsidies to local steel producers. For a discussion of domestic market shares, see "— Markets and Sales — Domestic Market and Sales."

Export Markets

The competitors in the Company's export markets include all the leading steel manufacturers of the world. In recent years, there has been a trend toward industry consolidation among the Company's competitors, and smaller competitors in the global steel market today may become larger competitors in the future. For example, the merger between Mittal Steel and Arcelor in 2006 created a company with approximately 10% of global steel production capacity, and the consummation of the merger between Nippon Steel Corp. and Sumitomo Metal Industries, which is planned by the end of 2012, would result in the world's second largest steelmaker. Competition from global steel manufacturers with expanded production capacity and new market entrants, especially from China and India, could result in a significant increase in competition, although the ongoing restructuring in China's steel industry may reduce the total production capacity in China if carried out as reported in the press. Major competitive factors include range of products offered, quality, price, delivery performance and customer service. The Company's larger competitors may use their resources, which may be greater than the Company's, against the Company in a variety of ways, including by making additional acquisitions, investing in the procurement and production of raw materials, investing more aggressively in product development and capacity increases and displacing demand for the Company's products. See "Risk Factors — Risks Relating to the Steel Industry and the Global Economy — Other developments in the competitive environment in the steel industry than over-capacity could also have an adverse effect on the Company's competitive position and hence its business, financial condition, results of operations and prospects."

Various export markets currently impose tariffs on different types of steel products. However, the Company does not believe that tariffs significantly affect its ability to compete in these markets.

Raw Materials and Energy

Raw Materials for Electric Arc Furnace Operations

The Company's principal raw material for its mini-mills is steel scrap, which accounted for approximately 75% of its manufacturing costs (input costs for the relevant periods without taking account the effect of increases and decreases in inventories or credits to or debits from other accounts) in 2010.

In 2010, the Company procured 58% of its annual scrap requirements, or 5.3 million tons, in Korea. The Company's domestic steel scrap purchases are made from suppliers with which it has maintained long-standing informal arrangements. The Company's domestic suppliers of steel scrap are diversified and only two suppliers accounted for more than 5% of the Company's total domestic scrap purchase volume in 2010. The Company imported the remaining 42% of its annual scrap requirements, or 3.8 million tons, in 2010. The United States and Japan have been the major suppliers for imported scrap and are expected to remain so. The United States accounted for 38%, 43% and 46% of the Company's total imported scrap purchase volume in 2008, 2009 and 2010, respectively, while imports from Japan accounted for 36%, 43% and 37%, respectively.

The Company purchases substantially all of its steel scrap at spot market prices. The average scrap cost per ton used reached historically high levels in 2008 and late 2010. On a year-to-year basis, the Company's average scrap costs decreased 28% in 2009 and then increased 11% in 2010. To help offset the impact of high scrap prices, the Company focuses on reducing energy and other fixed costs and increasing the proportion of lower-cost scrap. Changes in scrap prices are based on changes in the global supply and demand for scrap, which is tied to the global supply and demand for steel products. In 2010 and through early 2011, demand for scrap and other raw materials rose sharply in response to increased demand, both domestically and internationally, for a wide range of products made from steel, without a corresponding increase in the global supply of those raw materials. In general, domestic scrap prices follow movements of imported scrap prices.

Raw Materials for Blast Furnace Operations

The principal raw materials used in producing steel at the Company's integrated steel mill are iron ore and coal. The Company imports substantially all of the iron ore and coal that it uses. In 2010, the Company imported approximately 12,939,000 dry metric tons of iron ore and 6,215,000 wet metric tons of coal. Iron ore is purchased primarily from BHP Billiton and Rio Tinto in Australia and Vale in Brazil, and coal is purchased primarily from BHP Billiton and Rio Tinto in Australia as well as other suppliers in the United States, Canada and Russia.

In 2010, the Company purchased most of its iron ore and coal imports pursuant to long-term contracts. The long-term contracts generally have terms of 5 to 13 years and provide for periodic price adjustments based on prevailing market prices.

Other Materials

The principal raw materials for the production of the Company's cold rolled stainless steel products are stainless steel hot coils. The Company purchases most of its stainless steel hot coils from POSCO based on long-standing informal arrangements and from various other domestic suppliers through short-term contracts, the remainder being supplied through imports, mostly from Japan. The short-term contracts generally have terms of one to three months.

Energy

The Company's operations are also highly dependent upon stable supply of electricity and gas. To date, KEPCO has provided sufficient electricity for the Company's steel production. The Company's integrated steel mill in Dangjin also has its own back-up power generation capability, and benefits from electricity supply arrangements with HGP. HGP, which is operated jointly by the Company and Korea Midland Power Co., Ltd., a power plant supplier, produces power using by-product gas emitted from the integrated steel mill in Dangjin and currently supplies approximately 55% of the Company's power demand in Dangjin. See "Risk Factors — Risks Relating to the Steel Industry and the Global Economy — Availability and cost of required energy are subject to volatile market conditions that could adversely affect the Company's production, especially its electric arc furnace operations."

Payments

The Company settles approximately 70% of its steel scrap imports through usance bills and the remaining 30% through cash payment, and it settles 100% of the domestic purchases of steel scrap through commercial paper with a maturity of up to 90 days. The Company settles almost all of its raw materials purchases for its integrated steel mill, which consist primarily of imported iron ore and coal, through usance bills. The Company's usance bills have a term of 180 to 360 days. The Company plans to increase the percentage of raw material purchases settled through cash payment in order to reduce its short-term borrowings and therefore interest expenses.

The Company purchases gas and electricity through cash payment.

Production Facilities

The Company's principal operating facilities are as follows:

Location	Total Area (m^2)	Principal Products
Incheon.	926,708	H-beams, structural sections, reinforcing bars, stainless steel, casting products and ingots
Pohang	720,043	H-beams, structural sections, reinforcing bars, round bars, medium- and large-sized rails, casting products and ingots, cast rolls, track shoes, cone and jaw crushers
Dangjin.	5,567,700	HRCs, heavy plates, reinforcing bars

As of December 31, 2010, the Company's steel mills in Incheon, Pohang and Dangjin together have an annual crude steel production capacity of 15 million tons and product capacity of 14 million tons. The Company's mini-mill facilities consist of 10 units of ultra-high power electric arc furnaces which supply molten steel to 9 units of continuous casting machines. Each of these electric arc furnaces is equipped with a scrap pre-heater, automatic additive system, water cooled wall and roof, and oxygen-fuel burner for efficient operation. The Company's integrated mill facilities consist of blast furnaces, steel-making and continuous casting plants, HRC plants, a heavy plate plant, a port and raw material processing facilities.

The Company closes each furnace for a period of approximately 7 to 15 days at a time for its semiannual maintenance. In addition, the Company performs monthly maintenance three to four times each month, which takes approximately 12 hours each time. The Company occasionally experiences unexpected interruptions due to accidents including fires and mechanical problems. For the past five years, the Company has not experienced any incidents of unexpected interruptions that affected its operation more than insignificantly. In order to reduce the risk of equipment failure, the Company follows a comprehensive maintenance and loss prevention program, has on-site maintenance and repair facilities, and maintains an inventory of spare parts and machinery. For example, the Company maintains a spare electric arc furnace transformer as well as spare caster parts, mechanical parts and electrical controls for its cranes and other tools. However, there can be no assurance that there will not be any material production interruptions. See "Risk Factors — Risks Relating to the Company — Unexpected production interruptions and related losses may adversely affect the Company's operations and financial results."

Incheon Works

The Company's Incheon Works, which have the largest electric arc furnace in Korea, had an annual crude steel production capacity of 4,523,000 tons and an annual product capacity of 4,396,000 tons as of December 31, 2010. Located on a site of 0.9 million square meters at Incheon, a port city west of the Seoul metropolitan area, Incheon Works consist of five electric arc furnaces and four casting and rolling machines. Products produced at Incheon Works include H-beams, structural sections such as angles and channels, reinforcing bars, cold rolled stainless steel products, casting products and ingots. Most of these products can also be customized to meet the specifications of the Company's customers.

The following table sets forth the product capacity, actual steel output and capacity utilization rate for Incheon Works for the periods indicated.

	2008	2009	2010
Annual product capacity (in thousand tons)[(1)]	4,262	4,396	4,396
Actual steel output (in thousand tons)	3,864	3,560	3,515
Capacity utilization rate (%)[(2)]	91	81	80

Notes:
(1) Calculated as the sum of the daily product capacity for the period, based on actual days of operations.
(2) Ratio of actual steel output to product capacity.

Pohang Works

The Company's Pohang Works had an annual crude steel production capacity of 3,205,000 tons and an annual product capacity of 3,212,000 tons as of December 31, 2010. Located on a site of 0.7 million square meters at Pohang on the eastern coast of Korea, close to some of Korea's major manufacturing centers such as Ulsan and Busan, Pohang Works consist of four units of electric arc furnaces and four casting, rolling and heavy machinery plants. Products made at Pohang Works include H-beams, structural sections such as angles, channels, sheet piles and mast beams, reinforcing bars, round bars, casting rolls, heavy construction equipment components and a variety of machinery including crushers and mills. These products can also be customized to meet the specifications of the Company's customers.

The following table sets forth the product capacity, actual steel output and capacity utilization rate for Pohang Works for the periods indicated.

	2008	2009	2010
Annual product capacity (in thousand tons)[(1)]	3,253	3,212	3,212
Actual steel output (in thousand tons)	2,913	2,616	2,731
Capacity utilization rate (%)[(2)]	90	81	85

Notes:
(1) Calculated as the sum of the daily product capacity for the period, based on actual days of operations.
(2) Ratio of actual steel output to product capacity.

Dangjin Works

As of December 31, 2010, the Company's Dangjin Works had an annual crude steel production capacity of 7,437,000 tons and an annual product capacity of 6,386,000 tons. Located on a site of 5.6 million square meters at Dangjin on the western coast of Korea close to HMC and Kia manufacturing plants, Dangjin Works consist of one electric arc furnace, a hot rolling mill for the electric arc furnace, two blast furnaces, two hot rolling mills for the blast furnaces and one heavy plate plant. The site also features docking and unloading facilities for raw materials. Products made at Dangjin Works include HRC products, heavy plates and reinforcing bars.

The following table sets forth the product capacity, actual steel output and capacity utilization rate for Dangjin Works for the periods indicated.

	2008	2009	2010(1)
Actual product capacity (in thousand tons)(2)	5,261	5,261	6,386
Actual steel output (in thousand tons)	3,998	3,772	5,712
Capacity utilization rate (%)(3)	76	72	89

Notes:

(1) The 2010 figures reflect both electric arc furnace and blast furnace operations, based on actual days of operations.

(2) Calculated as the sum of the daily product capacity for the period, based on actual days of operations.

(3) Ratio of actual steel output to product capacity.

In 2004 the Company acquired steel-making facilities in Dangjin from Hanbo Steel Co., Ltd. which had gone bankrupt in 1997. Through this acquisition the Company secured a reinforcing bar plant, an electric arc furnace, a hot rolling HRC plant and a slab-based hot rolling plant. The Company began construction of an integrated steel mill in 2006, and by 2010, two blast furnaces and other integrated mill facilities were added to Dangjin Works. The Company plans to further expand its integrated steel mill operations at Dangjin Works.

Expansion/Ramp-up Plans for Integrated Mill

The Company's first blast furnace has an unobstructed volume of 5,250m^3 with an annual production capacity of approximately 4,000,000 tons. Commercial production at the first blast furnace began in April 2010 following the implementation of a normalization plan which raised the blast furnace's operating ratio to over 90%. The first blast furnace achieves a 100% operating ratio when its daily production levels reach 11,650 tons. The daily production volume for the first blast furnace exceeded 10,000 tons per day at the end of January 2010 and thereafter peak production volume remained around 11,570 tons per day for the remainder of 2010. The Company's second blast furnace had a blow-in ceremony in November 2010 and began commercial production in January 2011. The second blast furnace has an annual production capacity of approximately 4,000,000 tons and a peak production volume of 11,989 tons per day.

The Company plans to build a third blast furnace, which is expected to commence production and reach an annual production capacity of 4,000,000 tons in 2014. The Company began construction of its third blast furnace on April 12, 2011 for completion in 2013.

Subsidiaries

As of December 31, 2010, the Company had two consolidated subsidiaries under Korean GAAP: BNG Steel, a stainless steelmaker, and Qingdao Hyundai Machinery Co., Ltd., a machinery assembly plant. The following table sets forth certain information with regard to these subsidiaries and the Company's ownership as of such date:

Name (Won in millions, except percentages and shares)	Shareholders' Equity	Net Income	Total Assets	Paid-In Capital	Date Established	Ownership Percentage	Location	Business Area
BNG Steel[1]	₩239,361	₩30,586	₩584,885	₩75,943	April 1966	40.83%	Korea	Stainless steel production
Qingdao Hyundai Machinery Co. Ltd.	30	6,134	99,182	12,999	December 1999	100.00	China	Machinery assembly

Note:

(1) BNG Steel will not be considered the Company's consolidated subsidiary under IFRS.

Employees

As of December 31, 2009 and 2010, the Company had 7,678 and 8,268 employees, respectively, almost all of whom were employed within Korea. Of the total number of employees as of December 31, 2010, approximately 74% were technicians and skilled laborers and 26% were administrative staff. In addition, the Company used 3,610 and 4,814 employees of subcontractors as of December 31, 2009 and 2010, respectively, for maintenance, cleaning and transport activities.

The Company considers its relations with its workforce to be good. The Company has not experienced a work stoppage or strike since 2008.

The Company's employees belong to two labor unions. Employees at the Company's Incheon and Pohang Works belong to an independent union, and those at Dangjin Works belong to the Korean Metal Workers' Union, which is under the umbrella of the Korean Confederation of Trade Unions. As of December 31, 2010, 4,636 of the Company's employees were members of a union, which represented approximately 55% of the total number of its employees eligible for union membership.

In addition to base monthly wages and salaries, employees receive periodic bonuses and allowances. Base wages are determined annually through collective bargaining between the management and employee representatives, who are currently elected from the labor unions. The Company also provides fringe benefits to its employees, including housing, housing loans and education allowance. The Company negotiates with its unions to put in place collective bargaining agreements and wage agreements. The Company and each union enter into collective bargaining agreements every two years and wage agreements every year. The current collective bargaining agreements with the unions as well as the current wage agreements expire on March 31, 2012.

The Company maintains a retirement plan, as required by Korean labor law, pursuant to which employees terminating their employment after one year or more of service are entitled to receive a lump-sum payment based on the length of their service and their total compensation at the time of termination. The Company makes provisions for its remaining obligations in its balance sheet and funds these obligations through its earnings.

Research and Development

The Company conducts its research and development ("R&D") activities at the Hyundai Steel Research Institute (the "Research Institute"), which was established in 2007 at Dangjin Works and is equipped with research space and separate steel-making and rolling laboratories. The Research Institute also has integrated steelmaking process simulation facilities and analysis facilities. The Company's R&D activities include research on development of new products, energy and cost saving processes, improving steel quality and carbon management and other environment-oriented technology. As of December 31, 2010, the Company employed a total of 233 researchers, including 24% with doctoral degrees and 48% with master's degrees. The Company plans to expand the Research Institute from its current 17,400m^2 to 31,300m^2 and increase the number of research personnel to 580 by 2015. With such added R&D capabilities, the Company plans to shift its technology development focus from core steel-making technologies to high value-added steel products, such as ultra high-strength products, diversified H-beams for aseismic structures and heat-treatment products. Out of the 225 types of steel products (120 types of HRCs and 105 types of heavy plates) originally targeted by the Company, the Company has completed the development of 148 types as of the end of 2010, including 49 types for automobiles and 14 types for shipbuilding.

The Company also benefits from a joint R&D program among the Company's R&D division, Hyundai Hysco's R&D division and the Hyundai Motor Group R&D Center. The program is designed to facilitate new vehicle development by companies in the Hyundai Motor Group and to enhance the Company's ability to produce quality automotive steel sheets. In the past, the Company's auto product portfolio was limited to round bars and stainless steel products. With the development of its integrated steel mill facilities, the Company is able to produce interior materials such as dash panels and floors. The Company plans to commence commercial production of outer panels, which is known as one of the most technologically advanced types of auto sheets, in 2011. A total of 60 researchers from HMC, Kia and Hyundai Hysco were located at the Research Institute as of December 31, 2010.

R&D expenditures for 2008, 2009 and 2010 were ₩21 billion, ₩16 billion and ₩28 billion, respectively.

The Company had 537 patents and proprietary steel-related processes and technologies as of December 31, 2010, and has applied many of these to the manufacturing process.

Insurance

The Company maintains casualty and fire insurance for its facilities and loss insurance for its raw materials and supplies. The Company maintains medical and accident insurance for its employees to the extent the Company considers appropriate. The Company does not maintain any business interruption insurance. The Company believes its insurance coverage is similar in scope to those customary for companies in Korea competing in the same industry.

Environment

The Company believes it is in compliance with applicable environmental laws and regulations in all material respects. The Company's levels of pollution control are higher than those mandated by the relevant Korean government standards, and the Company monitors the status of air quality at its plants through a 24-hour monitoring system. In addition, the Company has acquired ISO 14001 (environmental management) certifications with respect to all of its plants. Approximately 9% of the total capital expenditures for the construction of the Company's first two blast furnaces were used for anti-pollution facilities. See "Risk Factors — Risks Relating to Laws and Regulations — The Company is subject to various laws and regulations, including environmental and safety regulations, and its operations could expose the Company to substantial liabilities."

The Company plans to continue to invest in developing more eco-friendly steel manufacturing processes, placing a focus on low-carbon, green growth. In 2010, the Company established an environmental energy center to perform research on improving its environmental performance, as well as an environmental energy management team. The Company is currently developing technologies to increase the usage of recycled steel slags, an industrial by-product, and has developed a sintering exhaust gas cleaning facility to improve treatment of dust, sulfur oxides and nitrogen oxide. In addition, Dangjin Works is equipped with an innovative raw material processing system that enables the Company to unload iron ore and coal from ships quickly, transport them on conveyor belts and store them in airtight domes and linear storage buildings to prevent scattering of dust and limit air pollution. Among other "green" initiatives, the Company has signed a Carbon Footprint Management agreement to transfer the Company's know-how on GHG emission reduction to its customers and suppliers and entered into a pilot energy target management project to cut down on energy use and GHG emissions. In addition, the Company participates in a national project involving the building of a GHG inventory with 20 partner companies, as part of an integrated GHG management and reduction initiative.

Health and Safety

The Company believes it is in compliance with applicable health and safety laws and regulations in all material respects. Health and safety is a priority at all of the Company's facilities. Health and safety is reviewed regularly by the Company's board of directors and the Company has established departments specialized in health, fire safety and other safety related operations under its Work-Safety Management Headquarters, as well as an industrial safety and health committee at each of its plants comprised of members of management and labor, to carry out more detailed reviews of the Company's overall performance in this category. As part of its commitment to create a safer workplace, the Company has implemented a number of campaigns and initiatives including the operation of a safety demonstration center at each of its plants. In addition, the Company has acquired OHSAS 18001 (occupational health and safety) certifications with respect to all of its plants. See "Risk Factors — Risks Relating to Laws and Regulations — The Company is subject to various laws and regulations, including environmental and safety regulations, and its operations could expose the Company to substantial liabilities."

Legal and Regulatory Proceedings

In early 2011, an environmental activist group asserted that certain serpentine material supplied from two mines in Korea to the Company and POSCO contained asbestos, and filed a charge with the public prosecutor's office. The activist group claimed that it had conducted an analysis with random samples from the mines and that the samples had asbestos content in excess of the legally permissible level. The activist group has not conducted any test with samples from the Company's inventory of serpentine material. The Company regularly conducts environment compliance tests and recently conducted an independent asbestos test with a sample from its own storage to confirm compliance with legal requirements and internal environmental standards. As of the date of this Offering Circular, the Company has not received any notice or request from the police, the prosecutor's office or any other third parties relating to such material. Although the outcome of this matter is uncertain, the Company does not expect this matter to result in a material adverse effect on its business. If any legal or regulatory proceeding is pursued, the Company intends to defend it vigorously.

Other than as described above, the Company is 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 the Company's results of operations or financial position.

Management

Board of Directors

The Board of Directors has the ultimate responsibility for the management of the affairs of the Company. The Company's Articles of Incorporation (the "Articles of Incorporation") require the election of at least three Directors and up to eleven Directors. In 1998, the Company adopted the system of Outside Directors in the Articles of Incorporation pursuant to the amendment of relevant securities regulation. According to the Articles of Incorporation, the number of Outside Directors may be more than one-half (1/2) of the total number of directors. The Directors are elected at a general meeting of shareholders by a majority vote of the shares represented, provided, however, that such shares also represent at least one-fourth of all the shares having voting rights. The term of office for Directors is three years but is extended to the close of the annual general shareholders' meeting convened in respect of the last financial year of the term.

In addition, the Company must appoint independent certified public accountants whose primary statutory duty is to examine the financial statements of the Company proposed to be submitted by the Board of Directors to general meetings of shareholders and to report their opinion thereon to the Audit Committee and the Company. Examination and audit by certified public accountants of the financial statements of the Company are also required for the purpose of the report which companies listed on the KRX KOSPI Market of the Korea Exchange (the "KRX KOSPI Market") must file annually, semiannually and quarterly with the Financial Services Commission of Korea and the KRX KOSPI Market, respectively, for public inspection in accordance with the Financial Investment Services and Capital Markets Act of Korea.

The Company's Directors as of March 31, 2011, were as follows:

Name	Age	Title and Position
Mong Koo Chung	73	Director
Seung Ha Park	60	Vice Chairman & Chief Executive Officer
Yoo Cheol Woo.	53	President & Chief Executive Officer
Hak Seo Kang	56	Vice President & Chief Financial Officer
Hyong Soo Chon	58	Outside Director, Audit Committee Member
Sang Dae Kim	61	Outside Director, Audit Committee Member
Dong Joon Min	54	Outside Director, Audit Committee Member
Seung Do Kim.	54	Outside Director, Audit Committee Member
Jung Suk Oh	40	Outside Director

Of the Company's current Directors, Mr. Mong Koo Chung, Mr. Seung Ha Park, Mr. Yoo Cheol Woo and Mr. Hak Seo Kang are employed by the Company on a full-time basis. These Directors comprise the executive officers of the Company.

Mr. Mong Koo Chung has been a Director of the Company since 2008. Mr. Chung received a B.S. in industry business administration from Hanyang University, an honorary Ph.D. in human science from Central Connecticut State University, an honorary professorship in business administration at Tsinghua University and an honorary Ph.D. in business management at National University of Mongolia. Mr. Chung also serves as Chairman & CEO of HMC and Kia. In February 2001, Mr. Chung was awarded the Distinguished Service Citation from the Automotive Hall of Fame.

Mr. Seung Ha Park has been Vice Chairman and Representative Director of the Company since 2007. Mr. Park received a B.S. in metallurgical engineering from Hanyang University. Mr. Park has been with the Company since 2006.

Mr. Yoo Cheol Woo has been President and Director of the Company since 2009. Mr. Woo received a B.S. in marine engineering from Seoul National University and a Ph.D. in 1990 from the State University of New York. Mr. Woo previously served as head of the Company's research center and senior vice president for purchasing.

Mr. Hak Seo Kang has been Senior Executive Vice President and Director of the Company since 2009. Mr. Kang previously served as Representative Director and Senior Executive Vice President of Hyundai Rotem. Mr. Kang holds a B.A. in business administration from Yeongnam University and an M.A. in business administration from Yonsei University.

Mr. Hyong Soo Chon has been an Outside Director of the Company since 2006. Mr. Chon received a B.S. in mathematics from Yonsei University and a J.S.D. in law from Konkuk University. Mr. Chon previously served as Head of the Seoul Regional Office of the National Tax Office. Mr. Chon is currently an advisor of the law firm of Kim & Chang.

Mr. Sang Dae Kim has been an Outside Director of the Company since 2003. Mr. Kim received a B.S. in architectural engineering from Korea University and a Ph.D. in 1988 from the Illinois Institute of Technology. Mr. Kim is currently a professor of architectural engineering at Korea University.

Mr. Dong Joon Min has been an Outside Director of the Company since 1998. Mr. Min received a B.S. in metallurgical engineering from Yonsei University and a Ph.D. in metallurgical engineering from University of Tokyo. Mr. Min is currently a professor of metallurgical engineering at Yonsei University.

Mr. Seung Do Kim has been an Outside Director of the Company since 2010. Mr. Kim received a B.S. in oceanography from Seoul National University and a Ph.D. in environmental engineering from University of Wisconsin-Madison. Mr. Kim is currently a professor of environmental science at Hallym University.

Mr. Jung Suk Oh has been an Outside Director of the Company since 2009. Mr. Oh received a B.S. in management science from the MIT Sloan School of Management and a Ph.D. in management science from Stanford University. Mr. Oh is currently a professor of business administration at Seoul National University.

The business address of each of the Directors of the Company is 1-10 Songhyun-dong, Dong-gu, Incheon, Korea.

The maximum amount of remuneration payable to the Company's Directors, in their capacity as such is fixed by resolution of the general meeting of shareholders. Such maximum amount and the aggregate amount of remuneration paid and benefits in kind granted for the year ended December 31, 2010 were ₩10 billion and ₩6.7 billion, respectively.

As of December 31, 2010, the Company believes that the Directors of the Company, other than Mr. Mong Koo Chung, including any connected person, the existence of which is known to, or could with reasonable diligence be ascertained by, such Directors, owned less than 0.1% of the total outstanding shares of the Company. Mr. Mong Koo Chung owned approximately 12.52% of the total outstanding shares of the Company as of December 31, 2010. Options or warrants to purchase the shares have not been issued. The Company maintains directors and officers insurance up to ₩10 billion, subject to renewal on a yearly basis. The Company does not have any outstanding loans or guarantees granted to its Directors.

Audit Committee

Under the Company's Articles of Incorporation, the Audit Committee consists of at least three directors, and at least two-thirds of the members of the Audit Committee must be Outside Directors. The Audit Committee is required to:

- examine the agenda for the general meeting of shareholders to be submitted by the Directors;
- examine the performance of the Directors' duties;
- examine the accounting and operation of the Company; and
- prepare the audit report with respect to the financial statements and report to the general meeting of shareholders.

The meeting of shareholders has the sole authority to elect or dismiss the members of the Audit Committee. The Company, which is a listed company in Korea, appoints the members of the Audit Committee among the Directors duly elected at the meeting of shareholders. For the purpose of electing the members of the Audit Committee who are not Outside Directors, if the voting shares of the majority shareholder and its specially related parties exceed three hundredth (3/100) of total issued shares after excluding the non-voting shares, then the shares in excess cannot be exercised to appoint or dismiss a member of the Audit committee. In addition, any shareholder holding the shares in excess of three hundredth (3/100) of total issued shares after excluding the non-voting shares cannot exercise the voting shares in excess in appointing an Outside Director as a member of the Audit Committee.

Current members of the Audit Committee are Mr. Hyong Soo Chon, Mr. Sang Dae Kim, Mr. Dong Joon Min and Mr. Seung Do Kim.

Outside Director Candidate Recommendation Committee

Under the Company's Articles of Incorporation, the Outside Director Candidate Recommendation Committee consists of at least two Directors, and a majority of the members of the Outside Director Candidate Recommendation Committee must be Outside Directors. The Outside Director Candidate Recommendation Committee is responsible for reviewing and recommending candidates for Outside Directors at the general meeting of shareholders. Currently, the Outside Director Candidate Recommendation Committee consists of two internal and two Outside Directors: Mr. Seung Ha Park, Mr. Hak Seo Kang, Mr. Sang Dae Kim and Mr. Dong Joon Min.

Ethics Committee

The Ethics Committee was established as an independent committee in 2011 to monitor the transparency of internal transactions and supervise ethics management. The Ethics Committee comprises all five Outside Directors. The function of the Ethics Committee is to review formulation and revision of ethics regulations and their implementation, ensure compliance with internal transaction regulations as defined by the Fair Trade Act and commercial laws, and establish key policies related to corporate social responsibility.

Principal Shareholders

The following table sets out certain information relating to the ownership of the issued shares of common stock of the Company, as of December 31, 2010, the most recent date for which such information is available.

As of December 31, 2010	Number of Shares	Percentage of Total Issued Shares
Name of Shareholder:		
Kia Motors Corporation[1]	18,159,517	21.29%
Chung, Mong Koo[1]	10,681,769	12.52
National Pension Service	5,165,898	6.06
Others	51,307,291	60.13
Total Shares	85,314,475	100.0%

Note:

(1) As of December 31, 2010, two affiliates of the Company, Kia and Mr. Mong Koo Chung, together held approximately 33.81% of the Company's total issued and outstanding shares of common stock. According to Kia's public filings, Kia's major shareholders include HMC (33.75%) and Mr. Euisun Chung (1.74%), Mr. Mong Koo Chung's son.

As of December 31, 2010, the Company does not have any outstanding shares of preferred stock.

The Hyundai Motor Group

The information in this section is based on information obtained by the Company from the individual companies of the Hyundai Motor Group and other sources and has not been independently verified by the Company or the Initial Purchasers.

On June 22, 1978, the Company became a member of the former Hyundai Group. The Company was disaffiliated from the former Hyundai Group as a result of restructuring of the former Hyundai Group, which was approved by Fair Trade Commission on August 31, 2000. On April 1, 2001, the Company became a member company of the Hyundai Motor Group.

On April 1, 2002, the Hyundai Motor Group was designated by the Fair Trade Commission as a business group headed by HMC. The Company is subject to the following restrictions under the Korean Fair Trade Laws: (i) the Company may not provide guarantees to any other domestic companies of Hyundai Motor Group for their financing from domestic financial institutions; and (ii) cross shareholding between any companies within the Hyundai Motor Group is prohibited.

In addition, the Fair Trade Commission has overall authority to scrutinize any act which may constitute "undue financial support" by the Company to other companies of the Hyundai Motor Group. Any material business transaction with Hyundai Motor Group companies is subject to the approval by the Board of Directors, public disclosure requirements and heightened scrutiny by the Korea Fair Trade Commission.

The Hyundai Motor Group, as of December 31, 2010, consisted of eight listed companies, which were HMC, Kia, Hyundai Mobis, Hyundai Hysco, the Company, BNG Steel, Glovis and HMC Investment & Securities, and 35 unlisted companies, which were Hyundai Capital Services, Inc., HyundaiCard Co., Ltd., Hyundai Commercial Co., Ltd., AutoEver systems, Haevichi Hotel and Resort Co., Ltd., Haevichi Country Club Co., Ltd., Metia Corporation, KEFICO Co., Dymos Inc., Hyundai Power Tech Co., Ltd., Kia Tigers Co., Ltd., Jeonbuk Hyundai Motors Football Club Co., Ltd., ROTEM Company, World Industrial Ace Corporation, World Industrial Specialty Company, Automobile Industrial Ace Corp., IHL Co., Ltd., MSEAT Co., Ltd., M&Soft Inc., PARTECS Co., Ltd., Amco Corp., NGVTek Co., Ltd., Metro9 Co., Ltd., Innocean Co., Ltd., Jongro Academics Co., Ltd., Hyundai Canesse Co., Ltd., Ipsi Yeonkoosa Co., Ltd., Samwoo Co., Ltd., Seorim Co., Ltd., Seorim Environment Technologies Co., Ltd., WIA Magna Powertrain Co., Ltd., Green Air Co., Ltd., Maintrans Co., Ltd., HL Green Power Co., Ltd. and Hyundai Material Co., Ltd.

Based on the most recently prepared combined financial statements of the Hyundai Motor Group, as of or for the year ended December 31, 2008, the Hyundai Motor Group had combined sales revenue (without eliminating inter-company transactions) of approximately ₩93,116 billion, combined assets of approximately ₩118,972 billion and combined liabilities of approximately ₩89,074 billion, ranking second among the business conglomerates or chaebols in Korea in terms of asset size. As of December 31, 2010, the Hyundai Motor Group's total employees numbered over 95,000.

As of December 31, 2010, the Company's share ownership in Hyundai Motor Group companies is as follows: BNG Steel 41.12%, Hyundai Mobis 5.66% and HyundaiCard Co., Ltd. 5.44%.

Related Party Transactions

The Company, in the ordinary course of business, enters into a variety of transactions with its subsidiaries, namely BNG Steel and Qingdao Hyundai Machinery Co., Ltd., and other affiliates, primarily with Glovis, Hyundai Hysco, Amco Corp. and ROTEM Company. The Company has contractual arrangements with Glovis, a logistics company, for transportation of its products and raw materials. Hyundai Hysco, a cold rolled steel producer and major supplier of automotive sheets to HMC and Kia, purchases HRC products from the Company for further processing. The Company has contractual arrangements with Amco Corp., a construction company, and ROTEM Company, a plant engineering company, for the construction of its integrated mill facilities.

On April 1, 2011, certain companies of the Hyundai Motor Group acquired a controlling stake in Hyundai Construction, a leading construction company in Korea. As a result of the transaction Hyundai Construction became an affiliate of the Company.

The Company's policy on transactions with related parties is that such transactions will be conducted on terms substantially as favorable to the Company as the Company could obtain at the time in a comparable arm's length transaction with an independent third party.

Each of the Company's material business transactions with its affiliated companies is subject to the approval by the Board of Directors and a public disclosure requirement. For further information regarding the Company's related party transactions, see Note 21 to the Company's audited non-consolidated financial statements.

Terms and Conditions of the Notes

The following terms and conditions will be printed on the back of the Certificates issued in respect of the Notes:

The US$500,000,000 4.625% Notes due 2016 (the "Notes") of Hyundai Steel Company (the "Company") are being issued pursuant to a fiscal agency agreement (the "Fiscal Agency Agreement") to be dated as of April 21, 2011 (the "Issue Date") between the Company and The Bank of New York Mellon, as fiscal agent (the "Fiscal Agent", which term shall, where the context so permits, include all other persons or companies acting as fiscal agent or fiscal agents under the Fiscal Agency Agreement). The statements in these Terms and Conditions of the Notes (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement. In the event of any inconsistency between the terms of the Fiscal Agency Agreement and these Conditions, the terms of the Fiscal Agency Agreement shall govern. In acting under the Fiscal Agency Agreement, the agents appointed by the Company thereunder are acting solely as agents for the Company and do not assume any obligation or relationship of agency or trust for or with the Noteholders except as specifically described below or in the Fiscal Agency Agreement with respect to the Fiscal Agent. Copies of the Fiscal Agency Agreement are available for inspection at the principal corporate trust office of the Fiscal Agent being at the date hereof at 101 Barclay Street, New York, New York 10286, U.S.A. and will also be available at the offices of the paying agent in New York City, for the time being at 101 Barclay Street, New York, New York 10286, U.S.A.

In these Conditions, "Noteholder" and (in relation to a Note) "holder" mean the persons in whose name a Note is registered on the Note Register (as defined below). "Certificate" means a certificate issued in respect of the Global Notes (as defined in Condition 2(A)) or individual definitive Notes. "Rule 144A Note" means the Rule 144A Global Note and any individual definitive Notes issued in respect thereof, and "Regulation S Note" means the Regulation S Global Note and any individual definitive Notes issued in respect thereof.

"Attributable Debt" means, with respect to any Sale/Leaseback Transaction, the lesser of (x) the fair market value of the property or asset subject to such transaction and (y) the present value (discounted at a rate per annum equal to the discount rate of a capital lease obligation with a like term in accordance with International Financial Reporting Standards as adopted in Korea ("K-IFRS")) of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments and similar charges) during the term of the lease.

"Business Day" means, in any place, a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York City (U.S.A.) and Seoul, Korea and, in the case of the surrender of a Certificate, in New York City (U.S.A.) and Seoul, Korea and in the place where the Certificate is surrendered.

"Debt" means, with respect to any person as of any date of determination, without duplication:

(i) all obligations, contingent or otherwise, of such person for borrowed money;

(ii) all obligations of such person evidenced by bonds, notes or other similar instruments;

(iii) all obligations of such person in respect of letters of credit or other similar instruments;

(iv) all obligations of such person to pay the unpaid purchase price of any property or service;

(v) all obligations secured by a Lien on any property or asset of such person, whether or not such obligations are assumed by such person; and

(vi) all obligations of others guaranteed by such person to the extent of such guarantees.

The amount of Debt of any person as of any date of determination shall be the outstanding balance at such date of all unconditional obligations as described above, the maximum liability of such person for any such contingent obligations at such date and, in the case of clause (v), the lesser of the fair market value (as determined in good faith by the board of directors of such person) at such date of the property or asset of such person subject to a Lien securing the obligations of others and the amount of such obligations secured.

"External Debt" means any obligation for the payment or repayment of money borrowed which is denominated in a currency other than the currency of the Republic of Korea ("Korea").

"Long-Term Debt" means any note, bond or other similar evidence of indebtedness for money borrowed having a maturity of more than one year from the date such indebtedness was incurred or having a maturity of less than or equal to one year but by its terms being renewable or extendible, at the option of the borrower, beyond one year from the date such indebtedness was incurred.

"Net Tangible Assets" means, at any date, the total amount of assets of the Company and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries, after deducting therefrom (a) all current liabilities (excluding any current liabilities constituting Long-Term Debt by reason of their being renewable or extendible at the option of the Company or the consolidated Subsidiary in question, as the case may be), (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets and (c) all write-ups of fixed assets, net of accumulated depreciation thereon, after December 31, 2010, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries and computed in accordance with K-IFRS.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political sub-division thereof.

"Principal Subsidiary" means any Subsidiary of the Company (a) whose consolidated sales or revenues are at least 15% of the sales or revenues, as the case may be, of the Company and its consolidated Subsidiaries or (b) whose consolidated assets are at least 15% of the assets of the Company and its consolidated Subsidiaries, in each case as set forth on the most recent audited financial statements of such Subsidiary and of the Company and its consolidated Subsidiaries and computed in accordance with K-IFRS.

"Redemption Amount" means the principal amount of the Notes, together with any interest on the Notes accrued but unpaid to (but excluding) the Maturity Date (or any redemption date under Condition 7(B) or any purchase date under Condition 7(C), if applicable).

"Subsidiary" means, in relation to any Person, any other Person (whether or not now existing) which is controlled directly or indirectly by, or more than 50% of whose issued equity share capital (or equivalent) is then held or beneficially owned by, the first Person and/or any one or more of the first Person's Subsidiaries, and "control" means the power to appoint the majority of the members of the board of directors or other governing body or management of, or otherwise to control the affairs and policies of, that Person.

"Sale/Leaseback Transaction" means any arrangement with any Person which provides for the leasing by the Company or any Principal Subsidiary, for an initial term of three years or more, of any property or asset, whether owned at the date of issuance of the Notes or thereafter acquired, which is to be sold or transferred by the Company or any Principal Subsidiary after the Issue Date to such Person for a sale price of US$15,000,000 (or the equivalent thereof) or more where rental payments are denominated in a currency other than the currency of Korea.

1. Status

The Notes constitute direct, unconditional, unsubordinated in right of payment and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves and at least equally with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company, except as may be required by mandatory provisions of law.

2. Form, Denomination and Title

(A) **Form and Denomination:** The Notes shall initially be issued in book-entry form represented by one or more global notes (each a "Global Note") and only under the limited circumstances set forth in the Fiscal Agency Agreement shall individual definitive Certificates be issued to holders of Notes in respect of their individual holdings. The Notes will be issued in fully registered form, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof, without interest coupons. A Certificate will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will have an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders (the "Note Register") which the Company will procure to be kept by the registrar (the "Registrar").

(B) **Title:** The Notes will be registered instruments, title to which will pass only by registration in the Note Register. The registered holder of any Note will be treated as the owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and none of the Company, the Fiscal Agent, the paying agent or any agent thereof shall be affected by notice to the contrary.

3. Certain Covenants

(A) **Limitation on Liens:** So long as any of the Notes are outstanding, the Company will not itself, and will not permit any Principal Subsidiary to, create, incur, issue or assume or guarantee any External Debt secured by any mortgage, charge, pledge, encumbrance or other security interest (a "Lien") on any property or asset (including any document or instrument in respect of goods or accounts receivable) of the Company or such Principal Subsidiary, whether owned at the date of issuance of the Notes or thereafter acquired, or any income or profits therefrom, without in any such case effectively providing that the Notes (together with, if the Company shall so determine, any other Debt of the Company or such Principal Subsidiary then existing or thereafter created which is not subordinate to the Notes) shall be secured equally and ratably with or prior to such secured External Debt, unless, after giving effect thereto, the aggregate principal amount of all such secured

External Debt then outstanding (provided that for this purpose the amount of all such secured External Debt shall not exceed the fair market value of the property or asset securing such External Debt, determined in good faith by the Board of Directors of the Company) plus Attributable Debt of the Company and its Principal Subsidiaries in respect of Sale/Leaseback Transactions as described in Condition 3(B) (other than such Sale/Leaseback Transactions as are permitted by paragraph (b) of Condition 3(B)) would not exceed an amount equal to 20% of Net Tangible Assets. For the avoidance of doubt, a "Lien" shall not include any mortgage, charge, pledge, encumbrance or other security interest on any property or asset (including any document or instrument in respect of goods or accounts receivable) which is granted or created in connection with a public or private placement of any certificate or debt instrument issued in connection with securitized or asset backed notes or drafts of evidence of indebtedness, including accounts receivable from customers of the Company or any Principal Subsidiary for the purchase by the customers and sale by the Company or such Principal Subsidiary of its respective goods and products.

The foregoing restriction will not apply to External Debt secured by:

(a) any Lien existing on the Issue Date or any Lien existing on any real property or tangible personal property prior to the acquisition thereof by the Company or any of its Principal Subsidiaries, which Lien was not granted in contemplation of such acquisition;

(b) any Lien securing External Debt incurred or assumed for the purpose of financing the purchase price of any real property or tangible personal property or the cost of construction, improvement or repair of all or any part thereof, provided that (A) such Lien attaches thereto concurrently with or within 360 days after the acquisition thereof or completion of construction, improvement or repair thereof, (B) such Lien is limited to such acquired or constructed real or tangible personal property or improvements and (C) the principal amount of the External Debt secured by such Lien, together with the amount of all other External Debt secured by Liens on such property, shall not exceed the cost of such property to the Company or any Principal Subsidiary;

(c) any Lien with respect to External Debt of a Person prior to the time (A) such Person became a Principal Subsidiary of the Company, (B) such Person merges into or consolidates with a Principal Subsidiary of the Company or (C) another Principal Subsidiary of the Company merges into or consolidates with such Person (in a transaction in which such Person becomes a Principal Subsidiary of the Company), which External Debt was not incurred or issued in anticipation of such transaction and was outstanding prior to such transaction;

(d) any Lien securing External Debt owing to the Company or to a Subsidiary; or

(e) any Lien arising out of the refinancing, extension, renewal or refunding of any External Debt secured by any Lien permitted by any of the foregoing clauses, to the extent of the amount of such External Debt, provided that such External Debt is not secured by any additional property or assets.

For the purposes of Conditions 3(A) and 3(B), the giving of a guarantee which is secured by a Lien on any property or asset, and the creation of a Lien on any property or asset to secure External Debt which existed prior to the creation of such Lien, will be deemed to involve the creation of External Debt in an amount equal to the principal amount guaranteed or secured by such Lien; but the amount of External Debt secured by Liens shall be computed without cumulating the underlying External Debt with any guarantee thereof or Lien securing the same.

(B) **Limitation on Sale and Leaseback Transactions:** So long as any of the Notes is outstanding, the Company will not itself, and will not permit any Principal Subsidiary to, enter into any Sale/Leaseback Transaction after the Issue Date, unless either:

(a) the Attributable Debt of the Company and its Principal Subsidiaries in respect of such Sale/Leaseback Transaction and all other Sale/Leaseback Transactions entered into after the Issue Date (other than such Sale/Leaseback Transactions as are permitted by paragraph (b) below), plus the aggregate principal amount of External Debt secured by Liens then outstanding (excluding any such External Debt secured by Liens described in clauses (a) through (e) of Condition 3(A)) without equally and ratable securing the Notes, would not exceed 20% of Net Tangible Assets; or

(b) the Company, within twelve months after such Sale/Leaseback Transaction, applies or causes a Principal Subsidiary, as the case may be, to apply an amount equal to the net proceeds of such sale or transfer of the property or asset which is the subject of such Sale/Leaseback Transaction to the retirement of External Debt of the Company or a Principal Subsidiary, as the case may be, which is not subordinate to the Notes; provided that the amount to be so applied shall be reduced by (i) the Redemption Amount paid within twelve months after such Sale/Leaseback Transaction to the Noteholders for retirement and cancellation of the Notes, and (ii) the principal amount of External Debt of the Company or a Principal Subsidiary, other than the Notes, voluntarily retired by the Company or a Principal Subsidiary within twelve months after such Sale/Leaseback Transaction. Notwithstanding the foregoing, no retirement referred to in this clause may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision.

The foregoing restrictions will not apply to any Sale/Leaseback Transaction with respect to any real property or tangible personal property acquired or constructed after the date of issuance of the Notes; *provided* that such Sale/Leaseback Transaction is entered concurrently with or within 360 days after the acquisition or construction thereof for the purpose of financing such acquisition or construction. The foregoing restrictions will also not apply to any transaction between the Company and a Principal Subsidiary.

(C) **Limitation on Mergers and Consolidations:** The Company, without the unanimous consent of all holders of the Notes then outstanding, may not consolidate with, or merge into, or sell, transfer, lease or convey its assets as an entirety or substantially as an entirety to any Person, unless (a) any such successor Person expressly assumes the Company's obligations under the Notes and the Fiscal Agency Agreement, (b) after giving effect to the transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, and (c) the Company has delivered to the Fiscal Agent a certificate executed by a duly authorized officer of the Company (an "Officer's Certificate") and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement comply with the Fiscal Agency Agreement and the Notes and that all conditions precedent herein provided for relating to such transaction have been complied with.

4. Transfers of Notes; Issue of Certificates

(A) **Transfers:** A Note may be transferred by delivering the Certificate issued in respect of that Note accompanied by a form of transfer duly completed and executed, to the specified office of the Registrar or any of the other transfer agents appointed pursuant to the Fiscal Agency Agreement. Such form of transfer is attached as an exhibit to the Fiscal Agency Agreement. The Registrar and any transfer agent may decline to effect any transfer of any Note during the period of 15 days ending on (and including) the due date for any payment of the Redemption Amount on such Note.

(B) **Delivery of New Certificates:** Each new Certificate to be issued on transfer of Notes will, within three Business Days of receipt by the Registrar or the relevant transfer agent of the original Certificate and the duly signed and completed form of transfer, be delivered to the transferee at the specified office of the Registrar or such transfer agent or, at the written request of the transferee, be mailed by uninsured mail at the risk of the transferee to the address specified by the transferee. Where some but not all the Notes in respect of which a Certificate is issued are to be transferred, exchanged or redeemed, a new Certificate in respect of the Notes not so transferred, exchanged or redeemed will, within three Business Days of deposit or surrender of the original Certificate with or to the Registrar or the relevant transfer agent, be delivered to the holder of the Notes not so transferred, exchanged or redeemed at the specified office of the Registrar or such transfer agent or, at the written request of such holder, be mailed by uninsured mail at the risk of such holder to the address specified by such holder.

(C) **Formalities Free of Charge:** No service charge shall be made for any registration of transfer or exchange of Notes but the Company or any transfer agent may require payment of a sum sufficient to cover any tax or other governmental charges that may be imposed.

(D) **Regulations:** All transfers of Notes and entries on the Note Register will be made subject to the detailed regulations concerning transfer of Notes attached as an exhibit to the Fiscal Agency Agreement. The regulations may be changed by the Company with the prior written approval of the Fiscal Agent and the Registrar. A copy of the current regulations will be mailed by the Registrar to any Noteholder upon request.

5. Interest

The Notes will bear interest from and including April 21, 2011 up to but excluding April 21, 2016 (the “Maturity Date”) at the rate of 4.625% per annum and will be payable semi-annually in arrears on April 21 and October 21 of each year (each an “Interest Payment Date”), commencing October 21, 2011, to the holders of record at the close of business on the fifteenth day (whether or not a Business Day) immediately preceding the applicable Interest Payment Date. Each Note will cease to bear interest (i) when such Note has been repaid or cancelled in accordance with these Conditions; or (ii) from the date that claims on such Note have been prescribed. Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months and, in the case of an incomplete month, the number of days elapsed.

6. Payments

(A) **Redemption Amount:** Payment of the Redemption Amount will be in U.S. dollars and will be made (i) with respect to a holder of a Global Note, by transfer to the registered account of the holder of such Global Note, (ii) with respect to a holder of individual definitive Certificates in an aggregate amount equal to or greater than US$1,000,000, at its option, by transfer to its registered account upon application of such holder to a paying agent to whom such Certificates shall be presented for payment on or prior to the relevant payment date with appropriate wire transfer instructions or (iii) in all other cases, by check drawn on a bank in New York City mailed to the registered address of the Noteholder. Payments of the Redemption Amount will only be made against surrender of the relevant Certificate at the specified office of any paying agent.

(B) **Interest:** Interest on the Notes will be paid in U.S. dollars and will be made (i) with respect to a holder of a Global Note, by transfer to the registered account of the holder of such Global Note, (ii) with respect to a holder of individual definitive Certificates in an aggregate amount equal to or greater than US$1,000,000, at its option, by transfer to its registered account upon application of such holder to the paying agent on or before the relevant record date for such payment with appropriate wire transfer instructions or (iii) in all other cases, by check drawn on a bank in New York City mailed to the registered address of the Noteholder.

(C) **Registered Accounts:** A Noteholder's registered account means the Dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Note Register at the close of business on the second Business Day before the due date for payment and a Noteholder's registered address means its address appearing on the Note Register at that time.

(D) **Payment Instruction:** Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Business Day, for value on the next succeeding Business Day) will be initiated and, where payment is to be made by check, the check will be mailed, on the day preceding the due date for payment or, in the case of a payment of the Redemption Amount, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of a paying agent (except as otherwise provided in Condition 7(C)).

(E) **Delay in Payment:** Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date at the place of payment (or, in the case of the surrender of a Certificate, the place where the Certificate is surrendered) is not a Business Day (provided the amount is duly provided for on or before the due date), if the Noteholder is late in surrendering its Certificate (if required to do so) or if a check mailed in accordance with this Condition arrives after the due date for payment.

(F) **Legal Holidays:** In any case where any redemption date, Interest Payment Date or the Maturity Date of any Note shall not be a Business Day, then (notwithstanding any other provision of these Conditions) payment of the Redemption Amount or interest on the Notes need not be made on such date, but may be made on the next succeeding Business Day in such place with the same force and effect as if made on the redemption date, Interest Payment Date or the Maturity Date, as the case may be, and no interest will accrue for the period after such date.

(G) **Partial Payment:** If the Redemption Amount is not paid in full, the Registrar will annotate the Note Register with a record of the amount of the Redemption Amount in fact paid.

7. Redemption, Purchase and Cancellation

(A) **Redemption at Maturity:** Unless previously redeemed or purchased and cancelled as herein provided, the Company will redeem the Notes at their Redemption Amount on the Maturity Date. The Notes may be redeemed prior to the Maturity Date only as provided in Condition 7(B) and Condition 7(C) below.

(B) **Redemption for Taxation Reasons:** At any time, the Company may, having given not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall be published in accordance with Condition 13), redeem in U.S. dollars all but not part of the Notes at their Redemption Amount, if (i) the Company provides to the Fiscal Agent prior to the giving of such notice an Opinion of Counsel to the effect that the Company has or will become obliged to pay Additional Amounts as provided or referred to in Condition 8 in respect of any Taxes (as defined in Condition 8) in respect of any payments on the Notes as a result of any change in, amendment or non-renewal of, or judicial decision relating to, the laws or regulations of Korea or any political subdivision or any authority thereof, or with respect thereto having power to tax, or any treaty to which Korea is a party or any change in the general application or official interpretation of such laws, regulations or treaty, which change or amendment becomes effective on or after the Issue Date and (ii) such obligation cannot be avoided by the Company using all reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days before the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 7(B), the Company shall deliver to the Fiscal Agent an Officer's Certificate stating that the obligation referred to above cannot be avoided by the Company taking reasonable measures available to it and the Fiscal Agent shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above.

Upon receipt of a redemption notice on account of such change or amendment, a holder may elect either (i) to have its Notes redeemed by the Company or (ii) not to have its Notes redeemed by the Company in which case such holder will not receive such Additional Amounts.

(C) **Change of Control Redemption.** Upon the occurrence of a Change of Control, each Noteholder will have the right to require the Company to repurchase all or any part of such Noteholder's Notes pursuant to the offer described below (the "Change of Control Offer") at a purchase price in cash equal to 101% of the principal amount of the Notes plus accrued and unpaid interest, if any, to (but excluding) the date of purchase (subject to the right of Noteholders of record on the relevant record date to receive interest due on the relevant Interest Payment Date) (the "Change of Control Payment").

Within 30 days following any Change of Control, the Company will mail a notice to each Noteholder, with a copy to the Fiscal Agent, stating:

(i) that a Change of Control has occurred and that such Noteholder has the right to require the Company to purchase such Noteholder's Notes for the Change of Control Payment;

(ii) the effective date for the Change of Control repurchase (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Change of Control Effective Date");

(iii) the circumstances and relevant facts regarding the Change of Control; and

(iv) the procedures, consistent with the Fiscal Agency Agreement and the Notes, that a Noteholder must follow in order to have its Notes repurchased.

On the Change of Control Effective Date, the Company will, to the extent lawful:

(i) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer; and

(ii) deliver or cause to be delivered to the Fiscal Agent the Notes so accepted, together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

Promptly thereafter (but in no event more than five Business Days after the Change of Control Effective Date), the Company will deposit with the Fiscal Agent an amount equal to the Change of Control Payment in respect of the Notes or portions of Notes tendered. The Fiscal Agent will promptly pay to each holder of Notes so tendered the Change of Control Payment for such Notes, and the Fiscal Agent will promptly authenticate and deliver (or cause to be transferred by book entry) to each Noteholder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that each such new Note will be in a principal amount of at least US$200,000 or integral multiples of US$1,000 in excess thereof.

If the Change of Control Effective Date is on or after an interest record date and on or before the related Interest Payment Date, any accrued and unpaid interest, if any, will be paid to the Noteholder in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to Noteholders who tender pursuant to the Change of Control Offer.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Fiscal Agency Agreement and the Notes applicable to a Change of Control Offer made by the Company and such third party purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Company will comply, in each case to the extent applicable, with the requirements of Rule 14e-1 under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act") and any other securities laws or regulations, including any securities laws of the United States, Korea and Singapore and the requirements of the Singapore Exchange Securities Trading Limited or any other securities exchange upon which the Notes are listed, in connection with the repurchase of Notes pursuant to this Condition 7(C). To the extent that the provisions of any securities laws or regulations conflict with provisions of the Fiscal Agency Agreement or the Notes, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Fiscal Agency Agreement or the Notes by virtue of such conflict.

For purposes of the foregoing discussion of a repurchase at the option of Holders pursuant to this Condition 7(C), the following definitions are applicable:

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock and limited liability or partnership interests (whether general or limited), but excluding any debt securities convertible or exchangeable into such equity.

"Change of Control" means the occurrence of any one of the following:

(i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act or any successor provisions to either of the foregoing) (other than the Permitted Parties) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that such person or group shall be deemed to have "beneficial ownership" of all shares that any such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more voting power of the Voting Stock of the Company (or its successor by merger, consolidation or purchase of all or substantially all of its assets) than such voting power beneficially owned by the Permitted Parties;

(ii) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any "person" (as such term is used in Section 13(d) of the Exchange Act) other than to the Company or one of its Subsidiaries;

(iii) the Company consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Voting Stock of the Company outstanding immediately prior to such transaction constitute, or are converted into or exchange for, a majority of the Voting Stock of the surviving Person immediately after giving effect to such transaction;

(iv) the aggregate voting power of the Voting Stock of the Company (or its successor by merger, consolidation or purchase of all or substantially all of its assets) beneficially owned by the Permitted Parties falls below 30% of the total voting power of such Voting Stock; or

(v) the adoption by the stockholders of the Company of a plan or proposal for the liquidation or dissolution of the Company.

"Permitted Parties" means Hyundai Motor Company, Kia Motors Corporation, Mr. Mong-Koo Chung and their Affiliates.

"Preferred Stock," as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"Voting Stock" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

The definition of "Change of Control" includes a phrase relating to the sale, transfer, conveyance or other disposition of "all or substantially all" of the assets of the Company and its Subsidiaries taken as a whole. Although there is a developing body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Noteholder to require the Company to repurchase Notes as a result of a sale, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries taken as a whole to another person or group may be uncertain.

(D) **Purchases:** The Company or any Subsidiary or Affiliate of the Company may at any time and from time to time purchase Notes at any price in the open market or otherwise. Any such Notes purchased shall be surrendered to any paying agent for cancellation. The Notes so purchased, while held by or on behalf of the Company or any of its Subsidiaries or Affiliates, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purpose of calculating the quorum at a meeting of the Noteholders or for the purpose of Conditions 9 and 11. If purchases are made by tenders, tenders must be available to all Noteholders alike.

"Affiliate" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

(E) **Cancellation:** All Notes redeemed by the Company or purchased and surrendered to the Fiscal Agent for cancellation as provided in Condition 7(D) above will forthwith be cancelled and all Certificates in respect of cancelled Notes will be forwarded to the Registrar and shall be promptly cancelled by it, and such Notes may not be reissued or resold.

(F) **Redemption Notices:** All redemption notices to Noteholders given by or on behalf of the Company pursuant to Condition 7(B) will specify (i) the redemption date, (ii) the redemption price, (iii) that on the redemption date the redemption price of any Note to be redeemed will become due and payable, (iv) the place where Certificates are to be surrendered, and (v) the CUSIP or other identifying numbers of the Notes and/or Certificates to be redeemed. The Company shall send a written notice to the Fiscal Agent at least 15 days prior to sending a redemption notice to Noteholders pursuant to Condition 7(B).

8. Taxation

All payments by the Company in respect of the Notes will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of Korea or within any political subdivision thereof or any authority therein having power to tax ("Taxes") unless any such deduction or withholding is required by law. If any deduction or withholding is required by law, the Company will withhold such Taxes, as applicable, and pay them to the relevant government authority and the Company will pay such additional amounts (the "Additional Amounts") as shall be necessary in order that the net amount received by the Noteholders after such withholding or deduction for or on account of such Taxes will not be less than the Redemption Amounts which would otherwise have been receivable by the Noteholders in respect of payments under the Notes in the absence of such deduction or withholding, except that no such Additional Amounts shall be payable in respect of any Note:

(i) to or on behalf of a holder or beneficial owner who is subject to such Taxes, as applicable, in respect of such Note by reason of such holder or beneficial owner being connected with Korea otherwise than merely by holding or beneficially owning such Note or by the receipt of the Redemption Amount or interest, in respect of any Note or the enforcement of a Note;

(ii) to or on behalf of a holder or beneficial owner to the extent that such holder or beneficial owner would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other similar claim for exemption or deduction to the relevant tax authorities if such holder or beneficial owner is eligible to make such declaration or other claim and, after having been requested to make such a declaration or claim, such holder or beneficial owner fails to do so; or

(iii) in circumstances where the surrender of a Note is required under these Conditions or the Fiscal Agency Agreement, if the Certificate in respect of such Note is surrendered more than 30 days after the relevant date, except to the extent that the holder thereof would have been entitled to such Additional Amount on presenting the same for payment on the last day of such 30 day period.

For this purpose the "relevant date" in relation to any Note means (a) the due date for payment in respect thereof which is a Business Day or (b) if the full amount of the monies payable on such due date has not been received by the Fiscal Agent or the principal paying agent on or prior to such due date, the date on which notice is duly given to the Noteholders that such monies have been so received.

The Company will not pay Additional Amounts on any Note if:

(x) withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the taxation of savings (the "Directive"), which was adopted by the EU Council of Economic and Finance ("ECOFIN") on June 3, 2003 or any law implementing or complying with, or introduced in order to conform to, the Directive, or

(y) such Note is presented for payment by or on behalf of a beneficial owner who would have been able to avoid the withholding or deduction by presenting the relevant Note to another paying agent in a member state of the European Union.

Additionally, the obligation of the Company to pay such Additional Amounts shall not apply with respect to (i) any estate, inheritance, gift, sales, transfer or personal property tax or any similar taxes, duties, assessments or other governmental charges or (ii) any taxes, duties, assessments or other governmental charges that are payable otherwise than by deduction or withholding from payments on the Notes.

The Company will provide the Fiscal Agent with documentation evidencing the payment of such Taxes, if any. Copies of such documentation will be made available to any holder or any paying agent, as applicable, upon request therefor.

References in these Conditions to the Redemption Amount or interest shall be deemed also to refer to any Additional Amounts which may be payable in respect thereof under this Condition.

9. Events of Default

The occurrence and continuance of any one of the following events will constitute an event of default (an "Event of Default"):

(a) default by the Company in the payment of any installment of interest upon any of the Notes as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(b) default by the Company in the payment of all or any part of the Redemption Amount of any of the Notes as and when the same shall become due and payable, whether at maturity, upon redemption or otherwise; or

(c) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company contained in the Notes or in the Fiscal Agency Agreement for a period of 60 days after the date on which written notice specifying such failure, stating that such notice is a "Notice of Default" under the Notes and demanding that the Company remedy the same, shall have been given to the Company, with a copy to the Fiscal Agent, by the holders of at least 10% in aggregate principal amount of the Notes at the time outstanding; or

(d) any Debt of the Company or any Principal Subsidiary in the aggregate outstanding principal amount of US$30,000,000 or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Company or such Principal Subsidiary or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Company or such Principal Subsidiary in respect of Debt of any other person in the aggregate outstanding principal amount of US$30,000,000 or more not being honored when, and remaining dishonored after becoming, due and called, provided that, if any such default under any such Debt shall be cured or waived, then the default hereunder by reason thereof shall be deemed to have been cured and waived; or

(e) a court or administrative or other governmental agency or body having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law in effect on the Issue Date or thereafter, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up, dissolution or liquidation of its affairs, or shall otherwise adjudicate or find the Company to be bankrupt or insolvent, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(f) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law in effect on the Issue Date or thereafter, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or cease to carry on the whole or substantially the whole of its business, or make any general assignment for the benefit of creditors, or enter into any composition with its creditors, or take corporate action in furtherance of any such action.

In each such case, the holders of not less than 25% in aggregate principal amount of the Notes then outstanding, by notice in writing to the Company and the Fiscal Agent, may declare the principal amount of, and all accrued but unpaid interest on the Notes (together with all Additional Amounts thereon, if any) to be due and payable immediately. If, at any time after such amounts shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered, the Company shall pay or deposit with the Fiscal Agent a sum sufficient to pay all monies then due with respect to the Notes (other than amounts due solely because of such declaration) and cures all other Events of Default with respect to the Notes, then the holders of more than 50% in aggregate outstanding principal amount of the Notes may waive all defaults in writing and rescind and annul such declaration and its consequences.

10. Prescription

Funds deposited with the Fiscal Agent or any paying agent in trust for the payment of the Redemption Amount of, and interest and all Additional Amounts (if any) on, any Note and remaining unclaimed for six years after such Redemption Amount or interest, as the case may be, has become due and payable shall be repaid to the Company, upon its request, or (if then held by the Company) shall be discharged from such trust, and the Noteholder shall then look only to the Company for such payment.

11. Meetings of Noteholders; Modification and Amendments

The Company may at any time, and the Fiscal Agent shall at any time after the Notes shall have become immediately due and payable due to a default, upon a request in writing made by Noteholders holding not less than 10% of the aggregate outstanding principal amount of the Notes, convene a meeting of the Noteholders. Any such request in writing by the Noteholders shall be delivered to the Fiscal Agent. Further provisions concerning meetings of the Noteholders are set forth in the Fiscal Agency Agreement.

The Fiscal Agency Agreement and the Conditions may be amended by the Fiscal Agent and the Company without the consent of the holders of any Notes for the purpose, among other things, of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein, or in any manner necessary or desirable and which shall not adversely affect the interests of the Noteholders, to all of which each Noteholder shall, by acceptance of the Notes, or beneficial interests in the Global Notes, consent. Modifications and amendments to the Fiscal Agency Agreement or to the Notes may be made with the consent of the holders of at least a majority in aggregate principal amount of the Notes at the time outstanding (or of such lesser percentage as may act at a meeting of Noteholders, as permitted by the Fiscal Agency Agreement); provided, however, that no such modification or amendment may, without the unanimous consent of the holders of all Notes, make any "fundamental" change to the terms of the Notes. For purposes hereof, "fundamental" changes are defined as (i) a change in the stated maturity of the principal of or the dates on which interest is payable in respect of the Notes; (ii) a reduction in or cancellation of the principal amount of or interest on the Notes or a change in the obligation of the Company to pay Additional Amounts; (iii) a change in the currency or place of payment of the Redemption Amount, or interest (including Additional Amounts) on the Notes; (iv) a reduction in the above-stated percentage of aggregate principal amount of Notes outstanding necessary to modify or amend the Fiscal Agency Agreement or the provisions of the Notes or a reduction in the quorum requirements or the percentages of votes required for the adoption of any action at a meeting of Noteholders; or (v) any impairment of the right to institute any proceedings for the enforcement of any payment on or with respect to any Note.

The holders of a majority in aggregate principal amount of the outstanding Notes may waive compliance by the Company with the restrictive provisions of the Notes and the Fiscal Agency Agreement and may waive any past default under the Notes and the Fiscal Agency Agreement except (i) a default in the payment of the Redemption Amount or interest and (ii) a default or compliance in respect of a covenant or prevision of these Conditions or the Fiscal Agency Agreement which cannot be modified or amended without the unanimous consent of the holders of all Notes then outstanding.

In determining whether the Noteholders of the requisite aggregate principal amount of the Notes have concurred in any request, consent or waiver, Notes that are owned by the Company or any of its Subsidiaries or Affiliates or any other obligor on the Notes with respect to which such determination is being made or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Notes with respect to which such determination is being made will be disregarded and deemed not to be outstanding for the purpose of any determination, except that for the purpose of determining whether the Fiscal Agent shall be protected in relying on any such request, consent or waiver, only Notes that the Fiscal Agent knows are so owned shall be so disregarded.

12. Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar and at the specified office of any paying agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company and the Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

In the event any such mutilated, defaced, destroyed, lost or stolen Certificate has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Certificate, pay such Note.

13. Notices

All notices to Noteholders shall be validly given if in writing and mailed by first class mail to them at their respective addresses in the Note Register maintained by the Registrar, and published in a leading English language daily newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Notwithstanding the foregoing, so long as the Notes are represented by the Global Notes and the Global Notes are held on behalf of DTC or an alternative clearing system appointed in accordance with the terms of the Notes and the Fiscal Agency Agreement, notices to Noteholders may be given by delivery of the relevant notice to the clearing systems in accordance with the applicable rules and procedures of the clearing systems for communication by them to entitled accountholders.

14. Agents

The names of the Fiscal Agent, the initial principal paying agent, the initial transfer agent and the initial Registrar and their specified offices are set out in the Fiscal Agency Agreement. The Company reserves the right to appoint, vary or terminate any transfer agent or paying agent in accordance with the Fiscal Agency Agreement, provided that (i) the Company will at all times maintain in New York City a transfer agent and a paying agent where, subject to any applicable laws or regulations, Certificates may be presented and surrendered for payment, mutilated, destroyed, lost or stolen Certificates may be replaced, Certificates may be surrendered for registration of transfer or exchange, Certificates may be surrendered for exchange and where demands upon the Company in respect of these Conditions may be made and (ii) the Company will ensure that it maintains a paying and transfer agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to the Directive or any law implementing or complying with, or introduced in order to conform to, the Directive. Notice of any such termination or appointment, of any changes in the specified offices of the transfer agent or the paying agents and of any change in the identity of the Registrar will be given promptly by the Company to the Noteholders and the Fiscal Agent.

For so long as the Notes are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and the rules of the SGX-ST so require, the Company will appoint and maintain a paying and transfer agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Company issues individual definitive Certificates for the Notes. In addition, an announcement of such issue will be made by and on behalf of the Company through the SGX-ST. Such announcement will include all material information with respect to the delivery of the individual definitive Certificates for the Notes, including details of the paying and transfer agent in Singapore.

15. Further Issues

The Company may from time to time, without the consent of the Noteholders, create and issue further notes to the extent permitted under the applicable laws, having the same terms and conditions as the Notes in all respects except for issue date and/or issue price, provided that such further notes shall have no more than a *de minimis* amount of original issue discount or such issuance shall constitute a "qualified reopening" for U.S. federal income tax purposes. Such further issue shall be consolidated and form a single series with the Notes.

16. Governing Law and Jurisdiction

The Notes and the Fiscal Agency Agreement are governed by, and shall be construed in accordance with, the laws of the State of New York.

In relation to any legal action or proceedings arising out of or in connection with the Fiscal Agency Agreement and the Notes, the Company irrevocably submits to the jurisdiction of the New York State and United States federal courts sitting in the Borough of Manhattan, the New York City. To the fullest extent permitted by applicable law, the Company irrevocably and fully waives the defense of an inconvenient forum to the maintenance of any such action or proceeding. The Company will appoint Hyundai Steel Company LA Office as its agent for service of process.

Form of the Notes

Capitalized terms used in this section and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes."

Upon issuance, the Notes are expected to be represented by Global Notes in fully registered form. The Global Notes will be deposited with or on behalf of DTC and registered in the name of a nominee of DTC. A Global Note may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of or a nominee of such successor.

Upon the issuance of the Global Notes, DTC will credit, on its book-entry registration and transfer system, the respective principal amounts of the Notes represented by such Global Notes to the accounts of persons that have accounts with DTC ("participants"), including depositaries for Euroclear and Clearstream. The accounts to be initially credited shall be designated by the Initial Purchasers participating in the initial offer and sale of the Notes. Ownership of beneficial interests in the Global Notes will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in such Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC for such Global Notes (with respect to interests of participants) or by participants or persons that hold through participants (with respect to interests of persons other than participants).

DTC or its nominee, as the case may be, as registered Holder of the Global Notes will be considered the sole owner or holder of the Notes represented by each Global Note for all purposes under the Notes and the Fiscal Agency Agreement.

Principal and interest payments on Notes represented by the Global Notes registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of such Global Notes. None of the Company, the Fiscal Agent or any paying agent for such Notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in such Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that DTC, upon receipt of any payment of principal or interest, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Notes as shown on the records of DTC. The Company also expects that payments by participants to owners of beneficial interests in such Global Notes held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the account of customers registered in "street names," and will be the responsibility of such participants.

If (i) at any time DTC notifies the Company in writing that it is unwilling or unable to continue as depositary or ceases to be a "clearing agency" under the Exchange Act, and a successor depositary is not appointed by the Company within 90 days after the Company is notified by DTC or becomes aware of such condition, or (ii) the Notes have become immediately due and payable pursuant to Condition 9, the Company will issue Notes in definitive registered form in exchange for the Global Notes representing such Notes. The Notes will be issued only in fully registered form without coupons in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. If the Notes are issued in definitive registered form, the Company will make payments of principal of and interest on the Notes, and transfers and exchanges of the Notes will be affected, subject to the terms of the Fiscal Agency Agreement and the Notes (without any service charge) upon surrender of the Notes.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Notes are exchanged for definitive Notes. In addition, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

The Global Certificates

The certificates issued in respect of the Global Notes (the "Global Certificates") contain provisions that apply to the Notes in respect of which such Global Notes are issued, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain provisions of the Notes while in global form.

Meetings

The holder of Notes in respect of which a Global Certificate is issued shall be treated as being two persons for the purposes of any meeting of Noteholders and, at any such meeting, as having one vote in respect of each US$1,000 in principal amount of the Notes in respect of which such Global Certificate is issued.

The Fiscal Agent may allow a beneficial owner of interests in Notes in respect of which a Global Certificate has been issued to attend and speak at a meeting of Noteholders on appropriate proof of his identity and interest.

Redemption, Repurchase and Cancellation

All Notes redeemed by the Company or purchased by the Company or any of its subsidiaries or affiliates and surrendered to the Fiscal Agent for cancellation shall forthwith be cancelled, such cancellation to be effected by reduction in the principal amount of the applicable Global Note on its presentation to or to the order of the Fiscal Agent for notation in its records.

Redemption at the Option of Noteholders

The option of the Noteholders provided for in Condition 7(C) may be exercised by a participant in DTC, Euroclear or Clearstream (in accordance with its procedures) on behalf of a beneficial owner of interests in the Notes in respect of which a Global Certificate has been issued, by lodging a duly signed and completed redemption demand with the Fiscal Agent. Such redemption demand shall be irrevocable. The Fiscal Agent shall make a notation of such redemption or cause such notation to be made in its records.

Enforcement

For the purposes of enforcement of the provisions of the Notes, the beneficial owners of interests in Notes in respect of which a Global Certificate has been issued, as named in a certificate of the holder of such Notes, shall be recognized as the beneficiaries of the Notes, to the extent of the principal amounts of their respective interests in such Notes as set out in such certificate of the Noteholder, as if they were themselves the Noteholders in such principal amounts.

Notices

So long as the Notes are represented by the Global Notes and the Global Notes are held on behalf of DTC or an alternative clearing system appointed in accordance with the terms of the Notes and the Fiscal Agency Agreement, notices to Noteholders may be given by delivery of the relevant notice to the clearing systems in accordance with the applicable rules and procedures of the clearing systems for communication by them to entitled accountholders. Any such notice shall be deemed validly given on the day after it has been delivered to DTC or an alternative clearing system as aforesaid.

Transfers

Transfers of interests in the Notes in respect of which a Global Certificate has been issued shall be made in accordance with the provisions set forth in the Fiscal Agency Agreement relating to the Notes and the procedures of DTC, Euroclear and Clearstream.

Taxation

Certain United States Federal Income Tax Considerations

To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that any discussion of tax matters set forth in this Offering Circular was written in connection with the promotion or marketing of the transactions or matters addressed herein and was not intended or written to be used, and cannot be used by any prospective investor, for the purpose of avoiding tax related penalties under federal, state or local tax law. Each prospective investor should seek advice based on its particular circumstances from an independent tax advisor.

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. holder (as defined below) as of the date of this Offering Circular. Unless otherwise stated, this summary deals only with Notes held as capital assets by persons who purchase the Notes for cash upon original issuance at their initial offering price.

As used herein, a "U.S. holder" means a beneficial owner of the Notes that is for United States federal income tax purposes any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

The discussion set forth below is applicable to U.S. holders (i) who are residents of the United States for purposes of the current income tax treaty between the United States and Korea (the "Treaty"), (ii) whose Notes are not, for purposes of the Treaty, attributable to a permanent establishment in Korea and (iii) who otherwise qualify for the full benefits of the Treaty.

This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are a person subject to special tax treatment under the United States federal income tax laws, including, without limitation:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- a tax-exempt organization;
- an insurance company;

- a person holding the Notes as part of a hedging, integrated, conversion or constructive sale transaction or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for their securities;
- a person liable for alternative minimum tax;
- a partnership or other pass-through entity for United States federal income tax purposes (or an investor in such entities); or
- a U.S. holder whose "functional currency" is not the U.S. dollar.

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), United States Treasury regulations, administrative rulings and judicial decisions as of the date hereof. Those authorities may be changed, possibly on a retroactive basis, so as to result in United States federal income tax consequences different from those summarized below. We have not and will not seek any rulings from the Internal Revenue Service ("IRS") regarding the matters discussed below. There can be no assurance that the IRS will not take positions concerning the tax consequences of the purchase, ownership or disposition of the Notes that are different from those discussed below.

If a partnership (including any entity classified as a partnership for United States federal income tax purposes) holds Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner in a partnership holding Notes, you should consult your own tax advisors.

This summary does not represent a detailed description of the United States federal income tax consequences to you in light of your particular circumstances and does not address the effects of any state, local or non-United States tax laws. It is not intended to be, and should not be construed to be, legal or tax advice to any particular purchaser of Notes. **If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the ownership of the Notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.**

Interest

Stated Interest. *Stated interest on the Notes generally will be taxable to you as ordinary income at the time it is received or accrued, depending on your method of accounting for United States federal income tax purposes.*

In addition to interest payments on the Notes (which includes any Korean tax withheld from the interest payments you receive), you will be required to include in income any additional amounts paid in respect of such Korean tax withheld. You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit certain foreign taxes applies to all such foreign taxes for a particular tax year). Stated interest income (including any additional amounts) on the Notes generally will be considered foreign source income and, for purposes of the United States foreign tax credit, generally will be considered passive category income. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. Korean withholding taxes may be imposed at times that differ from the times at which you are required to include stated interest in income for United States federal income tax purposes and this disparity may limit the amount of foreign tax credit available. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

Sale, Exchange, Retirement, Redemption or Other Disposition of Notes

Upon the sale, exchange, retirement, redemption, or other taxable disposition of a note, you generally will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement, redemption or other disposition (less an amount equal to any accrued and unpaid stated interest, which amount will be taxable as interest income as discussed above to the extent not previously included in income) and the adjusted tax basis of that note. Your adjusted tax basis in a note will, in general, be your cost for that note reduced by any cash payments on the note other than stated interest. Any gain or loss generally will be capital gain or loss. Gain or loss realized by you on the sale, exchange or retirement, redemption or other taxable disposition of a note will generally be treated as United States source gain or loss, subject to possible resourcing under the Treaty if the sale, exchange, retirement, redemption or other taxable disposition of a note occurs outside the United States. Consequently, you may not be able to claim a credit for any Korean tax imposed upon a disposition of a note unless such credit can be applied (subject to applicable limitation) against tax due on other income treated as derived from foreign sources. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to certain payments of principal and interest paid on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a note paid to you (unless, in each case, you are an exempt recipient). Backup withholding (currently at a rate of 28%) may apply to such payments if you fail to provide a taxpayer identification number or a certification that you are not subject to backup withholding or if you fail to report in full dividend and interest income.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the IRS.

Korean Taxation

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisors.

The taxation of non-resident individuals and non-Korean corporations (“Non-Residents”) depends on whether they have a “permanent establishment” (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

Tax on Interest

Interest on the Notes paid to Non-Residents, being foreign currency denominated bonds, is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the "STTCL").

If the tax exemption under the STTCL referred to above were to cease to be in effect, the rate of income tax or corporation tax applicable to interest on the Notes, for a Non-Resident without a permanent establishment in Korea, would be 14% of income. In addition, a tax surcharge called local income tax would be imposed at the rate of 10% of the income tax or corporation tax (raising the total tax rate to 15.4%).

The tax is withheld by the payer or us. As the duty to withhold the tax is on the payer or us, Korean law does not automatically entitle the person who has suffered the withholding of Korean tax to recover from the Korean government any part of the Korean tax withheld even if he subsequently produces evidence that he was entitled to have his tax withheld at a lower rate or be exempted, although in certain circumstances it may be possible to claim withheld tax from the payer or us. A Non-Resident that was subject to withholding of Korean tax on interest is entitled to claim refund of over-withheld tax directly from the Korean tax authorities effective from refund claims made on or after January 1, 2009. The tax rates may be reduced by an applicable tax treaty, convention or agreement between Korea and the country of the recipient of the income. The relevant tax treaties are discussed below. In order to obtain a reduction or exemption in withholding tax under an applicable tax treaty, a Non-Resident should submit, prior to the interest payment date, such evidence of tax residence as the Korean tax authorities may require in support of the claim for treaty protection.

Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Notes to other Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents with or without permanent establishments in Korea from the transfer taking place outside Korea of the Notes are currently exempt from taxation by virtue of STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance under the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable tax treaty reducing or eliminating tax on capital gains, the applicable rate of tax would be the lower of 11% (including local income tax) of the gross realization proceeds or (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note) 22% (including local income tax) of the realized gain (i.e., the excess of the gross realization proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under relevant Korean law to allow offsetting of gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of the Notes issued by Korean companies. The purchaser or any other designated withholding agent of the Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty or on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the instruments being sold, the purchaser or such withholding agent must withhold an amount equal to 11% of the gross realization proceeds. Any amounts withheld by the purchaser or such withholding agent must be paid to the competent Korean tax office. The purchaser or withholding agent must pay any withholding tax no later than the tenth day of the month following the month in which the payment for the purchase of the relevant instruments occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser or such withholding agent to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or withholding agent who is obliged to withhold such tax, through proceedings against payments due to the Non-Resident from its Korean investments and the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea or resided in Korea for at least one year immediately prior to his death and (b) all property located in Korea that 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 the rate varies from 10% to 50%. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, bonds issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and, consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance or gift.

Prospective purchasers should consult their personal tax advisors regarding the consequences of the imposition of the Korean inheritance or gift tax.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the Holders in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by us. No securities transaction tax will be imposed upon the transfer of the Notes.

Tax Treaties

At the date of this Offering Circular, Korea has tax treaties with, *inter alia*, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, 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 interest is reduced, generally to between five and 16.5% (including local income tax), and the tax on capital gains is often eliminated.

Each Holder should inquire whether he is entitled to the benefit of a tax treaty with respect to any transaction involving the Notes. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the payer or us a certificate as to his residence. In the absence of sufficient proof, the payer or we must withhold taxes in accordance with the above discussion.

Further, in order for a Non-Resident to obtain the benefit of a tax exemption on certain Korean source income (e.g., interest and capital gains) 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 tax exemption under a tax treaty 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. However, this requirement does not apply to exemptions under Korean tax law.

Withholding and Gross Up

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to STTCL. However, in the event that the payer or we are required by law to make any withholding or deduction for or on account of any Korean taxes we have agreed to pay such Additional Amounts as may be necessary in order that the net amounts received by the Holder of any Note after such withholding or deduction shall equal the respective amounts which would have been received by such Holder in the absence of such withholding or deduction.

Certain ERISA Considerations

Section 406 of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code") prohibit employee benefit plans and other retirement plans, accounts and arrangements that are subject to Title I of ERISA and/or Section 4975 of the Code ("ERISA Plans") from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under Title I of ERISA and Section 4975 of the Code. In addition, the fiduciary of the ERISA Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under Title I of ERISA and/or Section 4975 of the Code. The acquisition and/or holding of Notes by, or with the assets of, an ERISA Plan with respect to which the Company or an Initial Purchaser is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the United States Department of Labor has issued prohibited transaction class exemptions, or "PTCEs," that may apply to the acquisition and holding of the Notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers, although there can be no assurance that all of the conditions of any such exemptions will be satisfied.

Governmental plans, certain church plans and non-United States plans (such plans, together with ERISA Plans referred to herein as "Plans"), while not subject to the prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code, may nevertheless be subject to other federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the foregoing provisions of ERISA or the Code ("Similar Laws"). Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

Because of the foregoing, the Notes should not be purchased or held by any person investing "plan assets" of any Plan unless such purchase and holding will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Laws. In this regard each purchaser and subsequent transferee of a Note will be deemed to make certain representations. See "Transfer Restrictions."

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes.

Plan of Distribution

Subject to the terms and conditions stated in the purchase agreement dated April 14, 2011 (the "Purchase Agreement"), each initial purchaser named below (each, an "Initial Purchaser" and collectively, the "Initial Purchasers") has severally agreed to purchase from the Company, and the Company has agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite the name of such Initial Purchaser.

Initial Purchaser	Principal Amount of Notes
Citigroup Global Markets Limited	US$ 98,000,000
Credit Suisse Securities (Europe) Limited	98,000,000
The Hongkong and Shanghai Banking Corporation Limited	98,000,000
J.P. Morgan Securities Ltd.	98,000,000
Merrill Lynch International	98,000,000
HMC Investment Securities Co., Ltd.	10,000,000
Total	US$500,000,000

The Purchase Agreement provides that the obligations of each of the Initial Purchasers to purchase the Notes are subject to approval of certain legal matters by counsel and to certain other conditions. Each of the Initial Purchasers must purchase all the Notes set forth opposite its name if they purchase any of the Notes. The Purchase Agreement also provides that if an Initial Purchaser defaults, the purchase commitments of non-defaulting Initial Purchasers may be increased or the offering may be terminated.

The Company has been advised that the Initial Purchasers propose to resell the Notes at the issue price set forth on the cover page of this Offering Circular. The price at which the Notes are offered and other selling terms may be changed from time to time without notice by the Initial Purchasers. The Initial Purchasers may offer the Notes in various jurisdictions through certain of their affiliates.

The Company has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the Initial Purchasers may be required to make in respect thereof.

The Purchase Agreement provides that the Company will pay compensation to the Initial Purchasers consisting of a commission as a percentage of the aggregate principal amount of the Notes.

The Company has agreed that it will not issue, offer, sell, contract to sell or otherwise dispose of, or announce the offering of, any non-Won denominated debt securities (other than the Notes) issued or guaranteed by the Company with a maturity of over one year, without the prior written consent of the Initial Purchasers, for a period of 60 days from the date of the Purchase Agreement.

Delivery of the Notes is expected on or about April 21, 2011, which will be the fifth business day following the date of pricing of the Notes. Under Rule 15(c)6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes prior to the second business day following the pricing date will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Such purchasers of Notes should consult their own advisor.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by the Company or any Initial Purchaser that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Initial Purchasers, through their respective affiliates, acting as selling agents where applicable, propose to offer the Notes to certain persons in offshore transactions in reliance on Regulation S and in accordance with applicable law and propose to offer the Notes to qualified institutional buyers in the United States pursuant to Rule 144A. Each of the Initial Purchasers has agreed that, except as permitted under the Purchase Agreement, it will not offer, sell or deliver the Notes within the United States. Any offer or sale of the Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the Exchange Act. Terms used in this paragraph have the meanings given to them by Regulation S. Transfers of the Notes will be restricted as described under "Transfer Restrictions."

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Company for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Company or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each Initial Purchaser has represented and agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Market Act of 2000 (the "FSMA")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Initial Purchaser has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act"). Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons as defined in Section 275(2) of the Securities and Futures Act which has subscribed or purchased Notes, namely a person who is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of which is an individual who is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

(i) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) in accordance with the conditions specified in Section 275 of the Securities and Futures Act;

(ii) (in the case of a corporation, other than a corporation that is an accredited investor) where the transfer arises from an offer referred to in Section 275(1A) of the Securities and Futures Act, or (in the case of a trust, other than a trust the trustee of which is an accredited investor) where the transfer arises from an offer that is made on terms that such rights or interests are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;

(iii) where no consideration is or will be given for the transfer;

(iv) where the transfer is by operation of law; or

(v) pursuant to Section 276(7) of the Securities and Futures Act.

Korea

The Notes have not been registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the Notes have not been and will not be offered, delivered, or sold directly or indirectly in Korea or to any resident of Korea (as defined in the Foreign Exchange Transaction Law of Korea and the regulations thereunder) or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. In addition, until the expiration of one year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea who is not a professional investor as set forth in Article 11, Paragraph 1, Item 1, Sub-items Ka and Na of the Enforcement Decree of the Financial Investment Services and Capital Markets Act of Korea.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. Each Initial Purchaser has represented and agreed that it has not offered or sold, and it will not offer or sell, directly or indirectly, any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan except (i) pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law of Japan and (ii) in compliance with any other relevant laws, regulations and ministerial guidelines of Japan.

New Issue of Notes

The Notes will constitute a new class of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The Notes are eligible for trading in the National Association of Securities Dealers screen-based automated market for trading of securities eligible for resale under Rule 144A. The Initial Purchasers have advised the Company that they currently intend to make a market in the Notes as permitted by applicable law. However, they are not obligated to do so and any market-making activities with respect to the Notes may be discontinued at any time without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Notes.

Price Stabilization and Short Positions

The Initial Purchasers may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither the Company nor any of the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Company nor any of the

Initial Purchasers makes any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The Initial Purchasers and certain of their affiliates have performed certain investment banking and advisory services for the Company and its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Company and its affiliates in the ordinary course of business. The Initial Purchasers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

HMC Investment Securities Co., Ltd., one of the Initial Purchasers, is an affiliate of the Company and a member of the Hyundai Motor Group.

The Initial Purchasers or their respective affiliates may purchase Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities issued by the Company or its subsidiaries or associates, at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

Transfer Restrictions

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered pursuant to this Offering Circular.

Korea

A registration statement for the offering and sale of the Notes has not been filed under the Financial Investment Services and Capital Markets Act (the "FSCMA").

Each purchaser of the Notes hereunder will be deemed to have represented and agreed as follows:

1. the Notes have not been registered with the Financial Services Commission of Korea under the FSCMA. Accordingly, the Notes have not been and will not be offered, delivered, or sold directly or indirectly in Korea or to any resident of Korea (as defined in the Foreign Exchange Transaction Law of Korea and the regulations thereunder) or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. In addition, until the expiration of one year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea who is not a professional investor as set forth in Article 11, Paragraph 1, Item 1, Sub-items Ka and Na of the Enforcement Decree of the FSCMA.

2. it understands that the Notes will, unless otherwise agreed by the Company, bear a legend substantially to the following effect:

   THE NOTES HAVE NOT BEEN REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA (THE "FSCMA"). ACCORDINGLY, THE NOTES HAVE NOT BEEN AND WILL NOT BE OFFERED, DELIVERED OR SOLD, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTION LAW AND THE REGULATIONS THEREUNDER), OR TO OTHERS FOR RE-OFFERING OR RESALE DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, UNTIL THE EXPIRATION OF ONE YEAR AFTER ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA WHO IS NOT A PROFESSIONAL INVESTOR AS SET FORTH IN ARTICLE 11, PARAGRAPH 1, ITEM 1, SUB-ITEMS KA AND NA OF THE ENFORCEMENT DECREE OF THE FSCMA.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or the securities laws of any other jurisdiction. The Notes may not be offered or sold within the United States, except in reliance on Rule 144A to QIBs. The Notes may also be offered and sold in offshore transactions in reliance on Regulation S.

Each purchaser of the Notes hereunder will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulations S under the Securities Act are used in this Offering Circular as defined in the Securities Act):

(1) it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion, and it and any such account (i) is a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (ii) is purchasing the Notes in an offshore transaction pursuant to Regulation S;

(2) it acknowledges that the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States except as set forth below;

(3) it understands and agrees that if in the future it decides to sell, pledge or otherwise transfer any Notes or any beneficial interest in any Notes, such Notes may be offered, resold, pledged or transferred only (A)(i) to the Company, (ii) to a person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S under the Securities Act, (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available) or (v) pursuant to another exemption from the Securities Act, provided that, as a condition to the registration of the transfer thereof, the Company or the Fiscal Agent may require the delivery of any documents, including an opinion of counsel that it, in its sole discretion, may deem necessary or appropriate to evidence compliance with such exemption, or (B) pursuant to an effective registration statement under the Securities Act, and, in each of such cases in accordance with any applicable securities laws of any state of the United States;

(4) it agrees to, and each subsequent holder is required to, notify any purchaser of the Notes from it of the resale restrictions referred to in clause (3)(A) above, if then applicable;

(5) it understands and agrees that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes and that Notes initially offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(6) it understands that the Rule 144A Global Notes will, until the expiration of the applicable holding period with respect to the Notes set forth in Rule 144 of the Securities Act, unless otherwise agreed by the Company, bear a legend substantially to the following effect:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF HYUNDAI STEEL COMPANY (THE "COMPANY") THAT PRIOR TO THE DATE THAT IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY, THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(i) TO THE COMPANY, (ii) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (iii) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF

RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (iv) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (v) PURSUANT TO ANOTHER EXEMPTION FROM THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE COMPANY OR THE FISCAL AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION, OR (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND, IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER AGREES TO, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE, IF THEN APPLICABLE."

(7) it understands that, unless otherwise agreed by the Company, the Regulation S Global Notes will bear a legend substantially to the following effect:

"THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT."

(8) it acknowledges that prior to any proposed transfer of any Notes in certificated form or of beneficial interests in the Global Notes (other than pursuant to an effective registration statement), the holder of the Notes or the holder of beneficial interests in the Global Notes, as the case may be, may be required to provide certificates and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Notes and the Fiscal Agency Agreement; and

(9) it acknowledges that the Company, the Initial Purchasers, the Fiscal Agent and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of such acknowledgments, representations or warranties deemed to have been made by virtue of its purchase of the Notes is no longer accurate, it shall promptly notify the Company; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Each purchaser and subsequent transferee acknowledges and agrees that they will be deemed by such purchase or holding of the Notes (or any beneficial interest therein) that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes or any beneficial interest therein constitutes assets of any employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), plan, individual retirement account or other arrangement subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code") or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "Similar Laws") or any entity whose underlying assets are considered to include "plan assets" of any such employee benefit plan, plan, account or arrangement or (ii) the purchase and holding of the Notes or any beneficial interest therein by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Laws.

Singapore

Where the Notes are initially subscribed or purchased by an institutional investor specified in Section 274 of the Securities and Futures Act or a relevant person, or any other person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, the Notes may only be sold or transferred:

a) at any time, to an institutional investor specified in section 274 of the Securities and Futures Act;

b) at any time, to a relevant person as defined in Section 275(2) of the Securities and Futures Act or to any person pursuant to an offer referred to in Section 275(1A) of the Securities and Futures Act; or

c) after six months from the date of the initial subscription or purchase, to any person in Singapore.

Further, each of the following relevant persons as defined in Section 275(2) of the Securities and Futures Act which has subscribed or purchased Notes, namely a person who is:

a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of which is an individual who is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

i. to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person (as defined in Section 275(2) of the Securities and Futures Act) in accordance with the conditions specified in Section 275 of the Securities and Futures Act;

ii. (in the case of a corporation, other than a corporation that is an accredited investor) where the transfer arises from an offer referred to in Section 275(1A) of the Securities and Futures Act, or (in the case of a trust, other than a trust the trustee of which is an accredited investor) where the transfer arises from an offer that is made on terms that such rights or interests are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;

iii. where no consideration is or will be given for the transfer;

iv. where the transfer is by operation of law; or

v. pursuant to Section 276(7) of the Securities and Futures Act.

Legal Matters

Certain legal matters with respect to the issue and sale of the Notes will be passed upon for the Company by Simpson Thacher & Bartlett LLP as to matters of New York law. Certain legal matters with respect to the issue and sale of the Notes will be passed upon for the Initial Purchasers by Cleary Gottlieb Steen & Hamilton LLP as to matters of New York law and by Kim & Chang as to matters of Korean law. Kim & Chang may rely on the opinions of Simpson Thacher & Bartlett LLP and Cleary Gottlieb Steen & Hamilton LLP with respect to matters of New York law, and Simpson Thacher & Bartlett LLP and Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of Kim & Chang with respect to matters of Korean law.

Independent Auditors

The Company's non-consolidated financial statements as of and for the fiscal year ended December 31, 2008 included in this Offering Circular have been audited by the Company's then independent auditors, KPMG Samjong Accounting Corp., as stated in their report included in this Offering Circular. The Company's non-consolidated financial statements as of and for the fiscal years ended December 31, 2009 and 2010 have been audited by the Company's independent auditors, Deloitte Anjin LLC, as stated in their report included in this Offering Circular.

Summary of Certain Differences Between Korean GAAP and U.S. GAAP

The financial information included in this Offering Circular is prepared and presented in accordance with Korean GAAP, which differ in certain significant respects from U.S. GAAP. Such differences involve methods for recognizing and measuring the amounts shown in financial statements, as well as different disclosure requirements. Certain significant differences that may have a material effect on the financial information are summarized below. Such summary should not be construed to be exhaustive. Management has made no attempt to quantify the impact of those differences. Accordingly, no assurance is provided that the following summary of differences between Korean GAAP and U.S. GAAP is complete. In addition, no attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented in the financial information. No attempt has been made to identify future differences between Korean GAAP and U.S. GAAP as the result of prescribed changes in accounting standards.

Regulatory bodies that promulgate U.S. GAAP have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between Korean GAAP and U.S. GAAP that may affect the financial information as a result of transactions or events that may occur in the future.

The Company believes that the application of U.S. GAAP to the financial information would have a material and significant impact upon financial information as reported under Korean GAAP. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Korean GAAP and U.S. GAAP and how those differences might affect the financial information included herein.

Primary Financial Statements

Under Korean GAAP, both non-consolidated and consolidated financial statements are presented as the primary financial statements. Prior to 2006, a complete set of annual non-consolidated financial statements consists of balance sheets, statement of operations, statement of cash flows and statement of appropriations of retained earnings or disposition of accumulated deficit, and notes thereto. Effective January 1, 2007, a statement of changes in shareholders' equity was added. For consolidated financial statements, a complete set of annual financial statements consists of balance sheets, statement of operations, statement of cash flows and statement of changes in shareholders' equity, and notes thereto.

Under U.S. GAAP, a complete set of annual financial statements consists of balance sheets, statement of operations, statement of changes in shareholders' equity, statement of comprehensive income, and statement of cash flows, and notes thereto.

Statement of Shareholders' Equity

Under Korean GAAP, prior to 2006, shareholders' equity consists of common stock, capital surplus, retained earnings and capital adjustment. Effective January 1, 2007, capital adjustment was divided into two components between capital adjustments and accumulated other comprehensive income in accordance with Statement of Korea Accounting Standards ("SKAS") No. 21, Preparation and Presentation of Financial Statements. Capital adjustments consist of discount on stock issuance, pre-operating dividends, and treasury stock. Accumulated other comprehensive income contains certain unrealized gains or losses on derivatives qualified under cash flow hedge accounting, gains or losses on valuation of investments classified as available-for-sale securities and unrealized gains or losses on foreign currency translations of entities that are consolidated or accounted for by the equity method. In addition, Korean GAAP requires the classification of minority interests in consolidated subsidiaries as a component of shareholders' equity.

Under U.S. GAAP, shareholders' equity consists of common stock, additional-paid-in capital, retained earnings and other comprehensive income. Comprehensive income includes all changes in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources.

Other comprehensive income consists of gain (loss) on valuation of investments classified as available-for-sale securities, certain unrealized gain (loss) on derivatives qualified under hedge accounting, and unrealized gains (losses) on foreign currency translations of entities that are consolidated or accounted for by the equity method. For entities with publicly traded securities, effective for fiscal years ending after December 15, 2006, gains or losses and prior service costs or credits that arise during the period but not recognized as components of net period benefit costs of defined benefit post-retirement plans are recognized in other comprehensive income. In addition, minority interest of consolidated subsidiaries is presented separately from shareholders' equity.

Accounting for Goodwill and Negative Goodwill

Under Korean GAAP, goodwill is defined as any excess in the investor's acquisition cost over the investor's share of the fair value of the investees' identifiable net asset at the date of acquisition. It is amortized on a straight-line basis over a reasonable period not to exceed 20 years, unless contractual or legal rights exceed 20 years. For consolidated subsidiaries, the amortization of goodwill is recorded as a separate expense whereas, for affiliates, the amortization of such goodwill is recorded as a component of equity in income (loss) of affiliates. When events or circumstances indicate that carrying amount may not be recoverable, the parent company or investor reviews goodwill for impairment and records the loss to income during the period, if any.

Any excess in the investor's share of the fair value of the investee's identifiable net asset over the investor's acquisition cost at the date of acquisition, or negative goodwill, is amortized on a straight-line basis over a weight-average period of depreciable assets and, any remaining excess is recorded immediately as income. The amortization of such negative goodwill is recorded as a component of equity income (loss) of affiliates.

Under U.S. GAAP, goodwill is not amortized but tested for impairment at least on an annual basis at the reporting unit level. Impairment exists when the reporting unit's fair value is less than its carrying value. The impairment amount is measured as the excess of the carrying amount of the goodwill over its implied fair value. For affiliates accounted for under the equity method, an impairment loss in the investment's carrying value, which includes any investor level goodwill, is recorded when such impairment is other than temporary.

In case of negative goodwill, excess in the investor's share of the net fair value of the investee's identifiable net asset over the investor's acquisition cost is allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired assets except (a) financial assets other than investments accounted for under the equity method, (b) assets to be disposed of by sale, (c) deferred tax assets, (d) prepaid assets relating to pension or other post-retirement benefit plans, and (e) any other current assets. Any excess amount remaining after the pro rata allocation described above is recognized as an extraordinary gain in the period of acquisition.

Equity Method Accounting

Under Korean GAAP, a company is presumed to have significant influence over an investee when it holds 20% or more of the voting power of the investee directly or indirectly through a controlling company or through a subordinated company. A company is also presumed to have significant influence over an investee if one or more of the criteria listed below is met even if it holds less than 20% of the voting power of the investee: (i) the company is represented in the board of directors or equivalent governing body of the investee; (ii) the company can participate in the process of forming financing and operating policies of the investee; (iii) the company can exercise significant influence in the appointment of directors of the investee who can participate in the process of forming financing and operating policies of the investee; (iv) the investee's material transactions are conducted between the company and the investee; and (v) the company provides essential technology to the investee.

Under the equity method of accounting, a company records changes in its proportionate equity of the net assets of the investee depending on the nature of the underlying changes in the investee as follows: (i) "equity in income (loss) of associates" in the non-operating income (expense) for net income (loss) of the investee; (ii) "increase (decrease) in retained earnings of associates" in the retained earnings for changes in the beginning retained earnings of the investee; and (iii) "increase (decrease) in equity of associates" in accumulated other comprehensive income (loss) for other changes in shareholders' equity of the investee. Effective January 1, 2005, unrealized gains and losses multiplied by the controlling entity's ownership percentage are eliminated in accordance with SKAS No. 15. If an investor holds assets which are of investment characteristics such as preferred stocks and long term receivables, the investor shall continue to recognize the losses of the investee using equity method until the carrying amounts of such assets are reduced to zero even after the carrying amount of an investment in affiliates falls below zero.

Under U.S. GAAP, investments in which an entity has the ability to exercise significant influence over operating and financial policies of the investee are recorded under the equity method. In general, when the entity owns between 20% and 50% of the voting interest of an investee, there is a presumption that the investor has the ability to exercise significant influence until overcome by predominant evidence to the contrary. Under the equity method, intercompany profits and losses are eliminated until realized by the investor or investee. The investor's share in net income or net loss of the investees is reflected in current operations.

Impairment of Equity Method Investments

Under Korean GAAP in effect through December 31, 2004, there were no specific accounting standards for impairment of equity method investments. However, if the fair value of an equity method investment was determined to be less than its carrying value with objective evidence of a decline in fair value below the carrying value (such as bankruptcy of the investee), an impairment loss was recognized as a charge to other income. Effective January 1, 2005, per SKAS No. 15, Equity Method Accounting, impairment of equity method investments is considered when events or circumstances indicate that the carrying amount of investments may not be recoverable. The company is to recognize an impairment loss when the carrying amount of investments is greater than the higher amount of (i) the estimated consideration to be received if the investments were disposed of as of the end of a period or (ii) the "value in use" of such investments. Value in use is estimated based on the present value of estimated future cash flows discounted at a rate representing the investee's capital cost.

Under U.S. GAAP, if the decline in fair value of an equity method investment below the carrying value is judged to be other-than-temporary, the carrying amount of the individual security is written down to fair value. Recovery of Impairments of Investment Securities Under Korean GAAP, the reversal of impairment loss for all investment securities, when it is objectively related to an event occurring after the recognition of impairment loss, is recognized as current income. However, the new carrying amount after the reversal of impairment loss cannot exceed the carrying value of the investment security that would have been measured at the date of reversal had no impairment loss been recognized.

Under U.S. GAAP, other-than-temporary impairment losses with respect to investment securities cannot be reversed.

Property, Plant and Equipment/Asset Revaluation

Under Korean GAAP, in accordance with an amendment to SKAS No. 5 that became effective in 2008, a company can elect between the cost model (stating at cost) and the revaluation model (stating at appraisal value) when measuring property, plant and equipment after initial recognition. Under the revaluation model, revaluation gain is recognized as other comprehensive income and revaluation loss is recognized as current loss. However, revaluation gain is recognized as an increase in net income up to the amount of revaluation loss that was previously recognized in the same asset, and revaluation loss is recognized as a decrease in other comprehensive income up to the amount of revaluation gain that was previously recognized as other comprehensive income on the same assets.

Under U.S. GAAP, property, plant and equipment is stated at cost, less accumulated depreciation and impairment loss, if any. Upward revaluation of property, plant and equipment is not permitted.

Reversal of Recognized Impairment Losses of Long-Lived Assets

Under Korean GAAP, recovery of impairment loss of long-lived assets, when it is objectively related to an event occurring after the recognition of impairment loss, is recognized in current income. However, the new carrying amount after the reversal of impairment cannot exceed the carrying value of the asset that would have been measured at the date of reversal had no impairment loss been recognized.

Under U.S. GAAP, an impairment loss cannot be reversed.

Capitalized Interest and Transaction Gains/Losses

Under Korean GAAP, a company can elect to capitalize interest costs and other financial charges (principally, foreign exchange gains/losses) on borrowings associated with the manufacture, purchase, or construction of property, plant and equipment, incurred up until the time that the asset was ready for its intended use as part of the cost of qualifying assets, or expense such interest costs and financial charges as incurred.

Under U.S. GAAP, interest must be capitalized in the amount that would have been avoided had expenditures not been made for property, plant and equipment during the period of time required to get them ready for their intended use. Foreign exchange gains/losses cannot be capitalized.

Factoring of Receivables

Under Korean GAAP, the factoring of trade receivables to financial institutions is accounted for as a sale of the receivables, when it surrenders control over those financial assets to the extent that consideration other than beneficial interests in the transferred asset is received in exchange. Otherwise, the transfer is accounted for as a collateralized borrowing transaction. The company considers control surrendered when all conditions prescribed by the relevant Korean accounting standards are met. Those conditions focus on whether the transferred financial assets are isolated beyond the reach of the company and its creditors, the constraints, if any, imposed on the transferee or beneficial interest holders, and the company's rights and obligations to reacquire transferred financial assets. However, transactions conducted in accordance with the Korean Asset Securitization Act are recorded as sales which in principal focuses mainly on the legal isolation criteria. Gains or losses on sales are determined as the difference between the carrying amount of the assets sold and the net proceeds received, and recognition should be given to the potential cost of the recourse obligation.

Under U.S. GAAP, transfer of financial assets (on all or a portion of a financial asset) in which the transferor surrenders control over financial assets is accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. The transferor has surrendered control, if and only if, all of the following conditions are met: 1) transferred assets have been isolated from the transferor presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership; 2) each transferee (or, if the transferee is a qualifying special-purpose entity, each holder of its beneficial interests) has the right to pledge or exchange the assets (or beneficial interests) it received, and no condition both constrains the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor; and 3) the transferor does not maintain effective control over the transferred assets through either (i) an agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity or (ii) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

Inventories

Under Korean GAAP, inventories are to be carried at the lower of cost or market value. Effective January 1, 2004, an inventory valuation loss is recorded as a component of cost of goods sold. Subsequent recoveries, if any, of inventory valuation adjustments result in an increase in the carrying value of the inventory up to the original cost.

U.S. GAAP also requires inventory to be stated at the lower of cost or market value. Obsolescence, valuation and inventory quantity adjustments are included as part of cost of goods sold. However, subsequent recoveries of inventory valuation adjustments are not allowed.

Intangible Assets (excluding Goodwill)

Under Korean GAAP, an intangible asset is recognized only if (1) it is probable that future economic benefits attributable to the asset will flow into the entity and (2) the cost of the asset can be measured reliably. The depreciable amount of an intangible asset is allocated on a systematic basis over the best-estimate of its useful life, which period should not exceed 20 years from the date on which the asset is available for use, except in the case where, by contract or applicable law, an entity has monopolistic and exclusive rights to control an intangible asset. Amortization shall commence when the asset is available for use.

Under Korean GAAP, if the recoverable amount of an intangible asset falls to less than its carrying amount due to obsolescence or a sharp decline in market value of the asset or other factors, the carrying amount of the asset is reduced to its recoverable amount and the reduced amount is recognized as an impairment loss. However, if the recoverable amount of a previously impaired intangible asset exceeds its carrying amount in subsequent reporting periods, an amount equal to the excess shall be recorded as reversal of impairment loss. The increased carrying amount of an asset due to a reversal of impairment loss shall not exceed the carrying amount that would have been determined, had no impairment loss been recognized in prior years. If an intangible asset is not in use and held for disposal, the intangible asset shall be carried at its carrying amount as of the date when its use is suspended, and tested for impairment at the end of each fiscal year to recognize possible impairment loss.

Under U.S. GAAP, intangible assets are classified into two categories; finite-lived intangible assets and indefinite-lived intangible assets. If an identifiable intangible asset has an indefinite useful economic life that is supported by clearly identifiable cash flows, then it is not subject to amortization. Instead, the carrying amount of such intangible is to be tested for impairment at least annually. An impairment loss would be recognized if the carrying amount exceeds the fair value. Finite-lived intangible assets are amortized over their estimated economic useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss would be recognized if the carrying amount of such assets exceeds the undiscounted cash flows projected to be generated by the assets. Recoveries after impairment loss recognition are not permitted.

Restructuring of Payable

Under Korean GAAP, when the terms of debentures and long-term accrued liabilities are changed, a debtor records the difference between the carrying value and the present value based on the revised terms as a gain on exemption of debts. The discount is amortized using the effective interest method and included in the interest expense.

Under U.S. GAAP, a debtor in a troubled debt restructuring involving only modification of terms of a payable — that is, not involving a transfer of assets or grant of an equity interest — shall account for the effects of the restructuring prospectively from the time of restructuring, and shall not change the carrying amount of the payable at the time of the restructuring unless the carrying amount exceeds the total future cash payments specified by the new terms. Interest expense shall be computed using the effective interest rate that equates the present value of the future cash payments specified by the new terms with the carrying amount of the payable. If, however, the total future cash payments specified by the new terms of a payable, including both payments designated as interest and those designated as face amount, are less than the carrying amount of the payable, the debtor shall reduce the carrying amount to an amount equal to the total future cash payments specified by the new terms and shall recognize a gain on restructuring of payables equal to the amount of the reduction. Thereafter, all cash payments under the terms of the payable shall be accounted for as reductions of the carrying amount of the payable, and no interest expense shall be recognized on the payable for any period between the restructuring and maturity of the payable.

Debenture Issuance Costs

Under Korean GAAP, debenture issuance costs are offset against the proceeds of the debentures as a must be contra account of debenture when incurred and amortized over the repayment period of the debt using the effective interest method.

Under U.S. GAAP, such expenses are recorded as deferred charges in other assets and amortized over the repayment period of the debt using the effective interest method.

Accounting for Income Taxes

Under Korean GAAP, a deferred tax asset is recognized only when its realization is probable. An appropriate write-down of a previously recognized deferred tax asset is deducted directly from the deferred tax asset with a corresponding increase to income tax expense. Until December 31, 2004, all deferred tax accounts are classified as non-current items on the balance sheets. Effective January 1, 2005, deferred tax assets and liabilities are classified as current or non-current based on the classification of the related balance sheet accounts. Also, prior to December 31, 2004, deferred taxes were not recognized for temporary differences related to unrealized gains and losses on investment securities. However, effective January 1, 2005, deferred taxes are recognized on the temporary differences related to unrealized gains and losses on investment securities that are reported as a separate component of capital adjustments.

Additional provisions or reversals of previously provided liabilities arising from the finalization of income tax returns, the filing of amended tax returns or examinations of prior year tax returns by tax authorities are reported as income tax expense (benefit). There is no specific accounting principle for recognition and measurement of uncertain tax positions under Korean GAAP. Therefore, any exposure related to uncertain tax position is considered in accordance with the accounting policy for contingencies.

Under U.S. GAAP, deferred tax assets are not directly written down, but rather reduced by a valuation allowance if, in the opinion of management, it is more likely than not that some portion or all of the deferred tax asset will not be realized. The valuation allowance is established through a charge to income tax expense.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability for financial reporting. A deferred tax liability or asset that is not related to an asset or liability for financial reporting, including deferred tax assets related to carry forwards, is classified according to the expected reversal date of the temporary difference. Additional provisions or reversals of previously provided liabilities arising from the finalization of income tax returns, the filing of amended tax returns or examinations of prior year tax returns by tax authorities represent changes in estimate, and are reported as a component of income tax expense.

U.S. GAAP prescribes a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Accounting for Guarantees

Under Korean GAAP, a guarantor accounts for guarantees issued as a provision, which are generally recognized as a liability, when probable and reasonably estimable. Korean GAAP does not require extensive disclosure of guarantees.

Under U.S. GAAP, for guarantees issued or modified after December 31, 2002, a guarantor is required to recognize, at the inception of certain guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee.

* * * * *

The Company believes that the application of U.S. GAAP to its financial information would have a material and significant impact upon the financial results and disclosure as reported under Korean GAAP. Potential investors should consult their own professional advisors for an understanding of the differences between Korean GAAP and U.S. GAAP and how those differences might affect the consolidated financial information included herein.

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Index to Financial Statements

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
Hyundai Steel Company:

We have audited the accompanying non-consolidated statement of financial position of Hyundai Steel Company (the "Company") as of December 31, 2009 and 2010, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the year then ended, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2010, and the results of its operations, changes in its retained earnings and its shareholders' equity, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

Our audits also comprehended the translation of Korean Won amounts into U.S. Dollar amounts and, in our opinion, such translation has been made in conformity with the basis in Note 2. Such U.S. Dollar amounts are presented solely for the convenience of readers outside of Korea.

Accounting principles and audit standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and audit standards and their application in practice.

/s/ Deloitte Anjin LLC

March 4, 2011

Notice to Readers

This report is effective as of March 4, 2011, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
HYUNDAI STEEL COMPANY:

We have audited the accompanying non-consolidated balance sheet of Hyundai Steel Company (the "Company") as of December 31, 2008, and the related non-consolidated statements of income, appropriation of retained earnings, changes in equity and cash flows for the year then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hyundai Steel Company as of December 31, 2008, the results of its operations, the appropriation of its retained earnings, the changes in its equity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

As discussed in note 2(a) to the non-consolidated financial statements, accounting principles and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the non-consolidated accompanying financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea
January 23, 2009

This report is effective as of January 23, 2009, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

HYUNDAI STEEL COMPANY
NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2008, 2009 AND 2010

ASSETS	Korean Won 2008	Korean Won 2009	Korean Won 2010	Translation into U.S. dollars (Note 2) 2010
	(In millions)			(In thousands)
CURRENT ASSETS:				
Cash and cash equivalents *(Notes 3 and 18)*	₩ 952,538	₩ 828,643	₩ 1,009,507	$ 886,388
Short-term financial instruments *(Notes 3, 18 and 22)*	136,098	1,153,314	460,890	404,680
Accounts receivable-trade, net of allowance for doubtful accounts of ₩5,744 million in 2008, ₩5,643 million in 2009 and ₩775 million in 2010 *(Notes 4, 18, 21 and 23)*	1,397,189	836,530	913,496	802,086
Inventories *(Note 5)*	1,711,592	1,505,308	2,277,042	1,999,334
Accounts receivable-other, net of allowance for doubtful accounts of ₩100 million in 2008, ₩100 million in 2009 and naught in 2010 *(Note 21)*	8,369	4,531	6,823	5,991
Advanced payments *(Note 21)*	18,671	48,170	51,090	44,859
Current deferred income tax assets *(Note 16)*	—	49,976	49,976	43,881
Current derivative assets *(Note 17)*	—	596	277	243
Other current assets *(Notes 6 and 21)*	11,000	23,027	12,526	10,999
Total current assets	4,235,457	4,450,095	4,781,627	4,198,461
NON-CURRENT ASSETS:				
Available-for-sale securities *(Notes 4 and 7)*	215,206	502,491	682,209	599,007
Investment securities accounted for using the equity method *(Notes 8 and 22)*	1,456,886	606,329	771,538	677,441
Property, plant and equipment, net of accumulated depreciation of ₩2,190,049 million in 2008, ₩2,438,921 million in 2009 and ₩2,832,484 million in 2010 *(Notes 9, 10, 22 and 27)*	5,689,276	9,844,962	11,777,769	10,341,355
Intangible assets, net of amortization *(Note 11)*	35,638	34,371	36,244	31,824
Non-current derivative assets *(Note 17)*	19,046	20,033	11,832	10,389
Other non-current assets *(Notes 3, 12, 21 and 22)*	88,252	122,118	134,348	117,963
Total non-current assets	7,504,304	11,130,304	13,413,940	11,777,979
Total assets	₩11,739,761	₩15,580,399	₩18,195,567	$15,976,440

HYUNDAI STEEL COMPANY
NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)
AS OF DECEMBER 31, 2008, 2009 AND 2010

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean Won 2008	Korean Won 2009 (In millions)	Korean Won 2010	Translation into U.S. dollars (Note 2) 2010 (In thousands)
CURRENT LIABILITIES:				
Accounts payable-trade *(Notes 18 and 21)*	₩ 827,090	₩ 691,554	₩1,008,634	$ 885,621
Short-term borrowings *(Notes 13 and 18)*	754,635	925,979	2,244,010	1,970,331
Accounts payable-other *(Notes 18 and 21)*	710,784	1,269,007	746,876	655,788
Advances from customers	46,335	43,284	34,383	30,190
Withholdings	32,940	16,639	19,631	17,237
Accrued expenses *(Notes 18 and 21)*	77,397	97,517	125,024	109,776
Income tax payables	195,208	237,923	89,231	78,348
Current portion of debentures issued, net of discount on debentures issued of naught in 2008, ₩173 million in 2009 and ₩435 million in 2010 *(Note 14)*	20,000	519,827	754,565	662,538
Current portion of long-term borrowings *(Notes 13, 18 and 22)*	81,222	120,979	377,439	331,407
Current deferred income tax liabilities *(Note 16)*	135	—	—	—
Total current liabilities	2,745,746	3,922,709	5,399,793	4,741,236
NON-CURRENT LIABILITIES:				
Debentures issued, net of discount on debentures issued of ₩6,473 million in 2008, ₩5,249 million in 2009 and ₩5,075 million in 2010 *(Note 14)*	2,218,527	1,999,751	1,894,925	1,663,820
Long-term borrowings *(Notes 13, 18 and 22)*	1,640,682	2,772,859	2,870,625	2,520,524
Accrued severance indemnities, net of National Pension payments for employee of ₩4,296 million in 2008, ₩3,585 million in 2009 and ₩3,012 million in 2010, and individual severance insurance deposits of ₩165,393 million in 2008, ₩182,617 million in 2009 and ₩226,576 million in 2010 *(Note 15)*	87,673	75,254	47,070	41,330
Non-current deferred income tax liabilities *(Note 16)*	216,606	197,976	227,296	199,575
Non-current derivative liabilities *(Note 17)*	—	4,165	14,997	13,168
Deposits received *(Note 21)*	1,247	1,221	1,104	969
Total non-current liabilities	4,164,735	5,051,226	5,056,017	4,439,386
Total liabilities	6,910,481	8,973,935	10,455,810	9,180,622

HYUNDAI STEEL COMPANY
NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)
AS OF DECEMBER 31, 2008, 2009 AND 2010

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean Won 2008	Korean Won 2009 (In millions)	Korean Won 2010	Translation into U.S. dollars (Note 2) 2010 (In thousands)
SHAREHOLDER'S EQUITY:				
Capital stock *(Note 19)*	426,572	426,572	426,572	374,547
Capital surplus	694,005	694,005	712,338	625,461
Capital adjustments *(Note 19)*	(14,647)	(14,647)	(19,962)	(17,527)
Accumulated other comprehensive income *(Notes 7, 8, 9, 17 and 21)*	103,535	774,715	924,381	811,644
Retained earnings *(Note 19)*	3,619,815	4,725,819	5,696,428	5,001,693
Total shareholders' equity *(Note 10)*	4,829,280	6,606,464	7,739,757	6,795,818
Total liabilities and shareholders' equity	₩11,739,761	₩15,580,399	₩18,195,567	$15,976,440

See accompanying notes to non-consolidated financial statements.

HYUNDAI STEEL COMPANY
NON-CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions, except per share amounts)			(In thousands, except per share amounts)
SALES *(Notes 21, 27 and 28) :*				
Sales-Finished goods	₩10,333,400	₩7,905,878	₩ 9,700,372	$8,517,317
Sales-Merchandise	65,435	17,118	28,196	24,757
Others	104,122	43,447	469,597	412,325
	10,502,957	7,966,443	10,198,165	8,954,399
COST OF SALES *(Note 21):*				
Cost of finished goods sold	8,566,874	6,960,756	8,275,453	7,266,181
Cost of merchandise sold	62,268	16,118	25,472	22,365
Others	117,228	43,843	414,798	364,209
	8,746,370	7,020,717	8,715,723	7,652,755
GROSS PROFIT	1,756,587	945,726	1,482,442	1,301,644
SELLING AND ADMINISTRATIVE EXPENSES *(Note 26)*	435,152	367,613	444,856	390,602
OPERATING INCOME *(Note 28)*	1,321,435	578,113	1,037,586	911,042
NON-OPERATING INCOMES (EXPENSES)				
Interest expenses, net *(Note 10)*	(84,424)	(60,477)	(110,452)	(96,981)
Dividend income	4,034	221	9,151	8,035
Gain (Loss) on foreign currency transactions, net	(196,388)	34,167	16,670	14,637
Gain (Loss) on foreign currency translation, net	(136,253)	76,398	42,115	36,978
Reversal of allowance for doubtful accounts	—	—	4,765	4,184
Loss on disposal of available-for-sales securities, net	(468)	(1,821)	(406)	(356)
Loss on valuation of available-for-sales securities	(5,593)	—	—	—
Gain on valuation of investment securities accounted for using the equity method, net *(Note 8)*	32,471	99,468	148,920	130,758
Gain (Loss) on disposal of investment securities accounted for using the equity method, net *(Note 8)*	(1,089)	463,495	—	—
Gain (Loss) on disposal of property, plant and equipment, net	(10,346)	3,820	(845)	(742)
Loss on revaluation of property, plant and equipment *(Note 9)*	—	(658)	—	—
Gain (Loss) on disposal of derivatives, net *(Note 17)*	(1,391)	7,503	10,955	9,619
Gain (Loss) on valuation of derivatives, net *(Note 17)*	23,528	(6,743)	(2,153)	(1,890)
Others, net *(Note 4)*	8,482	13,128	(4,741)	(4,164)
	(367,437)	628,501	113,979	100,078

HYUNDAI STEEL COMPANY
NON-CONSOLIDATED STATEMENTS OF INCOME (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions, except per share amounts)			(In thousands, except per share amounts)
INCOME BEFORE INCOME TAX.	953,998	1,206,614	1,151,565	1,011,120
INCOME TAX EXPENSES *(Note 16)*	131,458	54,617	137,423	120,663
NET INCOME *(Notes 10 and 28)*	₩ 822,540	₩1,151,997	₩ 1,014,142	$ 890,457
BASIC EARNINGS PER COMMON SHARE *(Note 24)*.	₩ 9,798	₩ 13,721	₩ 12,085	$ 10.61
DILUTED EARNINGS PER COMMON SHARE *(Note 24)*	₩ 9,798	₩ 13,721	₩ 12,085	$ 0.61

See accompanying notes to non-consolidated financial statements.

HYUNDAI STEEL COMPANY
NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions)			(In thousands)
RETAINED EARNING BEFORE APPROPRIATIONS:				
Unappropriated retained earnings carried over from prior year	₩ 5,558	₩ 31	₩ 63	$ 55
Changes in retained earnings on using the equity method	(12,127)	(4,015)	(1,554)	(1,364)
Net income	822,540	1,151,997	1,014,142	890,457
	815,971	1,148,013	1,012,651	889,148
TRANSFER FROM VOLUNTARY RESERVES:				
Investment reserve on SOC	788	1,126	852	748
APPROPRIATIONS:				
Legal reserve	4,198	4,198	4,206	3,693
Dividends *(Note 25)*	41,978	41,978	42,060	36,930
Voluntary reserve	770,552	1,102,900	967,234	849,270
	816,728	1,149,076	1,013,500	889,893
UNAPPROPRIATED RETAINED EARNING TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩ 31	₩ 63	₩ 3	$ 3

See accompanying notes to non-consolidated financial statements.

HYUNDAI STEEL COMPANY
NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

(Korean Won in millions)	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total amount
Balance at January 1, 2008	₩426,572	₩696,624	₩(13,925)	₩88,345	₩2,851,381	₩4,048,997
Dividends	—	—	—	—	(41,978)	(41,978)
Balance after appropriations	426,572	696,624	(13,925)	88,345	2,809,403	4,007,019
Changes in retained earnings using the equity method	—	—	—	—	(12,128)	(12,128)
Net income	—	—	—	—	822,540	822,540
Loss on valuation of available-for-sales securities, net	—	—	—	(25,845)	—	(25,845)
Exercise of the stock-option	—	(1,962)	(722)	—	—	(2,684)
Gain (Loss) on valuation of investment securities accounted for using the equity method, net	—	(657)	—	44,531	—	43,874
Loss on valuation of derivatives	—	—	—	(3,496)	—	(3,496)
Balance at December 31, 2008	₩426,572	₩694,005	₩(14,647)	₩103,535	₩3,619,815	₩4,829,280
Balance at January 1, 2009	₩426,572	₩694,005	₩(14,647)	₩103,535	₩3,619,815	₩4,829,280
Dividends	—	—	—	—	(41,978)	(41,978)
Balance after appropriations	426,572	694,005	(14,647)	103,535	3,577,837	4,787,302
Changes in retained earnings using the equity method	—	—	—	—	(4,015)	(4,015)
Net income	—	—	—	—	1,151,997	1,151,997
Gain on valuation of available-for-sales securities, net	—	—	—	22,075	—	22,075
Gain on valuation of investment securities accounted for using the equity method, net	—	—	—	(43,466)	—	(43,466)
Gain on valuation of derivatives, net	—	—	—	3,233	—	3,233
Gain on valuation of property, plant and equipment, net	—	—	—	689,338	—	689,338
Balance at December 31, 2009	₩426,572	₩694,005	₩(14,647)	₩774,715	₩4,725,819	₩6,606,464

HYUNDAI STEEL COMPANY
NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

	Korean Won						Translation into U.S. dollars
	Capital stock	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total amount	Total amount
	(In millions)						(In thousands)
Balance at January 1, 2010 . . .	₩426,572	₩694,005	₩(14,647)	₩774,715	₩4,725,819	₩6,606,464	$5,800,741
Dividends	—	—	—	—	(41,978)	(41,978)	(36,858)
Balance after appropriations . .	426,572	694,005	(14,647)	774,715	4,683,841	6,564,486	5,763,883
Changes in retained earnings using the equity method . .	—	—	—	—	(1,555)	(1,555)	(1,365)
Net income	—	—	—	—	1,014,142	1,014,142	890,457
Gain on valuation of available-for-sales securities, net	—	—	—	15,380	—	15,380	13,504
Gain on valuation of investment securities accounted for using the equity method, net	—	—	—	22,800	—	22,800	20,019
Loss on valuation of derivatives, net	—	—	—	(13,409)	—	(13,409)	(11,774)
Gain on valuation of property, plant and equipment, net . .	—	—	—	124,895	—	124,895	109,663
Gain on disposal of treasury stock	—	18,333	—	—	—	18,333	16,097
Treasury stocks	—	—	(5,315)	—	—	(5,315)	(4,666)
Balance at December 31, 2010 .	₩426,572	₩712,338	₩(19,962)	₩924,381	₩5,696,428	₩7,739,757	$6,795,818

See accompanying notes to non-consolidated financial statements.

HYUNDAI STEEL COMPANY
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions)			(In thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	₩ 822,540	₩ 1,151,997	₩ 1,014,142	$ 890,457
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision of severance indemnities	47,946	46,711	59,451	52,200
Depreciation	263,760	260,657	397,399	348,932
Amortization of intangible assets	1,490	1,267	1,171	1,028
Interest expenses, net	1,743	2,275	2,881	2,530
Loss (Gain) on foreign currency translation, net	130,792	(76,398)	(42,115)	(36,978)
Loss on disposal of available-for-sale securities, net	468	1,821	406	356
Loss on valuation of available-for-sale securities	5,593	—	—	—
Gain on valuation of investment securities accounted for using the equity method, net	(32,471)	(99,468)	(148,920)	(130,758)
Loss (Gain) on disposal of investment securities accounted for using the equity method, net	1,089	(463,495)	—	—
Loss (Gain) on disposal of property, plant and equipment, net	10,346	(3,820)	845	742
Loss on revaluation of property, plant and equipment	—	658	—	—
Loss (Gain) on valuation of derivatives, net	(23,528)	6,743	2,153	1,890
Others, net	5,280	(256)	(4,766)	(4,185)
Changes in operating assets and liabilities:				
Decrease (Increase) in accounts receivable-trade	(262,681)	254,441	(237,049)	(208,139)
Decrease (Increase) in accounts receivable-other	(7,271)	3,837	(2,291)	(2,012)
Increase in advanced payments	(121)	(29,499)	(2,920)	(2,564)
Decrease (Increase) in other current assets	4,664	(12,724)	11,509	10,105
Decrease (Increase) in current deferred income tax assets	—	(50,120)	77	68
Decrease (Increase) in inventories	(556,271)	206,285	(771,734)	(677,613)
Increase in other non-current assets	(265)	—	—	—
Increase (Decrease) in accounts payable-trade	131,753	(134,874)	317,420	278,708
Increase (Decrease) in accounts payable-other	306,005	571,178	(518,917)	(455,630)
Increase (Decrease) in advances from customers	8,146	(3,052)	(8,901)	(7,815)
Increase (Decrease) in withholdings	(1,013)	(16,301)	2,992	2,627
Increase in accrued expenses	5,921	20,120	27,508	24,153
Increase (Decrease) in income tax payables	71,798	42,715	(148,692)	(130,558)
Decrease in current deferred income tax liabilities	—	(135)	—	—
Payments of severance indemnities	(23,612)	(42,616)	(44,250)	(38,853)
Decrease in contribution to National Pension Plan	431	711	573	503
Increase in individual severance insurance deposits	(13,713)	(17,225)	(43,958)	(38,596)
Decrease in non-current deferred income tax liabilities	(72,792)	(206,678)	(18,376)	(16,134)
	826,027	1,414,755	(154,362)	(135,536)

HYUNDAI STEEL COMPANY
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
		(In millions)		(In thousands)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Withdrawal of short-term financial instruments	₩ 931,471	₩ 381,500	₩ 2,626,517	$ 2,306,188
Decrease in other current assets	1,737	1,292	1,445	1,269
Proceeds from disposal of available-for-sale securities	12,678	59,173	5,394	4,736
Proceeds from disposal of investment securities accounted for using the equity method	—	1,332,157	—	—
Proceeds from dividends of investment securities accounted for using the equity method	21,868	20,488	10,950	9,615
Proceeds from disposal of property, plant and equipment	11,227	9,879	761	668
Decrease in other non-current assets	5,477	10,678	3,838	3,370
Cash outflows from investing activities:				
Acquisition of short-term financial instruments	(657,937)	(1,398,855)	(1,934,056)	(1,698,179)
Increase in other current assets	(956)	(159)	(16)	(14)
Acquisition of available-for-sale securities	(22,410)	(14,408)	(1,675)	(1,471)
Acquisition of investment securities accounted for using the equity method	(21,257)	—	—	—
Acquisition of property, plant and equipment	(2,158,854)	(3,595,383)	(2,174,649)	(1,909,429)
Increase in other non-current assets	(11,798)	(44,726)	(18,592)	(16,325)
	(1,888,754)	(3,238,364)	(1,480,083)	(1,299,572)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	1,677,829	1,444,950	3,155,410	2,770,577
Proceeds from debentures	636,945	298,675	647,031	568,119
Proceeds from long-term borrowings	1,163,948	1,335,785	506,686	444,891
Increase in deposit received	1,762	—	—	—
Exercise of stock option	1,197	—	—	—
Proceeds from sales of treasury stocks	—	—	18,871	16,569
Cash outflows from financing activities:				
Repayment of short-term borrowings	(1,772,251)	(1,236,471)	(1,829,615)	(1,606,476)
Repayment of current portion of debentures	(120,000)	(20,000)	(520,000)	(456,581)
Repayment of current portion of long-term borrowings	(42,070)	(81,222)	(120,979)	(106,224)
Decrease in deposits received	(2,130)	(25)	(117)	(103)
Acquisition of treasury stocks	(4,627)	—	—	—
Payment of dividends	(41,978)	(41,978)	(41,978)	(36,858)
	1,498,625	1,699,714	1,815,309	1,593,914
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	435,898	(123,895)	180,864	158,806
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF PERIOD	516,640	952,538	828,643	727,582
CASH AND CASH EQUIVALENTS, AT THE END OF PERIOD	₩ 952,538	₩ 828,643	₩ 1,009,507	$ 886,388

See accompanying notes to non-consolidated financial statements.

1. The Company:

Hyundai Steel Company (the "Company") was incorporated in September 1964, under the laws of the Republic of Korea, to manufacture and sell steel and other industrial metal products. The Company owns and operates three factories located in Incheon, Pohang and Dangjin, Korea.

In May 1987, the Company was listed on the Korea Exchange. Also, the Global Depositary Receipts issued by the Company was listed on the Luxembourg Stock Exchange in July 2002 and October 2003. As a result of the multiple capital increases and decreases including the conversion of preferred shares into common shares in March 2010, the common stock of the Company amounted to ₩426,572 million(US$374,547 thousand) as of December 31, 2010.

As of December 31, 2010, the Company's major shareholders are as follows:

	Common stock			
Shareholders	Number of shares	Ownership (%)	Korean Won	Translation into U.S. dollars (Note 2)
			(In millions)	(In thousands)
Kia Motors Corporation	18,159,517	21.3	₩ 90,797	$ 79,723
Mong-Ku Chung	10,681,769	12.5	53,409	46,895
Treasury stocks	1,195,080	1.4	5,975	5,247
Other shareholders	55,278,109	64.8	276,391	242,682
	85,314,475	100.0	₩426,572	$374,547

2. Summary of Significant Accounting Policies:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in shareholders' equity or cash flows, is not presented in the accompanying financial statements.

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. Dollar amounts is included solely for the convenience of readers outside of the Republic of Korea and has been made at the rate of ₩1,138.90 to US$1.00 at

December 31, 2010, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. Dollars at that or any other rate.

The Company prepared its non-consolidated financial statements in accordance with the Korea Financial Accounting Standards and the Statements of Korea Accounting Standards ("SKAS"). The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements as of December 31, 2009 and 2010 are the same, in all material respect, to those as of December 31, 2008 except for SKAS No.5 "Property, Plant and Equipment". The amendment provides that the application of the cost method or the revaluation method may be chosen by each tangible asset type. The Company adopted the revised SKAS No.5 and revalued its land as of December 31, 2009.

The significant accounting policies adopted by the company in preparing financial statements are as follows.

(1) *Cash and Cash Equivalents*

Cash and cash equivalents includes cash, substitute securities including checks issued by others, and checking accounts, ordinary deposits and financial instruments, which can be easily converted into cash and whose value changes due to changes in interest rates, are not material, and with maturities (or date of redemption) of three months or less from acquisition.

(2) *Allowance for Doubtful Accounts*

The Company provides an allowance for doubtful accounts to cover estimated losses on receivables (account receivable - trade, account receivable - other, loans and other), based on collection experience and analysis of the collectability of individual outstanding receivables.

(3) *Inventories*

Inventories are stated at cost which is determined by using the average method or the moving average. The Company maintains perpetual inventory, which is adjusted to physical inventory counts performed at year end. When the market value of inventories (net realizable value for finished goods or merchandise and current replacement cost for raw materials) is less than the carrying value, the carrying value is stated at the lower of cost or market. The Company applies the lower of cost or market method by group of inventories. Loss on inventory valuation is presented as a deduction from inventories and charged to cost of sales. However, when the circumstances that previously caused inventories to be written down below cost no longer exist and the new market value of inventories subsequently recovers, the valuation loss is reversed to the extent of the original valuation loss and the reversal is deducted from cost of sales.

(4) *Securities (Excluding Investment Securities Accounted for Using the Equity Method)*

Debt and equity securities are initially stated at the market value of consideration given for acquisition (market value of securities acquired if market value of consideration given is not available) plus incidental costs attributable to the acquisition of the securities and are classified into trading, available-for-sale and held-to-maturity securities depending on the purpose and nature of acquisition. The Company presents trading securities as short-term investments, and available-for-sale securities and held-to-maturity securities as short-term investments or long-term investment securities depending on their nature in the statements of financial position. The average method for equity securities and the specific identification method for debt securities are used to determine the cost of securities for the calculation of gain (loss) on disposal of those securities.

The following is the specific valuation method applied for debt and equity securities:

Trading securities

Securities that are bought and held principally for the purpose of selling them in the near term with active and frequent buying and selling, including securities which consist of a portfolio of securities with the clear objective of generating profits on short-term differences in price, are classified as trading securities. Trading securities are recorded at their fair value and unrealized gains or losses from trading securities are recorded as gain (loss) on valuation of trading securities included in the non-operating income (expense).

Held-to-maturity security

Debt securities that have fixed or determinable payments with a fixed maturity are classified as held-to-maturity securities only if the Company has both the positive intent and ability to hold those securities to maturity.

However, debt securities, whose maturity dates are due within one year from the date of the statement of financial position, are classified as current assets.

After initial recognition, held-to-maturity securities are stated at amortized cost in the statements of financial position. When held-to-maturity securities are measured at amortized costs, the difference between their acquisition cost and face value is amortized using the effective interest rate method and the amortization is included in the cost and interest income.

When it is highly likely that the Company will not be able to collect the principal and interest of its held-to-maturity securities according to the terms of the contracts, the difference between the recoverable amount (the present value of expected cash flows using the effective interest rate upon acquisition of the securities) and the book value is recorded as a loss on impairment of held-to-maturity securities, included in the non-operating expense. Held-to-maturity securities are stated at the recoverable amount, adjusted for impairment loss. If the value of impaired securities subsequently recovers and the recovery can be objectively attributed to an event occurring after the impairment loss was recognized, a reversal of impairment loss of held-to-maturity securities is recorded, included in non-operating income. However, such reversal of impairment loss shall not exceed the previously recognized impairment loss amount.

Available-for-sale securities

Debt and equity securities that do not fall under the classifications of trading or held-to-maturity securities are categorized and presented as available-for-sale securities included in investment assets. However, if an available-for-sale security matures or it is certain that such security will be disposed of within one year from the date of the statement of financial position, it is classified as a current asset.

Available-for-sale securities are recorded at fair value. Unrealized gain or loss from available-for-sale securities are presented as gain or loss on valuation of available-for-sale securities included in accumulated other comprehensive income under shareholders' equity. In addition, accumulated gain or loss on valuation of available-for-sale securities is reflected in either gain or loss on disposal of available-for-sale securities or loss on impairment of available-for-sale securities upon disposal or recognition of impairment of the securities. However, available-for-sale equity securities that are not marketable and whose fair value cannot be reliably measured are recorded at acquisition cost.

When there is objective evidence that the available-for-sale securities are impaired and the recoverable amount is lower than the cost (amortized cost for debt securities) of the available-for-sale securities, an impairment loss is recognized as loss on impairment of available-for-sale securities in non-operating expense and the related unrealized gain or loss remaining in shareholders' equity is adjusted to the impairment loss. If the value of impaired securities subsequently recovers and the recovery can be objectively related to an event occurring after the impairment loss was recognized, the reversal of impairment loss can be recognized up to the previously recorded impairment loss as a reversal of loss on impairment of available-for-sale securities in non-operating income. However, if the fair value increases after the impairment loss is recognized but does not relate to the recovery of impairment loss as described above, the increase in fair value is recorded in shareholders' equity.

Reclassification of securities

Trading securities should not be reclassified as other categories of securities. However, when those securities can no longer be held for sale in the near-term to generate profits from short-term price differences, the trading securities can be reclassified as available-for-sale or held-to-maturity securities. When those securities are no longer traded in an active market, such securities are reclassified as available-for-sale securities.

When trading securities are reclassified to other categories, the fair value (latest market value) as of the date of the reclassification becomes new acquisition cost of the security and the security's unrealized holding gain or loss through the date of the reclassification is recorded in the current income or expenses.

(5) ***Investment Securities Accounted for Using the Equity Method***

Investments in equity securities of companies, over which the Company exercises significant influence, are reported using the equity method of accounting.

The Company presumes to have significant influence over an investee when it holds 20% or more of the voting power of the investee directly or indirectly through controlling company or through subordinated company. The Company also presumed to have significant influence over an investee if one or more of the criteria listed below even if the it holds less than 20% of the voting power of the investee. (i) the Company can represent in the board of directors or equivalent governing body of the investee. (ii) the Company can participate in policy-making processes of financing and operating policy of investee.(iii) the Company can exercise significant influence in appointment of directors of investee who can participate in policy-making processes of financing and operating policy of investee. (iv) investee's material transactions are occurred between the investor and the investee, and (v) the company provides essential technology to investee.

Accounting for changes in the equity of the investee

Under the equity method of accounting, the Company records changes in its proportionate equity of the net assets of the investee depending on the nature of the underlying changes in the investee as follows: (i) "equity in income (loss) of associates" in the non-operating income (expense) for net income (loss) of the investee; (ii) "increase (decrease) in retained earnings of associates" in the retained earnings for changes in beginning retained earnings of the investee; and (iii) "increase (decrease) in equity of associates" in accumulated other comprehensive income (loss) for other changes in shareholders' equity of the investee.

When the equity method investee's unappropriated retained earnings carried over from prior period changes due to significant error corrections, the Company records the changes in equity as "equity in income (loss) of associates" included in the non-operating income (expense) if the impact of the changes on the Company's non-consolidated financial statements is not significant. If the changes results from the changes in accounting policies of the equity method investee, they are reflected in unappropriated retained earnings carried over from prior period in accordance with SKAS on changes in accounting policy and errors corrections. When the investee declares cash dividends, the dividends to be received are deducted directly from investment securities accounted for using the equity method.

Treatment of investment difference

Difference between the acquisition cost and the Company's proportionate equity in the fair value of net assets of the investee upon acquisition, the "investment difference", is considered as goodwill or negative goodwill and accounted for in accordance with accounting standards for business combination. The goodwill is amortized over useful lives of 5 years on a straight line method, while the negative goodwill is amortized over the weighted average useful lives of depreciable non-monetary assets of the investee. The amortization is included in "equity in income (loss) of associates".

When the Company's equity interest in the investee increases due to an increase (or decrease) in contributed capital with (or without) consideration, the changes in the Company's proportionate equity in the investee are accounted for as investment difference. If the Company's equity interest decreases, the changes are accounted for as "gain (loss) on disposal of the investment securities accounted for using the equity method". However, if the investee is the Company's subsidiary, those changes are accounted for included in the capital surplus (capital adjustments).

Elimination of unrealized gain or loss from intercompany transactions

The Company's proportionate share in the gain (loss) arising from transactions between the Company and the investee, which remains in the book value of assets held as of the date of the statement of financial position, is considered unrealized gain (loss) and is adjusted to investment securities accounted for using the equity method. If the investee is a subsidiary of the Company, unrealized gain (loss) from sale of an asset by the Company to the investee (downstream transaction) is fully eliminated and is adjusted to investment securities accounted for using the equity method.

Impairment loss on investment securities accounted for using the equity method

When there is objective evidence that the investment securities accounted for using the equity method is impaired and the recoverable amount is lower than the carrying amount of the investment securities accounted for using the equity method, an impairment loss is recognized as "loss on impairment of investment securities accounted for using the equity method" included in non-operating expense and the unamortized investment difference is first reduced. When the recoverable amount is recovered after the recognition of impairment loss, the reversal of impairment loss is recognized as income up to the previously recorded impairment loss. The book value of the investment securities accounted for using the equity method after the reversal of the impairment loss cannot exceed the book value calculated as if the impairment loss would not been originally recognized. The reversal of the impairment loss recognized against the unamortized investment difference is not allowed.

Translation of financial statements of overseas investees

For overseas investees whose financial statements are prepared in foreign currencies, the equity method of accounting is applied after assets and liabilities are translated in accordance with the accounting treatments for the translation of the financial statements of overseas' subsidiaries for consolidated financial statements. The Company's proportionate share of the difference between assets net of liabilities and shareholders' equity after translation into Korean Won is accounted for as "increase (decrease) in equity of associates" included in accumulated other comprehensive income (loss).

(6) *Property, Plant and Equipment*

Property, plant and equipment are stated at cost (acquisition cost or manufacturing cost plus expenditures directly related to preparing the assets ready for use). Assets acquired from investment-in-kind, by donation or free of charge in other ways are stated at fair value.

In accordance with the Company's policy, borrowing costs in relation to the manufacture, purchase, construction or development of assets are capitalized as part of the cost of those assets during the construction period.

Expenditures after acquisition or completion, that increase the future economic benefit in excess of the most recently assessed level of the asset, are capitalized, while other expenditures are expensed as incurred.

In accordance with the Amendment to SKAS No. 5, the Company can elect between the cost model and the revaluation model when measuring Property, Plant and Equipment after initial recognition. The Company elected the revaluation method for measuring of land since 2009. Revaluation gain is recognized as other comprehensive income and revaluation loss is recognized as current loss. However, revaluation gain is recognized as an increase in net income up to the amount of revaluation loss that was previously recognized in the same assets. And revaluation loss is recognized as a decrease in other comprehensive income up to the amount of revaluation gain that was previously recognized as other comprehensive income on the same assets.

When the expected future cash flow from use or disposal of the property, plant and equipment is lower than the carrying amount due to obsolescence, physical damage or other causes, the carrying amount is adjusted to the recoverable amount (the higher of net sales price or value in use) and the difference is recognized as an impairment loss. When the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss. However, such reversal of impairment loss shall not exceed the previously recognized impairment loss amount.

Depreciation is computed using the straight-line method over the following economic useful lives:

Description	Useful lives (years)
Buildings	15~50
Structures	5~30
Machinery	10~30
vehicles	5~20
Tools and equipments	5~15

An asset whose use is discontinued and held for disposal or retirement is no longer depreciated. The carrying amount of the asset upon discontinuance of its use is reclassified to an investment asset and tested for impairment at each fiscal year-end. An asset whose use is discontinued and held for future use is depreciated and the depreciation expense is recorded as a non-operating expense.

(7) *Intangible Assets*

Intangible assets are initially recognized at acquisition cost (purchase cost plus expenditures directly related to preparing the asset ready for use) and subsequently presented at amortized cost.

Development costs which meet certain criteria and a future benefit is certain, such costs are recognized as intangible assets. The intangible asset is amortized under the straight-line method; amortization related to manufacturing is recorded as manufacturing expense and other amortization is recognized as selling & administrative expense. Other development costs (not capitalized as intangible assets) are expensed as manufacturing expenses or selling & administrative expenses when incurred.

When the recoverable amount (the higher of net sales price or value in use) of intangible assets is significantly lower than the carrying amount due to obsolescence and other, the difference is recognized as an impairment loss. When the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss. However, such reversal of impairment loss shall not exceed the previously recognized impairment loss amount.

Description	Useful lives (years)
Software	5
Railroad usage rights	25
Wharf usage rights	40~50
Industrial property rights	5~10
Other intangible assets	10

(8) *Government Subsidy and Others*

Government subsidy and contribution for construction granted for the purpose of acquisition of certain assets are recorded as a deduction from the assets granted or other assets acquired for the temporary use of the assets granted. When the related assets are acquired, they are recorded as a deduction from the acquired assets and are offset against the depreciation of the acquired assets over their useful lives. In addition, government subsidy and contribution for construction without any repayment obligation is offset against the related expenses which they are intended to be disbursed, however, if there is no matching expense, they are recorded as operating revenue or non-operating revenue depending on whether they are directly related to the Company's principal operating activities. Government subsidy and contribution for construction with a repayment obligation is recorded as a liability.

(9) ***Costs of Stock and Bond Issuance***

The Company deducts stock issuance cost from additional paid-in-capital and deducts bond issuance cost from discount or premium on debentures.

(10) ***Discount (Premium) on Debentures***

The difference between the face amount of a debenture and its issued amount is classified as a discount or premium on debentures. A discount or premium on debentures is amortized or reversed on an effective interest basis over the redemption period of the related debentures.

(11) ***Accrued Severance Indemnities***

In accordance with the Company's policy, all employees with more than one year of service are entitled to receive a lump-sum severance payment upon termination of their employment, based on their current rates of salary and length of service. The accrual for severance indemnities is computed as if all employees were to terminate at the period end dates and amounted to ₩257,362 million, ₩261,457 million and ₩276,657 million as of December 31, 2008, 2009 and 2010, respectively. In accordance with the National Pension Law of Korea, a portion of its severance indemnities, were transferred in cash to the National Pension Fund, such amount is presented as a deduction to the Company's accrued severance indemnities.

The Company has insured a portion of its obligations for severance indemnities by making deposits that are directly paid to employees, and records them as deposits for severance insurance deposits which are directly deducted from accrued severance indemnities.

(12) ***Present Value Discount for Assets and Liabilities***

Receivables or payables from long-term installment transactions, long-term loans/ borrowings or the other similar transactions are stated at present value which is determined by discounting total amounts receivable or payable in the future using the effective interest rate, if the nominal value is significantly different from the present value. The discount or premium resulting from the determination of present value is reported in the statements of financial position as a direct deduction from or addition to the nominal value of the related receivables or payables and the amortization by the effective interest rate method is included in the period income (loss).

(13) ***Translation of Assets and Liabilities Denominated in Foreign Currency***

Transactions denominated in foreign currencies are recorded in Korean won translated at the exchange rate prevailing on the transaction date and the resulting gain (loss) from foreign currency transactions is included in non-operating income (expense). Monetary assets and liabilities denominated in foreign currency are translated into Korean won at the Base Rates announced by Seoul Money Brokerage Services, Ltd. at the dates of the statements of financial position, which were ₩1,257.50, ₩1,167.60 and ₩1,138.90 to US$1.00 at December 31, 2008, 2009 and 2010, respectively, and the resulting gain (loss) from foreign currency translation is included in non-operating income (expense). When it is probable that the conversion right will not be exercised, such convertible bonds are regarded as monetary liabilities denominated in foreign currency.

(14) ***Derivative Instruments***

The Company records rights and obligations arising from derivative instruments in assets and liabilities, which are stated at fair value. Gains and losses that result from the changes in the fair value of derivative instruments are recognized in current earnings. However, for derivative instruments that are entered into for cash flow hedging purpose, the effective portion of the gain or loss on the derivatives instruments are recorded as gain (loss) on valuation of derivatives included in accumulated other comprehensive income (loss).

(15) ***Provisions, Contingent Assets and Contingent Liabilities***

Provisions for contingent losses are recognized when all of the following are met: (1) the Company has a present obligation as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The expense relating to a provision is presented net of the amount recognized for a reimbursement.

(16) ***Revenue Recognition***

The Company's revenue consists of sales of goods and rendering of services. Revenue is measured as a fair value of rewards and sales discount and sales return are deducted from gross revenue. Revenue is recognized at the point when (i) risk and rewards are transferred to purchaser and the purchaser retains title to goods sold (ii) related costs and expenses are reliably measurable and (iii) economic benefit inflows are highly probable.

(17) ***Income Tax Expense***

The Company recognizes deferred income tax assets or liabilities for the temporary differences between the carrying amount of an asset and liability and tax base. A deferred income tax liability for taxable temporary difference is fully recognized except to the extent in accordance with related SKAS while a deferred tax asset for deductible temporary difference is recognized to the extent that it is almost certain that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred income tax asset (liability) is classified as current or non-current asset (liability) depending on the classification of related asset (liability) in the statements of financial position. Deferred income tax asset (liability), which does not relate to specific asset (liability) account in the statements of financial position such as deferred income tax asset recognized for tax loss carryforwards, is classified as current or non-current asset (liability) depending on the expected reversal period. Deferred income tax assets and liabilities in the same tax jurisdiction and in the same current or non-current classification are presented on a net basis. Current and deferred income tax expense are included in income tax expense in the statements of income and additional income tax or tax refunds for the prior periods are included in income tax expense for the current period when recognized.

(18) *Use of Estimates*

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and related notes to non-consolidated financial statements. Actual results could differ from those estimates.

3. Restricted Financial Instruments:

Financial instruments with withdrawal restrictions as of December 31, 2008, 2009 and 2010 are as follows:

	Korean Won			Translation into U.S. dollars (Note 2)	
	2008	2009	2010	2010	Remark
	(In millions)			(In thousands)	
Cash an cash equivalents	₩30,849	₩ —	₩ —	$ —	Collateral for Banker's usance
Short-term financial instruments	15,063	23,279	18,208	15,988	Collateral for ECA loan
Other non-current assets	29	29	29	25	Deposit for bank account
	₩45,941	₩23,308	₩18,237	$16,013	

4. Transfer of Receivables:

On May 22, 2009 and August 20, 2010, the Company executed a monetary trust bond agreement with Korea Development Bank (KDB) under the Asset-backed Securitization Act to entrust the trade receivables of the Company's specifically designated customers and assigned first type beneficiary certificates issued with the face value of ₩300,000 million and ₩200,000million to the Hyundai Steel 1st Asset Securitization Specialty Co., Ltd. and Hyundai Steel 2nd Asset Securitization Specialty Co., Ltd., respectively.

Trade receivables transferred as of December 31, 2010 amounted to ₩969,693 million (US$851,429 thousand). Among this amount ₩500,000 million (US$439,020 thousand) was received in cash and the remaining ₩469,693 million (US$412,409 thousand) was received through secondary type beneficiary certificates which are accounted for as available-for-sale securities.

The Company is responsible for the securities if the trust assets do not meet certain conditions based on the trust bond agreement.

Related loss on disposal of such trade receivables is ₩19,536 million (US$17,153 thousand), which is accounted for non-operating expenses.

5. Inventories:

Inventories as of December 31, 2008, 2009 and 2010 consist of the following:

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions)			(In thousands)
Finished goods	₩ 401,414	₩ 225,691	₩ 401,370	$ 352,419
By-products	—	—	2,851	2,504
Merchandise	5,363	1,657	2,494	2,190
Semi finished goods	229,745	133,021	281,271	246,967
Work-in-process	98,594	96,890	172,207	151,204
Raw materials	399,483	442,245	597,580	524,699
Supplies	223,068	296,388	314,777	276,387
Materials in transit	353,925	309,416	504,492	442,964
	₩1,711,592	₩1,505,308	₩2,277,042	$1,999,334

6. Other Current Assets:

Other current assets as of December 31, 2008, 2009 and 2010 consist of the following:

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions)			(In thousands)
Short-term loans	₩ 4,047	₩ 3,353	₩ 4,378	$ 3,844
Accrued interest incomes	6,884	19,607	8,097	7,110
Guarantee deposits	69	67	51	45
	₩11,000	₩23,027	₩12,526	$10,999

7. Available-for-sale Securities:

(1) Available-for-sale securities as of December 31, 2008 are as follows:

(Korean Won in millions)	Acquisition cost	Book value	Unrealized gain (loss)(*)
Marketable securities			
Hyundai Development Co., Ltd.	₩ 8,524	₩ 13,791	₩ 5,267
HMC Investment Securities Co., Ltd.	15,014	6,620	(8,394)
	23,538	20,411	(3,127)
Non-marketable securities			
Hyundai Oil Refinery Co., Ltd.	29,272	54,039	24,767
Hyundai Card Co., Ltd.	70,114	101,335	31,221
Others	2,641	2,641	—
	102,027	158,015	55,988
Other securities			
Special Money Trust	35,353	35,353	—
Government and municipal bonds	1,427	1,427	—
	36,780	36,780	—
	₩162,345	₩215,206	₩52,861

(*) Unrealized gain (loss) is the amount before deferred income tax effect charged to equity

Marketable securities and non-marketable securities (Hyundai Oil Refinery Co., Ltd. & Hyundai Card Co., Ltd.) are stated at fair value, and other non-marketable securities are stated at acquisition cost as fair value is not readily available.

Available-for-sale securities as of December 31, 2009 are as follows:

(Korean Won in millions)	Acquisition cost	Book value	Unrealized gain (loss)(*)
Marketable securities			
Hyundai Development Co., Ltd.	₩ 8,524	₩ 16,044	₩ 7,520
	8,524	16,044	7,520
Non-marketable securities			
Hyundai Oil Refinery Co., Ltd.	29,272	58,931	29,659
Hyundai Card Co., Ltd.	70,114	114,097	43,983
Others	3,151	3,151	—
	102,537	176,179	73,642
Other securities			
Government and municipal bonds	4,699	4,699	—
Secondary type beneficiary certificates	305,569	305,569	—
	310,268	310,268	—
	₩421,328	₩502,491	₩81,162

(*) Unrealized gain (loss) is the amount before deferred income tax effect charged to equity

Available-for-sale securities as of December 31, 2010 are as follows:

	Korean Won			Translation into U.S. dollars (Note 2)
	Acquisition cost	Book value	Unrealized gain (loss)(*)	Book value
		(In millions)		(In thousands)
Marketable securities				
Hyundai Development Co., Ltd.	₩ 8,524	₩ 14,450	₩ 5,926	$ 12,688
	8,524	14,450	5,926	12,688
Non-marketable securities				
Hyundai Oil Refinery Co., Ltd.	29,272	61,063	31,791	53,616
Hyundai Card Co., Ltd.	70,114	133,277	63,163	117,023
Others	3,167	3,167	—	2,780
	102,553	197,507	94,954	173,419
Other securities				
Government and municipal bonds	559	559	—	491
Secondary type beneficiary certificates	469,693	469,693	—	412,409
	470,252	470,252	—	412,900
	₩581,329	₩682,209	₩100,880	$599,007

(*) Unrealized gain (loss) is the amount before deferred income tax effect charged to equity

The valuation approach, valuation techniques and discounted interest rate used in the valuation of the fair value of non-marketable securities (Hyundai Oil Refinery Co., Ltd. & Hyundai Card Co., Ltd.) are as follows:

	Hyundai Oil Refinery Co., Ltd.	Hyundai Card Co., Ltd.
Valuation approaches	Profit approach/Market approach	Profit approach
Valuation techniques	Discounted free cash flow model/ Imputed market value model	Discounted free cash flow to equity model
Discounted interest rate	Weighted average cost of capital	Cost of equity

(2) The changes of unrealized gain (loss) on available-for-securities for the year ended December 31, 2009 are as follows:

(Korean Won in millions)	Beginning of year	Realized amount on disposal	Unrealized amount on valuation	End of year
Gain on valuation of available-for-sale securities				
Marketable securities	₩ 5,267	₩ —	₩ 2,253	₩ 7,520
Non-marketable securities	55,988	—	17,654	73,642
	61,255	—	19,907	81,162
Income tax effect	(13,476)	—	(4,380)	(17,856)
Amount after tax	₩47,779	₩ —	₩15,527	₩63,306
Loss on valuation of available-for-sale securities				
Marketable securities	₩ (8,394)	₩8,394	₩ —	₩ —
Non-marketable securities	—	—	—	—
	(8,394)	8,394	—	—
Income tax effect	1,846	(1,846)	—	—
Amount after tax	₩ (6,548)	₩6,548	₩ —	₩ —

The changes of unrealized gain (loss) on available-for-securities for the year ended December 31, 2010 are as follows:

	Korean Won				Translation into U.S. dollars (Note 2)
	Beginning of year	Realized amount on disposal	Unrealized amount on valuation	End of year	End of year
	(In millions)				(In thousands)
Gain on valuation of available-for-sale securities					
Marketable securities	₩ 7,520	₩—	₩ (1,594)	₩ 5,926	$ 5,203
Non-marketable securities	73,642	—	21,312	94,954	83,374
	81,162	—	19,718	100,880	88,577
Income tax effect	(17,856)	—	(4,338)	(22,194)	(19,488)
Amount after tax	₩ 63,306	₩—	₩15,380	₩78,686	$ 69,089

8. Investment Securities Accounted for Using the Equity Method:

(1) Investment securities accounted for using the equity method as of December 31, 2008 are as follows:

	No. of shares	Ownership (%)	Acquisition cost	Net asset value	Fair value (*2)	Book value
			Korean Won (In millions)			
Hyundai Motor Company	12,854,195	5.84	₩ 742,586	₩ 893,777	₩507,741	₩ 933,798
Hyundai Mobis Co., Ltd.	5,504,846	6.28	364,421	335,780	347,356	388,842
BNG Steel Co., Ltd. (*1)	6,201,703	40.83	27,877	72,899	25,583	72,899
Qingdao Hyundai Machinery Co., Ltd. (*2)	1,106,000	100.00	12,999	37,038	37,038	24,398
Hyundai Green Power Co., Ltd. (*2)	7,627,000	29.00	38,135	36,949	36,949	36,949
			₩1,186,018	₩1,376,443	₩954,667	₩1,456,886

(*1) The ratio of ownership is computed including common stock and preferred stock.
(*2) Net asset value is presented as the fair value of Qingdao Hyundai Machinery Co., Ltd. and Hyundai Green Power Co., Ltd., as they are not traded in an active market or the fair value cannot be reliably estimated.

Investment securities accounted for using the equity method as of December 31, 2009 are as follows:

	No. of shares	Ownership (%)	Acquisition cost	Net asset value	Fair value (*3)	Book value
			Korean Won (In millions)			
Hyundai Mobis Co., Ltd. (*1)	5,504,846	5.66	₩364,421	₩443,996	₩ 941,329	₩454,608
BNG Steel Co., Ltd. (*2)	6,201,703	40.83	27,877	90,660	53,644	90,659
Qingdao Hyundai Machinery Co., Ltd. (*3)	1,106,000	100.00	12,999	27,530	27,530	24,944
Hyundai Green Power Co., Ltd. (*3)	7,627,000	29.00	38,135	36,118	36,118	36,118
			₩443,432	₩598,304	₩1,058,621	₩606,329

(*1) The ratio of ownership has been decreased due to the merger between Hyundai Mobis Co., Ltd. and Hyundai Autonet Co., Ltd.
(*2) The ratio of ownership is computed including common stock and preferred stock.
(*3) Net asset value is presented as the fair value of Qingdao Hyundai Machinery Co., Ltd. and Hyundai Green Power Co., Ltd., as they are not traded in an active market or the fair value cannot be reliably estimated.

Investment securities accounted for using the equity method as of December 31, 2010 are as follows:

	No. of shares	Ownership (%)	Korean Won Acquisition cost	Korean Won Net asset value	Korean Won Fair value (*2)	Korean Won Book value	Translation into U.S. dollars (Note 2) Book value
			(In millions)				(In thousands)
Hyundai Mobis Co., Ltd.	5,504,846	5.66	₩364,421	₩596,743	₩1,566,129	₩596,743	$523,964
BNG Steel Co., Ltd. (*1)	6,201,703	40.83	27,877	104,822	69,771	104,822	92,038
Qingdao Hyundai Machinery Co., Ltd. (*1)	1,106,000	100.00	12,999	29,987	29,987	25,003	21,954
Hyundai Green Power Co., Ltd.	7,627,000	29.00	38,135	44,970	44,970	44,970	39,485
			₩443,432	₩776,522	₩1,710,857	₩771,538	$677,441

(*1) The ratio of ownership is computed including common stock and preferred stock.
(*2) Net asset value is presented as the fair value of Qingdao Hyundai Machinery Co., Ltd. and Hyundai Green Power Co., Ltd., as they are not traded in an active market or the fair value cannot be reliably estimated.

(2) The changes in investment securities accounted for using the equity method for the year ended December 31, 2008 are as follows:

(Korean Won in millions)	Hyundai Motor Company	Hyundai Mobis Co., Ltd.	BNG Steel Co., Ltd.	Qingdao Hyundai Machinery Co., Ltd.	Hyundai Green Power Co., Ltd.	Total
Beginning of year	₩889,601	₩364,261	₩97,363	₩17,970	₩—	₩1,369,195
Acquisition of investment securities using equity method	—	—	—	—	38,135	38,135
Gain (Loss) on valuation of using the equity method	38,124	21,598	(24,169)	(2,001)	(1,081)	32,471
Gain on disposal of investment securities using equity method	(800)	(289)	—	—	—	(1,089)
Changes in retained earning of using the equity method	(12,966)	(2,016)	—	—	—	(14,982)
Changes in accumulated other comprehensive income	32,694	12,169	15	10,251	(105)	55,024
Dividend received	(12,855)	(6,881)	(310)	(1,822)	—	(21,868)
End of year	₩933,798	₩388,842	₩72,899	₩24,398	₩36,949	₩1,456,886

The changes in investment securities accounted for using the equity method for the year ended December 31, 2009 are as follows:

(Korean Won in millions)	Hyundai Motor Company	Hyundai Mobis Co., Ltd.	BNG Steel Co., Ltd.	Qingdao Hyundai Machinery Co., Ltd.	Hyundai Green Power Co., Ltd.	Total
Beginning of year	₩933,798	₩388,842	₩72,899	₩24,398	₩36,949	₩1,456,886
Gain (Loss) on valuation of using the equity method	31,303	50,009	12,344	6,643	(831)	99,468
Gain on disposal of investment securities using equity method (*1)	—	22,016	—	—	—	22,016
Changes in retained earning of using the equity method	(1,847)	(3,302)	—	—	—	(5,149)
Changes in accumulated other comprehensive income (*2)	4,871	2,549	5,416	(2,040)	—	10,796
Dividend received	(10,925)	(5,506)	—	(4,057)	—	(20,488)
Disposal of investment securities using equity method (*3)	(957,200)	—	—	—	—	(957,200)
End of year	₩ —	₩454,608	₩90,659	₩24,944	₩36,118	₩ 606,329

(*1) The Company's ownership ratio has been decreased as a result of the merger between Hyundai Mobis Co., Ltd. and Hyundai Autonet Co., Ltd. However, the carrying amount of its investments has increased as the balance of its investment securities increased. The Company accounted for its increase as gain on disposal of investment securities using the equity method.

(*2) If there are significant differences of accounting policies between the Company and the affiliated companies related to the similar transactions or accounting events, the Company adjusts the effect due to differences of accounting policies. For the year ended December 31,2009, the increase in accumulated other comprehensive income was adjusted by ₩10,507 million.

(*3) The Company disposed all equity of Hyundai Motor Company and accounted for gain on disposal of investment securities accounted for using equity method amounting to ₩441,479 million in non-operating income.

The changes in investment securities accounted for using the equity method for the year ended December 31, 2010 are as follows:

	Korean Won					Translation into U.S. dollars (Note 2)
	Hyundai Mobis Co., Ltd.	BNG Steel Co., Ltd.	Qingdao Hyundai Machinery Co., Ltd.	Hyundai Green Power Co., Ltd.	Total	Total
	(In thousands)					(In thousands)
Beginning of year	₩454,608	₩ 90,659	₩24,944	₩36,118	₩606,329	$532,381
Gain (Loss) on valuation of using the equity method	123,842	12,489	3,737	8,852	148,920	130,758
Changes in retained earning of using the equity method	(1,992)	—	—	—	(1,992)	(1,749)
Changes in accumulated other comprehensive income (*1)	27,166	1,674	391	—	29,231	25,666
Dividend received	(6,881)	—	(4,069)	—	(10,950)	(9,615)
End of year	₩596,743	₩104,822	₩25,003	₩44,970	₩771,538	$677,441

(*1) If there are significant differences of accounting policies between the Company and the affiliated companies related to the similar transactions or accounting events, the Company adjusts the effect due to differences of accounting policies. For the year ended December 31,2010, the increase in accumulated other comprehensive income was adjusted by ₩25,659 million (US$22,530 thousand).

The Company used unaudited financial statements of the investee in using the equity method. The Company verified the reliability of the financial statements used in valuation of investment securities accounted for using the equity method and expects the difference between unaudited and audited financial statements to be immaterial.

(3) The changes in goodwill of investment securities accounted for using the equity method for the year ended December 31, 2008 are as follows:

(Korean Won in millions)	Beginning of year	Increase (Decrease)	Amortization	End of year
Hyundai Motor Company	₩ 65,833	₩—	₩(25,812)	₩40,021
Hyundai Mobis Co., Ltd.	95,511	—	(42,449)	53,062
	₩161,345	₩—	₩(68,262)	₩93,083

The changes in goodwill of investment securities accounted for using the equity method for the year ended December 31, 2009 are as follows:

(Korean Won in millions)	Beginning of year	Increase (Decrease)(*1)	Amortization	End of year
Hyundai Motor Company	₩40,021	₩(27,115)	₩(12,906)	₩ —
Hyundai Mobis Co., Ltd.	53,062	—	(42,450)	10,612
	₩93,083	₩(27,115)	₩(55,356)	₩10,612

(*1) The amount was decreased in disposal of the investment securities accounted for using the equity method The changes in goodwill of investment securities accounted for using the equity method for the year ended December 31, 2010 are as follows:

	Korean Won				Translation into U.S. dollars (Note 2)
	Beginning of year	Increase (Decrease)	Amortization	End of year	End of year
	(In millions)				(In thousands)
Hyundai Mobis Co., Ltd.	₩10,612	₩—	₩(10,612)	₩—	$—

(4) The changes of unrealized gains for the year ended December 31, 2008 are as follows:

(Korean Won in millions)	Details	Unrealized amount on inventories
Qingdao Hyundai Machinery Co., Ltd.	Beginning of year	₩ 3,616
	Unrealized gains	12,640
	Realized gains	(3,616)
	End of year	₩12,640

The changes of unrealized gains for the year ended December 31, 2009 are as follows:

(Korean Won in millions)	Details	Unrealized amount on inventories
Qingdao Hyundai Machinery Co., Ltd.	Beginning of year	₩12,640
	Unrealized gains	2,586
	Realized gains	(12,640)
	End of year	₩ 2,586

The changes of unrealized gains for the year ended December 31, 2010 are as follows:

		Korean Won	Translation into U.S. dollars (Note 2)
	Details	Unrealized amount on inventories	Unrealized amount on inventories
		(In millions)	(In thousands)
Qingdao Hyundai Machinery Co., Ltd.	Beginning of year	₩2,587	$2,271
	Unrealized gains	4,984	4,375
	Realized gains	(2,587)	(2,271)
	End of year	₩4,984	$4,375

(5) The summary of financial information of the investee as of and for the year ended December 31, 2010 are as follows:

(Korean Won in millions)	Total assets	Total liabilities	Sales	Net income (loss)
Hyundai Mobis Co., Ltd.	₩13,863,837	₩3,688,515	₩13,695,717	₩2,423,295
BNG Steel Co., Ltd.	584,885	345,524	781,163	30,586
Qingdao Hyundai Machinery Co., Ltd.	99,182	69,195	197,678	6,134
Hyundai Green Power Co., Ltd.	607,087	452,017	120,613	30,569

	Translation into U.S. dollars (Note 2)			
	Total assets	Total liabilities	Sales	Net income (loss)
	(In thousands)			
Hyundai Mobis Co., Ltd.	$12,173,006	$3,238,665	$12,025,390	$2,127,750
BNG Steel Co., Ltd.	513,553	303,384	685,893	26,856
Qingdao Hyundai Machinery Co., Ltd.	87,086	60,756	173,569	5,386
Hyundai Green Power Co., Ltd.	533,047	396,889	105,903	26,841

9. Property, Plant and Equipment:

(1) The changes in property, plant and equipment for the year ended December 31, 2008 are as follows:

(Korean Won in millions)	Beginning of year	Acquisition	Disposal	Depreciation	Transfer	End of year
Land	₩ 734,440	₩ 16,787	₩ (2,311)	₩ —	₩ 1,817	₩ 750,733
Buildings	433,617	19,052	(2,864)	(32,413)	2,620	420,012
Structures.	173,111	13,818	(3,657)	(11,145)	182	172,309
Machinery and equipment	1,440,457	184,441	(12,454)	(201,511)	19,838	1,430,771
Vehicles	5,914	1,781	(69)	(2,028)	403	6,001
Tools, furniture and fixtures. . . .	54,795	14,869	(78)	(17,651)	6,117	58,052
Construction-in-progress.	973,421	1,909,093	(139)	—	(30,977)	2,851,398
	₩3,815,755	₩2,159,841	₩(21,572)	₩(264,748)	₩ —	₩5,689,276

(2) The changes in property, plant and equipment for the year ended December 31, 2009 are as follows:

(Korean Won in millions)	Beginning of year	Acquisition	Disposal	Valuation	Depreciation	Transfer	End of year
Land	₩ 750,733	₩ 7,428	₩(5,555)	₩884,734	₩ —	₩ 39,483	₩1,676,823
Buildings	420,012	1,790	(80)	—	(31,486)	18,355	408,591
Structures	172,309	5,242	(302)	—	(11,838)	90,266	255,677
Machinery and equipment	1,430,771	69,168	(1,720)	—	(195,338)	14,071	1,316,952
Vehicles	6,001	1,461	(20)	—	(2,874)	16,677	21,245
Tools, furniture and fixtures	58,052	9,331	—	—	(19,121)	3,233	51,495
Construction-in-progress	2,851,398	3,444,872	(6)	—	—	(182,085)	6,114,179
	₩5,689,276	₩3,539,292	₩(7,683)	₩884,734	₩(260,657)	₩ —	₩9,844,962

(3) The changes in property, plant and equipment for the year ended December 31, 2010 are as follows:

	Korean Won							Translation into U.S. dollars (Note 2)
	Beginning of year	Acquisition	Disposal	Valuation	Depreciation	Transfer (*)	End of year	End of year
	(In millions)							
Land	₩1,676,823	₩ 33,317	₩ (296)	₩160,200	₩ —	₩ 408,175	₩ 2,278,219	$ 2,000,368
Buildings	408,591	71,888	(1,154)	—	(47,712)	757,293	1,188,906	1,043,907
Structures	255,677	42,451	(35)	—	(25,029)	433,336	706,400	620,248
Machinery and equipment	1,316,952	369,498	(112)	—	(299,272)	2,331,840	3,718,906	3,265,349
Vehicles	21,245	4,234	(1)	—	(2,368)	12,035	35,145	30,859
Tools, furniture and fixtures	51,495	18,060	(1)	—	(23,018)	39,588	86,124	75,620
Construction-in-progress	6,114,179	1,635,201	—	—	—	(3,985,311)	3,764,069	3,305,004
	₩9,844,962	₩2,174,649	₩(1,599)	₩160,200	₩(397,399)	₩ (3,044)	₩11,777,769	$10,341,355

(*) Construction-in-progress of ₩3,044 million (US$2,673 thousand) was transferred to intangible assets.

(4) Revaluation of the land:

The Company adopted the revaluation model for measuring land after its initial acquisition, since 2009. The Company revalued the land in 2009 and 2010, using the fair value measured by an independent and professionally qualified appraiser.

The appraisal was performed based on the following factors: (i) the estimated value of land that is close in proximity and that is comparable in terms of its usage category, usage ratio, and surrounding environment, (ii) adjustment in the time period using the fluctuation ratios of land prices published by the Ministry of Land, Transport and Maritime Affairs.

Overall, The Company considers the appraisal and takes into account regional, individual and other factors, the estimation derived and calculated from actual transactions in a comparable region, time period adjustment, regional factors, individual factors, and others, to determine the fair value of the land.

The book value of the land by each alternative model for measurement after recognition as of December 31, 2009 and 2010 are as follows:

	Korean Won		Translation into U.S. dollars (Note 2)
	2009	2010	2010
	(In millions)		(In thousands)
Book value of land on revaluation model	₩1,676,822	₩2,278,219	$2,000,368
Book value of land on cost model	793,713	1,234,988	1,084,369

The changes of gain on revaluation of the property, plant and equipment in accumulated other comprehensive income for the years ended December 31, 2009 are as follows:

(Korean Won in millions)	Beginning of year	Increase (Decrease)	Realized on disposal	End of year
Gain on revaluation of property, plant and equipment	₩—	₩ 885,391	₩(1,624)	₩883,767
Income tax effect	—	(194,786)	357	(194,429)
Amount after tax	₩—	₩ 690,605	₩(1,267)	₩689,338

(*) The loss on revaluation of the property, plant and equipment of ₩658 million (US$578 thousand) was accounted for as non-operating incomes in 2009.

The changes of gain on revaluation of the property, plant and equipment in accumulated other comprehensive income for the years ended December 31, 2010 are as follows:

	Korean Won				Translation into U.S. dollars (Note 2)
	Beginning of year	Increase (Decrease)	Realized on disposal	End of year	End of year
	(In millions)				(In thousands)
Gain on valuation of property, plant and equipment	₩ 883,767	₩160,200	₩(78)	₩1,043,889	$ 916,577
Income tax effect	(194,429)	(35,244)	17	(229,656)	(201,647)
Amount after tax	₩ 689,338	₩124,956	₩(61)	₩ 814,233	$ 714,930

(5) Insurance assets

As of December 31, 2010, property, plant and equipment amounting to ₩4,662,221 million (US$4,093,618 thousand) is covered with comprehensive insurance up to ₩6,815,843 million (US$5,984,584 thousand).

(6) As of December 31, 2010, the published value of the Company owned land (10,446,639 square meters) with book value of ₩2,278,219 million (US$2,000,368 thousand) amounts to ₩1,337,540 million (US$1,174,414 thousand) according to officially announced land prices by the Korean government.

10. Capitalization of Interest Expenses:

(1) Capitalized interest expenses for the years ended December 31, 2008, 2009 and 2010 are as follows:

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions)			(In thousands)
Property, plant and equipment	₩105,451	₩130,710	₩173,204	$152,080

(2) If the Company expensed the interest costs, differences in related accounts as of and for the year ended December 31, 2010 would be as follows:

(Korean Won in millions)	Capitalized	Expensed	Difference amounts
Property, plant and equipment	₩11,777,769	₩11,346,099	₩431,670
Shareholder's equity	7,739,757	7,403,054	336,703
Depreciation	397,399	391,370	6,029
Interest expenses	174,879	348,083	(173,204)
Net income	1,014,142	883,746	130,396

	Translation into U.S. dollars (Note 2)		
	Capitalized	Expensed	Difference amounts
		(In thousands)	
Property, plant and equipment	$10,341,355	$9,962,331	$379,024
Shareholder's equity	6,795,818	6,500,179	295,639
Depreciation	348,932	343,638	5,294
Interest expenses	153,551	305,631	(152,080)
Net income	890,457	775,964	114,493

11. Intangible Assets:

(1) Intangible assets as of December 31, 2010 consist of the following:

	Korean Won				Translation into U.S. dollars (Note 2)
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Book value
	(In millions)				(In thousands)
Software	₩ 3,382	₩(3,382)	₩—	₩ —	$ —
Railroad usage rights	304	(304)	—	—	—
Wharf usage rights	62,147	(5,788)	—	56,359	49,485
Government subsidy	(25,213)	2,204	—	(23,009)	(20,203)
Industrial property rights	686	(615)	—	71	63
Others	3,235	(412)	—	2,823	2,479
	₩44,541	₩(8,297)	₩—	₩36,244	$ 31,824

The Company contracted with Incheon City regarding Incheon North Harbor Development Business in August 2001. The Company received government subsidy of ₩25,213 million and used in construction, and the government subsidy balance offset with amortization of the related assets is stated as deduction from intangible asset (Wharf usage rights) as the construction was completed.

(2) The changes of intangible assets for the year ended December 31, 2008 are as follows:

(Korean Won in millions)	Beginning of year	Acquisition	Amortization	End of year
Software	₩ 1,015	₩—	₩ (677)	₩ 338
Railroad usage rights	28	—	(10)	18
Wharf usage rights	60,551	—	(1,245)	59,306
Government subsidy	(24,708)	—	504	(24,204)
Industrial property rights	210	—	(54)	156
Others	32	—	(8)	24
	₩37,128	₩—	₩(1,490)	₩35,638

The changes of intangible assets for the year ended December 31, 2009 are as follows:

(Korean Won in millions)	Beginning of year	Acquisition	Amortization	End of year
Software	₩ 338	₩—	₩ (338)	₩ —
Railroad usage rights	18	—	(10)	8
Wharf usage rights	59,306	—	(1,441)	57,865
Government subsidy	(24,204)	—	584	(23,620)
Industrial property rights	156	—	(54)	102
Others	24	—	(8)	16
	₩35,638	₩—	₩(1,267)	₩34,371

The changes of intangible assets for the year ended December 31, 2010 are as follows:

	Korean Won				Translation into U.S. dollars (Note 2)
	Beginning of year	Acquisition (*)	Amortization	End of year	End of year
	(In millions)				(In thousands)
Software	₩ —	₩ —	₩ —	₩ —	$ —
Railroad usage rights	8	—	(8)	—	—
Wharf usage rights	57,865	—	(1,506)	56,359	49,485
Government subsidy	(23,620)	—	611	(23,009)	(20,203)
Industrial property rights	102	—	(31)	71	63
Others	16	3,044	(237)	2,823	2,479
	₩34,371	₩3,044	₩(1,171)	₩36,244	$ 31,824

(*) The amount was transferred from construction-in-progress.

(3) Allocation of amortization of intangible assets for the years ended December 31, 2008, 2009 and 2010 are as follows:

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions)			(In thousands)
Manufacturing costs	₩ 759	₩ 875	₩1,139	$1,000
Selling and administrative expenses	731	392	31	27
	₩1,490	₩1,267	₩1,170	$1,027

(4) The research and ordinary development expenses for the years ended December 31, 2008, 2009 and 2010 are as follows:

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions)			(In thousands)
Manufacturing costs	₩ 7,815	₩ 3,104	₩ 4,258	$ 3,739
Selling and administrative expenses	14,513	12,924	23,853	20,944
	₩22,328	₩16,028	₩28,111	$24,683

12. Other Non-current Assets:

Other non-current assets as of December 31, 2008, 2009 and 2010 consist of the following:

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions)			(In thousands)
Long-term financial instruments	₩ 90	₩ 69	₩ 29	$ 25
Long-term loans	17,356	32,141	37,222	32,682
Guarantee deposits	34,452	51,933	58,389	51,269
Memberships and others	36,354	37,975	38,708	33,987
	₩88,252	₩122,118	₩134,348	$117,963

13. Borrowings:

(1) Short-term borrowings as of December 31, 2008, 2009 and 2010 are as follows:

		Annual interest rate	Korean Won			Translation into U.S. dollars (Note 2)
		2010	2008	2009	2010	2010
		(%)	(In millions)			(In thousands)
Kyobo Life Insurance	General loans	—	₩ 10,000	₩ —	₩ —	$ —
Korea Exim Bank	Import short-term loans	1.75	—	—	79,723	70,000
Kookmin Bank and others	Banker's usance	1.57	744,635	925,979	2,164,287	1,900,331
			₩754,635	₩925,979	₩2,244,010	$1,970,331

(2) Long-term borrowings denominated in local currency as of December 31, 2008, 2009 and 2010 are as follows:

	Annual interest rate	Korean Won			Translation into U.S. dollars (Note 2)
	2010	2008	2009	2010	2010
	(%)	(In millions)			(In thousands)
Korea Development Bank and others	3.90~7.15	₩ 810,000	₩1,470,000	₩1,630,000	$1,431,205
Kookmin Bank	2.25~5.46	103,385	92,272	71,294	62,599
IBK Bank	—	110	—	—	—
Kyongnam Bank	3.45	50,000	45,000	35,000	30,731
Woori Bank	5.85	200,000	180,000	140,000	122,926
Suhyup Bank	3.55	50,000	45,000	35,000	30,731
Nonghyup Bank	1.50~2.25	7,420	27,417	41,575	36,505
		1,220,915	1,859,689	1,952,869	1,714,698
Less: Current portion		(81,222)	(120,979)	(260,980)	(229,151)
		₩1,139,693	₩1,738,710	₩1,691,889	$1,485,547

(3) Long-term borrowings denominated in foreign currencies as of December 31, 2008, 2009 and 2010 are as follows:

Lender	Details	Annual interest rate	Korean Won			Translation into U.S. dollars (Note 2)
		2010	2008	2009	2010	2010
		(%)	(In millions)			(In thousands)
HSBC and others	ECA loans	2.88	₩107,677	₩ 258,071	₩ 276,428	$ 242,715
		2.88	156,367	448,971	503,459	442,057
	HSBC commercial loans	2.37	142,632	133,546	130,263	114,376
SC Cheil Bank	Facility loans	1.90	94,313	87,570	85,418	75,000
and others	Facility loans	2.69	—	105,991	299,627	263,085
			500,989	1,034,149	1,295,195	1,137,233
Less: Current portion			—	—	(116,459)	(102,256)
			₩500,989	₩1,034,149	₩1,178,736	$1,034,977

(4) Repayment plan of long-term borrowings as of December 31, 2010 is as follows:

	Korean Won			Translation into U.S. dollars (Note 2)
	In local currency	In foreign currencies	Total	Total
	(In millions)			(In thousands)
2012	₩ 384,798	₩ 184,646	₩ 569,444	$ 499,995
2013	487,607	314,910	802,517	704,642
2014	348,315	156,174	504,489	442,961
2015	308,315	156,174	464,489	407,840
After 2016	162,854	366,832	529,686	465,086
	₩1,691,889	₩1,178,736	₩2,870,625	$2,520,524

The repayment plan for above borrowings denominated in foreign currency may vary based on the Company's payment point-of-time for its equipment purchases.

14. Debentures:

Debentures issued as of December 31, 2008, 2009 and 2010 are as follows:

Debentures	Details	Year issued	Maturity	Annual interest rate 2010	2008	Korean Won 2009	2010	Translation into U.S. dollars (Note 2) 2010
				(%)		(In millions)		(In thousands)
77th	Privately placed bonds	2004	2011	4.87	₩ 55,000	₩ 35,000	₩ 15,000	$ 13,171
78th	Unsecured public offered bonds	2005	2010	4.56	250,000	250,000	—	—
79-2nd	"	2005	2010	5.37	150,000	150,000	—	—
81st	"	2006	2011	5.69	250,000	250,000	250,000	219,510
82nd	"	2006	2013	5.24	300,000	300,000	300,000	263,412
83rd	Privately placed bonds	2007	2010	5.22	100,000	100,000	—	—
84-1st	Unsecured public offered bonds	2007	2012	5.31	150,000	150,000	150,000	131,706
84-2nd	"	2007	2014	5.46	150,000	150,000	150,000	131,706
85th	"	2007	2014	5.94	200,000	200,000	200,000	175,608
86-1st	"	2008	2011	6.31	200,000	200,000	200,000	175,608
86-2nd	"	2008	2013	6.48	150,000	150,000	150,000	131,706
87th	"	2008	2011	8.39	120,000	120,000	120,000	105,365
88th	Privately placed bonds	2008	2011	8.80	70,000	70,000	70,000	61,463
89th	Unsecured public offered bonds	2008	2011	8.37	100,000	100,000	100,000	87,804
90-1st	"	2009	2012	6.46	—	220,000	220,000	193,169
90-2nd	"	2009	2014	7.51	—	80,000	80,000	70,243
91-1st	"	2010	2013	5.21	—	—	200,000	175,608
91-2nd	"	2010	2015	5.76	—	—	150,000	131,706
92-1st	"	2010	2013	4.23	—	—	60,000	52,682
92-2nd	"	2010	2015	5.05	—	—	240,000	210,730
Total par value					2,245,000	2,525,000	2,655,000	2,331,197
Discount on bonds					(6,473)	(5,422)	(5,510)	(4,838)
					₩2,238,527	₩2,519,578	₩2,649,490	$2,326,359
Current maturities								
Par value					20,000	520,000	755,000	662,920
Discount on bonds					—	(173)	(435)	(382)
					₩ 20,000	₩ 519,827	₩ 754,565	$ 662,538
Non-current maturities								
Par value					2,225,000	2,005,000	1,900,000	1,668,276
Discount on bonds					(6,473)	(5,249)	(5,075)	(4,456)
					₩2,218,527	₩1,999,751	₩1,894,925	$1,663,820

15. Accrued Severance Indemnities:

The changes in accrued severance indemnities for the years ended December 31, 2008, 2009 and 2010 are as follows:

	Korean Won 2008	Korean Won 2009	Korean Won 2010	Translation into U.S. dollars (Note 2) 2010
		(In millions)		(In thousands)
Beginning of period	₩233,028	₩257,362	₩261,457	$229,570
Payment of severance indemnities	(23,612)	(42,616)	(44,250)	(38,853)
Provision of severance indemnities	47,946	46,711	59,451	52,200
End of period	₩257,362	₩261,457	₩276,658	$242,916

The Company entered into employee severance insurance and trust which is respectively 64.26%, 69.85%, and 81.90% of accrued severance indemnities as of December 31, 2008, 2009 and 2010, and such employee severance insurance deposits are stated as a deduction of accrued severance indemnities.

16. Income Tax Expense and Deferred Income Tax Assets (Liabilities):

(1) The components of income tax expense for the years ended December 31, 2008, 2009 and 2010 are as follows:

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
		(In millions)		(In thousands)
Income tax payable	₩204,250	₩311,549	₩155,723	$136,731
Change in deferred income tax assets and liabilities	(80,042)	(68,741)	29,320	25,744
Income tax expenses directly charged to equity	7,250	(188,191)	(47,620)	(41,812)
Income tax expense	₩131,458	₩ 54,617	₩137,423	$120,663

(2) For the years ended December 31, 2008, 2009 and 2010, the differences between net income before tax in financial accounting and income tax expense pursuant to Corporate Income Tax Law of Korea are as follows:

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
		(In millions)		(In thousands)
Net income before income tax	₩953,998	₩1,206,614	₩1,151,565	$1,011,120
Income tax expense calculated at current applicable tax rates	262,319	291,976	278,652	244,668
Adjustments:				
Disallowed expenses (incomes)	666	(246)	291	255
Tax credits effect	(97,724)	(249,562)	(129,336)	(113,562)
Tax effect of unrecognized deferred income tax assets (liabilities)	3,298	(603)	(6,520)	(5,725)
Others	(37,101)	13,052	(5,664)	(4,973)
Income tax expense	₩131,458	₩ 54,617	₩ 137,423	$ 120,663
Effective tax rate	13.8%	4.5%	11.9%	11.9%

(3) The changes in accumulated temporary differences and deferred income tax assets (liabilities) for the year ended December 31, 2008 are as follows:

	Temporary difference				Deferred income tax assets (liabilities)	
(Korean Won in millions)	Beginning of year	Decrease	Increase	End of year	Current	Non-current
Accrued severance indemnities	₩ 146,949	₩12,479	₩28,520	₩ 162,990	₩ —	₩ 35,858
Depreciation	18,667	5,191	518	13,994	—	3,079
Loss on foreign currency translation	—	—	172,750	172,750	—	38,005
Gain on foreign currency translation	—	—	(36,496)	(36,496)	—	(8,029)
Loss on valuation of derivatives (Other comprehensive loss)	—	—	4,482	4,482	—	986
Gain on valuation of derivatives (Net income)	—	—	(23,528)	(23,528)	—	(5,176)
Recovery expenses	4,611	3,044	—	1,567	379	—
Government subsidy	24,709	505	—	24,205	—	5,325
Accrued incomes	(11,548)	(11,548)	(6,884)	(6,884)	(1,666)	—
Severance insurance deposits	(146,949)	(12,479)	(28,520)	(162,990)	—	(35,858)
Capitalized interest expenses	(21,988)	(759)	(10,163)	(31,392)	—	(6,906)
Investment reserve on SOC	(3,372)	(788)	—	(2,584)	—	(568)
Stock option	(45,042)	—	—	(45,042)	—	(9,909)
Allowance for temporary depreciation	(24,709)	(505)	—	(24,204)	—	(5,325)
Allowance for reduction entry	(194,010)	(458)	—	(193,552)	—	(265)
Gain on valuation of using the equity method	(215,653)	(48,037)	(58,641)	(226,257)	—	(44,824)
Gain on valuation of investment securities accounted for using the equity method (other comprehensive income)	(30,658)	—	(44,757)	(75,415)	—	(16,591)
Loss on valuation of investment securities accounted for using the equity method (other comprehensive loss)	1,322	15	(10,251)	(8,944)	—	(1,968)
Change in retained earnings on using the equity method	8,032	—	14,981	23,013	—	5,063
Impairment of available-for-sale securities	—	—	5,593	5,593	—	1,231
Gain on valuation of available-for-sale securities	(92,519)	(34,180)	5,478	(52,861)	—	(11,629)
Gain on disposal of available-for-sale securities	(741,404)	—	—	(741,404)	—	(163,109)
Changes in other capital surplus	11,943	—	—	11,943	—	2,627
Others	5,313	1,423	2,433	6,324	15	1,377
	(1,306,306)	(86,097)	15,515	(1,204,692)	(1,272)	(216,606)
Deferred income tax assets (liabilities) due to temporary difference	(296,783)			(217,878)	(1,272)	(216,606)
Carried forward tax credit	—			1,137	1,137	—
Deferred income tax assets (liabilities)	₩(296,783)			₩(216,741)	₩(135)	₩(216,606)

The changes in accumulated temporary differences and deferred income tax assets (liabilities) for the year ended December 31, 2009 are as follows:

	Temporary difference				Deferred income tax assets (liabilities)	
(Korean Won in millions)	Beginning of year	Decrease	Increase	End of year	Current	Non-current
Accrued severance indemnities	₩ 162,990	₩ 25,163	₩ 41,608	₩ 179,435	₩ —	₩ 39,476
Depreciation	13,994	6,290	4,447	12,151	—	2,673
Loss on foreign currency translation	172,750	114,187	1,541	60,104	—	13,223
Gain on foreign currency translation	(36,496)	(24,264)	(134,031)	(146,263)		(32,178)
Loss on valuation of derivatives (Other comprehensive loss)	4,482	6,609	2,447	320	(144)	202
Gain on valuation of derivatives (Net income)	(23,528)	(6,743)	—	(16,785)	—	(3,693)
Recovery expenses	1,567	1,680	10,560	10,447	—	2,298
Special money trust	—	—	8,033	8,033	—	1,767
Government subsidy	24,204	584	—	23,620	—	5,196
Government investment	1,398	250	636	1,784	—	392
Donations payable	58	58	48	48	11	—
Accrued incomes	(6,884)	(6,884)	(19,607)	(19,607)	(4,745)	—
Severance insurance deposits	(162,990)	(25,163)	(41,608)	(179,435)	—	(39,475)
Capitalized interest expenses	(31,392)	(401)	(5,237)	(36,228)	—	(7,970)
Investment reserve on SOC	(2,584)	(1,127)	—	(1,457)	(207)	(132)
Stock option	(45,042)	(45,042)	—	—	—	—
Allowance for temporary depreciation	(24,204)	(584)	—	(23,620)	—	(5,196)
Allowance for reduction entry	(193,552)	—	—	(193,552)	—	(265)
Gain on valuation of using the equity method	(227,338)	(192,320)	(100,300)	(135,318)	—	(24,215)
Loss on valuation of using the equity method	1,081	—	832	1,913		421
Gain on valuation of investment securities accounted for using the equity method (other comprehensive income)	(84,622)	(66,521)	(4,871)	(22,972)	—	(5,054)
Loss on valuation of investment securities accounted for using the equity method (other comprehensive loss)	12,207	5,924	—	6,283	—	1,382
Change in retained earnings on using the equity method	23,013	21,131	5,149	7,031	—	1,547
Impairment of available-for-sale securities	5,593	5,593	—	—	—	—
Gain on valuation of available-for-sale securities	(52,861)	—	(28,301)	(81,162)	—	(17,856)
Gain on disposal of available-for-sale securities	(741,404)	(405,771)	—	(335,633)	—	(73,839)
Loss on disposal of investment securities accounted for using equity method	4,852	2,610	(22,016)	(19,774)	—	(4,350)
Gain on revaluation of land	—	(1,624)	(885,391)	(883,767)		(194,429)
Loss on revaluation of land	—	—	658	658		146
Others	16	—	—	16	—	3
	(1,204,692)	(586,365)	(1,165,403)	(1,783,730)	(5,085)	(339,926)
Deferred income tax assets (liabilities) due to temporary difference	₩(217,878)			₩(345,011)	₩ (5,085)	₩(339,926)
Carried forward tax credit	1,137			197,011	55,061	141,950
Deferred income tax assets (liabilities)	₩(216,741)			₩(148,000)	₩49,976	₩(197,976)

The changes in accumulated temporary differences and deferred income tax assets (liabilities) for the year ended December 31, 2010 are as follows:

	Korean Won						Translation into U.S. dollars	
	Temporary difference				Deferred income tax assets (liabilities)		Deferred income tax assets (liabilities)	
	Beginning of year	Decrease	Increase	End of year	Current	Non-current	Current	Non-current
	(In millions)						(In thousands)	
Accrued severance indemnities	₩ 179,435	₩23,722	₩34,936	₩190,648	₩ —	₩ 41,943	$ —	$ 36,828
Depreciation	12,151	4,493	1,160	8,818	—	1,940	—	1,703
Loss on foreign currency translation	60,104	3,578	53,421	109,947	—	24,188	—	21,238
Gain on foreign currency translation	(146,263)	(46,073)	(95,535)	(195,725)	—	(43,059)	—	(37,808)
Loss on valuation of derivatives (Other comprehensive loss)	320	—	17,200	17,521	(67)	3,915	(59)	3,438
Gain on valuation of derivatives (Net income)	(16,785)	—	2,153	(14,633)	—	(3,219)	—	(2,826)
Recovery expenses	10,447	193	—	10,253	—	2,256	—	1,981
Special money trust	8,033	8,033	—	—	—	—	—	—
Government subsidy	23,620	611	—	23,009	—	5,062	—	4,445
Government investment	1,784	3,349	4,533	2,968	—	653	—	573
Donations payable	48	48	—	—	—	—	—	—
Accrued incomes	(19,607)	(19,607)	(8,098)	(8,098)	(1,960)	—	(1,721)	—
Severance insurance deposits	(179,435)	(23,722)	(34,936)	(190,648)	—	(41,943)	—	(36,828)
Capitalized interest expenses	(36,228)	(153)	(99,726)	(135,801)	—	(29,876)	—	(26,232)
Investment reserve on SOC	(1,457)	(852)	—	(605)	(146)	—	(128)	—
Allowance for temporary depreciation	(23,620)	(611)	—	(23,009)	—	(5,062)	—	(4,445)
Allowance for reduction entry	(193,552)	(60)	—	(193,492)	—	(251)	—	(221)
Gain on valuation of using the equity method	(135,318)	(10,950)	(147,008)	(271,375)	—	(47,628)	—	(41,819)
Loss on valuation of using the equity method	1,913	1,913	—	—	—	—	—	—
Gain on valuation of investment securities accounted for using the equity method (other comprehensive income)	(22,972)	29,231	—	(52,203)	—	(11,485)	—	(10,084)
Loss on valuation of investment securities accounted for using the equity method (other comprehensive loss)	₩ 6,283	₩ —	₩ —	₩ 6,283	₩ —	₩ 1,382	₩ —	₩ 1,213
Change in retained earnings on using the equity method	7,031	—	1,993	9,024	—	1,985	—	1,743
Gain on valuation of available-for-sale securities	(81,162)	19,718	—	(100,880)	—	(22,194)	—	(19,487)
Gain on disposal of available-for-sale securities	(335,633)	—	—	(335,633)	—	(73,839)	—	(64,834)
Loss on disposal of investment securities accounted for using equity method	(19,774)	—	—	(19,774)	—	(4,350)	—	(3,819)
Gain on revaluation of land	(883,767)	(78)	(160,200)	(1,043,889)	—	(229,656)	—	(201,647)
Loss on revaluation of land	658	—	—	658	—	145	—	127
Others	16	—	—	16	—	3	—	3
	(1,783,730)	(7,218)	(430,107)	(2,206,620)	(2,173)	(429,089)	(1,908)	(376,757)
Deferred income tax assets (liabilities) due to temporary difference	(345,011)			(431,262)	(2,173)	(429,089)	(1,908)	(376,757)
Carried forward tax credit	197,011			253,942	52,149	201,793	45,789	177,182
Deferred income tax assets (liabilities)	₩(148,000)			₩(177,320)	₩49,976	₩(227,296)	$43,881	$(199,575)

(4) Unrecognized deferred income tax assets (liabilities) as of December 31, 2008, 2009 and 2010 are as follows:

	Korean Won			Translation into U.S. dollars (Note 2)	
	2008	2009	2010	2010	Remark
	(In millions)			(In thousands)	
Unrecognized deferred income tax liabilities					
Investment securities accounted for using the equity method.	₩ 22,511	₩ 25,251	₩ 54,885	$ 48,191	Non-taxable dividend incomes
Allowance for reduction entry.	192,350	192,350	192,350	168,891	Allowance for reduction entry related to land
	₩214,861	₩217,601	₩247,235	$217,082	

(5) Tax payables and deferred income tax assets (liabilities) charged to equity for the years ended December 31, 2008 are as follows:

(Korean Won in millions)	Temporary difference	Tax effect	Net amount
Deferred income tax assets (liabilities) charged to equity			
Loss (Gain) on valuation of available-for-sale securities	₩(39,659)	₩13,814	₩(25,845)
Gain on valuation of investment securities accounted for using the equity method	54,054	(10,206)	43,848
Loss on valuation of investment securities accounted for using the equity method	969	(286)	683
Change in retailed earning on using the equity method	(14,982)	2,854	(12,128)
Change in other capital surplus on using the equity method . . .	—	(657)	(657)
Loss on valuation of derivatives	(4,482)	986	(3,496)
	(4,100)	6,505	2,405
Income tax charged to equity			
Loss on disposal of treasury stock	(2,707)	745	(1,962)
	₩ (6,807)	₩ 7,250	₩ 443

Tax payables and deferred income tax assets (liabilities) charged to equity for the years ended December 31, 2009 are as follows:

(Korean Won in millions)	Temporary difference	Tax effect	Net amount
Deferred income tax assets (liabilities) charged to equity			
Loss (Gain) on valuation of available-for-sale securities	₩ 28,301	₩ (6,226)	₩ 22,075
Gain on valuation of investment securities accounted for using the equity method.	(55,975)	12,314	(43,661)
Loss on valuation of investment securities accounted for using the equity method.	250	(55)	195
Change in retailed earning on using the equity method	(5,149)	1,134	(4,015)
Gain on valuation of derivatives	6,609	(1,467)	5,142
Loss on valuation of derivatives	(2,447)	538	(1,909)
Gain on revaluation of land	883,767	(194,429)	689,338
	₩855,356	₩(188,191)	₩667,165

Tax payables and deferred income tax assets (liabilities) charged to equity for the years ended December 31, 2010 are as follows:

	Korean Won			Translation into U.S. dollars (Note 2)		
	Temporary difference	Tax effect	Net amount	Temporary difference	Tax effect	Net amount
	(In millions)			(In thousands)		
Deferred income tax assets (liabilities) charged to equity						
Loss (Gain) on valuation of available-for-sale securities.	₩ 19,718	₩ (4,338)	₩ 15,380	$ 17,313	$ (3,809)	$ 13,504
Gain on valuation of investment securities accounted for using the equity method	29,231	(6,431)	22,800	25,666	(5,647)	20,019
Change in retailed earning on using the equity method	(1,992)	437	(1,555)	(1,749)	384	(1,365)
Gain on valuation of derivatives . . .	(6,331)	1,400	(4,931)	(5,560)	1,230	(4,330)
Loss on valuation of derivatives . . .	(10,870)	2,392	(8,478)	(9,544)	2,100	(7,444)
Gain on revaluation of land	160,122	(35,227)	124,895	140,594	(30,931)	109,663
	189,878	(41,767)	148,111	166,720	(36,673)	130,047
Income tax charged to equity						
Loss on disposal of treasury stock . .	24,186	(5,853)	18,333	21,236	(5,139)	16,097
	₩214,064	₩(47,620)	₩166,444	$187,956	$(41,812)	$146,144

17. Derivative Instruments:

(1) The Company entered into derivative instrument contracts including forwards, options and swaps to hedge the risk of variability in expected cash flows fluctuation from changes in foreign exchange rate and interest rate. Gains and losses that result from the changes in the fair value of derivative instruments are recognized in current earnings. However, for derivative instruments that are entered into for cash flow hedging purposes, the effective portion of the gain or loss on the derivative instruments is recorded as gain (loss) on valuation of derivatives included in accumulated other comprehensive income (loss).

(2) Derivative instruments as of December 31, 2008 are as follows:

	Contract amount	Contract date	Maturity	Korean Won
				Assets (liabilities)
	(In thousands)			(In millions)
Currency swaps	USD75,000	2008.01.17	2013.1.24	19,046

Derivative instruments as of December 31, 2009 are as follows:

	Contract amount	Contract date	Maturity	Korean Won
				Assets (liabilities)
	(In thousands)			(In millions)
Currency forwards.	USD 30,000	2009.12.18~ 2009.12.23	2010.4.15~ 2010.12.15	₩446
Currency options.	USD 10,000	2009.12.22~ 2009.12.23	2010.8.16~ 2010.11.15	150
Interest rate swaps	USD 246,830	2009.03.19~ 2009.06.17	2013.5.30~ 2019.5.9	(4,165)
	KRW300,000,000	2009.04.08~ 2009.04.17	2016.4.18	6,012
Currency swaps	USD 75,000	2008.01.17	2013.1.24	14,021

Derivative instruments as of December 31, 2010 are as follows:

	Contract amount	Contract date	Maturity	Korean Won	Translation into U.S. dollars (Note 2)
				Assets (liabilities)	Assets (liabilities)
	(In thousands)			(In millions)	(In thousands)
Currency forwards	USD 10,000	2010.12.20	2011.06.30	₩277	$243
Interest rate swaps	USD 296,830	2009.03.19~ 2010.05.12	2013.05.30~ 2019.05.31	(13,343)	(11,716)
	KRW300,000,000	2009.04.08~ 2009.04.17	2016.04.18	(1,654)	(1,452)
Currency swaps	USD 75,000	2008.01.17	2013.01.24	11,832	10,389

(3) Gain (Loss) occurred in relation with the derivative instruments for the years ended December 31, 2008, 2009 and 2010 are as follows:

	Korean Won						Translation into U.S. dollars (Note 2)	
	2008		2009		2010		2010	
	Net income	Other comprehen-sive income	Net income	Other comprehen-sive income	Net income	Other comprehen-sive income	Net income	Other comprehen-sive income
	(In millions)						(In thousands)	
Currency forwards	₩ (1,391)	₩ —	₩6,515	₩ 446	₩10,707	₩ (169)	$ 9,401	$ (148)
Currency options	—	—	988	150	248	(150)	218	(132)
Interest rate swaps.	—	—	—	1,848	—	(16,845)	—	(14,791)
Currency swaps	23,528	(4,482)	(6,743)	1,718	(2,153)	(36)	(1,890)	(32)
	₩22,137	₩(4,482)	₩ 760	₩4,162	₩ 8,802	₩ (17,200)	$ 7,729	$(15,103)

(4) Gain (Loss) on valuation of derivatives which is accounted for accumulated other comprehensive income as of December 31, 2008, 2009 and 2010 are as follows:

	Korean Won						Translation into U.S. dollars (Note 2)	
	2008		2009		2010		2010	
	Gain on valuation of derivatives	Loss on valuation of derivatives	Gain on valuation of derivatives	Loss on valuation of derivatives	Gain on valuation of derivatives	Loss on valuation of derivatives	Gain on valuation of derivatives	Loss on valuation of derivatives
	(In millions)						(In thousands)	
Amount before tax	₩—	₩4,482	₩ 6,608	₩ 6,928	₩277	₩17,798	$243	$15,627
Tax effect	—	(986)	(1,467)	(1,524)	(67)	(3,916)	(59)	(3,438)
Amount after tax	₩—	₩3,496	₩ 5,141	₩ 5,404	₩210	₩13,882	$184	$12,189

(5) Profit or loss recognized as net income in relation with derivatives for the years ended December 31, 2008, 2009 and 2010 are as follows:

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions)			(In thousands)
Gain (loss) on disposal of derivatives	₩(1,391)	₩7,503	₩10,955	$ 9,619
Gain (loss) on valuation of derivatives	23,528	(6,743)	(2,153)	(1,890)
	₩22,137	₩ 760	₩ 8,802	$ 7,729

18. Assets and Liabilities Denominated in Foreign Currencies:

(1) As of December 31, 2008, assets and liabilities denominated in foreign currencies are as follows:

Description	2008		
	Foreign currencies (In thousands)		Korean Won (In millions)
Assets:			
Cash and cash equivalents	US$	41,623	₩ 52,341
	EUR	13,885	24,663
Short-term financial instruments	US$	3,106	3,906
	EUR	2,103	3,736
Trade receivables	US$	85,528	107,552
	JPY	574,725	8,011
	EUR	6,418	11,401
	GBP	304	552
			₩ 212,162
Liabilities:			
Trade payables	US$	130,436	₩ 164,023
	JPY	457,663	6,379
	EUR	20	35
Short-term borrowings	US$	592,155	744,636
	JPY	—	—
	EUR	—	—
Accounts payable-other	US$	8,972	11,283
	JPY	1,578,632	22,004
	EUR	40,013	71,072
	SGD	98	85
Accrued expenses	US$	14,903	18,740
	EUR	18	32
Long-term borrowings	US$	274,053	344,622
	EUR	88,033	155,367
			₩1,538,278

(2) As of December 31, 2009, assets and liabilities denominated in foreign currencies are as follows:

Description	2009		
	Foreign currencies		Korean Won
	(In thousands)		(In millions)
Assets:			
Short-term financial instruments	US$	3,548	₩ 4,143
	EUR	5,206	8,716
Trade receivables	US$	149,156	174,155
	JPY	237,624	3,001
	EUR	6,579	11,017
			₩ 201,032
Liabilities:			
Trade payables	US$	44,320	₩ 51,748
	JPY	1,020,651	12,889
	EUR	74	123
Short-term borrowings	US$	754,577	881,044
	JPY	3,004,695	37,944
	EUR	4,176	6,991
Accounts payable-other	US$	32,268	37,676
	JPY	5,840,996	73,761
	EUR	61,684	103,276
	GBP	11	21
Accrued expenses	US$	7,639	8,920
	JPY	6,546	83
	EUR	321	537
Long-term borrowings	US$	410,403	479,187
	JPY	8,393,167	105,991
	EUR	268,158	448,971
			₩2,249,162

(3) As of December 31, 2010, assets and liabilities denominated in foreign currencies are as follows:

Description	2010			
	Foreign currencies		Korean Won	Translation into U.S. dollars (Note 2)
	(In thousands)		(In millions)	(In thousands)
Assets:				
Short-term financial instruments	US$	2,505	₩ 2,853	$ 2,505
	EUR	6,608	10,002	8,782
Trade receivables	US$	232,884	265,232	232,884
	JPY	799,531	11,170	9,808
	EUR	1,549	2,345	2,059
			₩ 291,602	$ 256,038
Liabilities:				
Trade payables	US$	54,373	₩ 61,926	$54,374
	JPY	255,818	3,574	3,138
	EUR	221	335	294
Short-term borrowings	US$	1,703,221	1,939,798	1,703,221
	JPY	21,765,368	304,080	266,994
	EUR	87	132	116
Accounts payable-other	US$	15,271	17,392	15,271
	JPY	3,213,932	44,901	39,425
	EUR	46,124	69,814	61,299
	GBP	11	19	17
Accrued expenses	US$	11,695	₩ 13,320	$ 11,695
	JPY	108,338	1,514	1,329
	EUR	77	117	103
Long-term borrowings	US$	432,091	492,108	432,091
	JPY	21,446,682	299,627	263,085
	EUR	332,623	503,459	442,057
			₩3,752,116	$3,294,509

19. Capital Stock:

(1) Capital stock as of December 31, 2008 is as follows:

	No. of shares authorized	No. of shares issued	Par value	Korean Won
	(Shares)			(In millions)
Common stock	300,000,000	84,897,919	₩5,000	₩424,489
Preferred stock		416,556	5,000	2,083
		85,314,475		₩426,572

Capital stock as of December 31, 2009 is as follows:

	No. of shares authorized	No. of shares issued	Par value	Korean Won
	(Shares)			(In millions)
Common stock	300,000,000	84,897,919	₩5,000	₩424,489
Preferred stock		416,556	5,000	2,083
		85,314,475		₩426,572

Capital stock as of December 31, 2010 is as follows:

	No. of shares authorized	No. of shares issued	Par value	Korean Won	Translation into U.S. dollars (Note 2)
	(Shares)			(In millions)	(In thousands)
Common stock	300,000,000	85,314,475	₩5,000	₩426,572	$374,547
Preferred stock		—		—	—
		85,314,475		₩426,572	$374,547

(2) The Company maintains treasury stocks as means to stabilize fluctuations in its share prices in the market. As of December 31, 2008, 2009 and 2010, treasury stock is as follows:

	Korean Won						Translation into U.S. dollars (Note 2)
	2008		2009		2010		2010
	(Shares)	(In millions)	(Shares)	(In millions)	(Shares)	(In millions)	(In thousands)
Treasury stock	1,357,760	₩14,647	1,357,760	₩14,647	1,195,080	₩19,962	$17,527

(3) Legal reserve as of December 31, 2008, 2009 and 2010 is as follows:

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions)			(In thousands)
Legal reserve	₩34,425	₩38,623	₩42,820	$37,598

The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid, until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock, or used to reduce accumulated deficit.

(4) Voluntary reserves as of December 31, 2008, 2009 and 2010 are as follows:

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions)			(In thousands)
Reserve for business improvement	₩ 47,913	₩ 47,913	₩ 47,913	$ 42,070
Reserve for improvement of financial structure	1,935	1,935	1,935	1,699
Reserve for investment to property, plant and equipments	97,786	97,786	97,786	85,860
Investment reserve on SOC	3,372	2,584	1,458	1,280
Other voluntary reserve	2,618,414	3,388,965	4,491,865	3,944,038
	₩2,769,420	₩3,539,183	₩4,640,957	$4,074,947

20. Statements of Comprehensive Income:

Statements of comprehensive income for the years ended December 31, 2008, 2009 and 2010 are as follows:

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions)			(In thousands)
Net income	₩822,540	₩1,151,997	₩1,014,142	$890,457
Other comprehensive income (loss):				
Gain (Loss) on valuation of available-for-sale securities	(25,845)	22,075	15,380	13,504
Gain (Loss) on valuation of investment securities accounted for using the equity method	44,531	(43,466)	22,800	20,019
Gain (Loss) on valuation on derivatives	(3,496)	3,233	(13,409)	(11,774)
Gain on revaluation on land	—	689,338	124,895	109,663
Comprehensive income	₩837,730	₩1,823,177	₩1,163,808	$1,021,869

21. Related Party Transactions:

(1) The subsidiaries as of December 31, 2010 are as follows:

Description	The name of entity
Subsidiaries	Qingdao Hyundai Machinery Co., Ltd. BNG Steel Co., Ltd.

(2) Significant transactions with the related parties for the year ended December 31, 2008 are as follows:

(Korean Won in millions)		Sales	Purchases	Others
Subsidiaries.	Qingdao Hyundai Machinery Co., Ltd.	₩123,484	₩ —	₩ 1,822
	BNG Steel Co., Ltd.	1,357	—	310
Affiliates.	Kia Motors Corp.	—	257	—
	Hyundai Mobis Co., Ltd.	—	—	6,881
	Hyundai Motor Company	1,935	5,244	12,854
Others	Glovis Co., Ltd.	615	212,989	—
	Hyundai Hysco Co., Ltd.	901,012	64,592	—
	Autoever Company	—	33,715	—
	Hyundai Capital Co., Ltd.	—	1,404	—
	Hyundai Rotem Company	4,788	204,543	—
	Hyundai AMCO Co., Ltd.	30,959	504,254	—
	Hyundai WIA Corp.	3,412	20,865	—
	Haevichi Hotels & Resorts Co., Ltd.	—	511	—
	Innocean Co., Ltd.	—	414	—
	Samwoo Co., Ltd.	67,554	290	—

Significant transactions with the related parties for the year ended December 31, 2009 are as follows:

(Korean Won in millions)		Sales	Purchases	Others
Subsidiaries.	Qingdao Hyundai Machinery Co., Ltd.	₩ 89,218	₩ —	₩ 4,057
	BNG Steel Co., Ltd.	1,556	318	—
Affiliates.	Kia Motors Corp.	—	160	—
	Hyundai Mobis Co., Ltd.	—	—	1,342,341
	Hyundai Motor Company	1,285	6,729	10,926
Others	Glovis Co., Ltd.	4	299,726	—
	Hyundai Hysco Co., Ltd.	665,668	40,948	—
	Autoever Company	—	32,354	—
	Hyundai Capital Co., Ltd.	—	1,432	—
	Hyundai Rotem Company	5,445	443,015	—
	Hyundai AMCO Co., Ltd.	12,837	544,530	—
	Hyundai WIA Corp.	1,250	91,205	—
	Haevichi Hotels & Resorts Co., Ltd.	—	440	—
	Haevichi Country Club Co., Ltd.	672	—	
	Innocean Co., Ltd.	—	1,746	—
	Samwoo Co., Ltd.	77,423	802	—

Significant transactions with the related parties for the year ended December 31, 2010 are as follows:

		Korean Won			Translation into U.S. dollars (Note 2)		
		Sales	Purchases	Others	Sales	Purchases	Others
		(In millions)			(In thousands)		
Subsidiaries . . .	Qingdao Hyundai Machinery Co., Ltd.	₩ 160,381	₩ —	₩4,069	$ 140,821	$ —	$3,573
	BNG Steel Co., Ltd.	3,456	211	—	3,035	185	—
Affiliates	Kia Motors Corp.	17,244	158	—	15,141	139	—
	Hyundai Green Power Co., Ltd.	71,206	10,415	—	62,522	9,145	—
	Hyundai Mobis Co., Ltd.	—	—	6,881	—	—	6,042
Others.	Glovis Co., Ltd.	180	548,939	—	158	481,991	—
	Hyundai Motor Company	68,900	10,059	—	60,497	8,832	—
	Hyundai Hysco Co., Ltd.	1,212,709	47,366	—	1,064,807	41,589	—
	Autoever Company	—	27,712	—	—	24,332	—
	Hyundai Capital Co., Ltd.	—	2,147	—	—	1,885	—
	Hyundai Dymos Inc.	2	—	—	2	—	—
	Hyundai Rotem Company	5,358	283,127	—	4,705	248,597	—
	Hyundai AMCO Co., Ltd.	17,135	163,856	—	15,045	143,872	—
	Hyundai WIA Corp.	2,634	61,816	—	2,313	54,277	—
	Hyundai Card Co., Ltd.	—	—	7,420	—	—	6,515
	Haevichi Hotels & Resorts Co., Ltd.	—	605	—	—	531	—
	Haevichi Country Club Co., Ltd.	—	402	—	—	353	—
	Innocean Co., Ltd.	—	4,082	—	—	3,584	—
	Hyundai Material Co., Ltd.	—	4,648	—	—	4,081	—
	Green Air Co., Ltd.	37,510	49,635	—	32,935	43,582	—
	Samwoo Co., Ltd.	93,520	2,461	—	82,114	2,161	—

(3) Significant account balances with related parties as of December 31, 2008 are as follows:

(Korean Won In millions)		Receivables	Payables
Subsidiaries.	Qingdao Hyundai Machinery Co., Ltd.	₩ 8,784	₩ —
Affiliates.	Kia Motors Corp.	—	88
	Hyundai Motor Company	21,885	616
Others	Glovis Co., Ltd.	2	55,286
	Hyundai Hysco Co., Ltd.	346,241	18,495
	Hyundai Rotem Company	1,185	93,682
	Autoever Company	—	17,639
	Hyundai AMCO Co., Ltd.	7,608	266,825
	Hyundai WIA Corp.	473	7,754
	Haevichi Hotels & Resorts Co., Ltd.	—	58
	Innocean Co., Ltd.	—	2,375
	Corentec Co., Ltd.	8	200
	Samwoo Co., Ltd.	14,795	177
	Director & Employee	20,734	—

Significant account balances with related parties as of December 31, 2009 are as follows:

(Korean Won In millions)		Receivables	Payables
Subsidiaries	Qingdao Hyundai Machinery Co., Ltd.	₩ 14,203	₩ —
Affiliates	Kia Motors Corp.	—	48
	Hyundai Motor Company	21,872	1,723
Others	Glovis Co., Ltd.	—	71,263
	Hyundai Hysco Co., Ltd.	211,491	13,091
	Hyundai Rotem Company	1,427	214,097
	Autoever Company	—	13,437
	Hyundai AMCO Co., Ltd.	3,835	265,133
	Hyundai WIA Corp.	—	44,565
	Haevichi Hotels & Resorts Co., Ltd.	—	379
	Innocean Co., Ltd.	—	4,531
	Samwoo Co., Ltd.	16,071	365
	Director & Employee	35,204	—

Significant account balances with related parties as of December 31, 2010 are as follows:

		Korean Won		Translation into U.S. dollars (Note 2)	
		Receivables	Payables	Receivables	Payables
		(In millions)		(In thousands)	
Subsidiaries	Qingdao Hyundai Machinery Co., Ltd.	₩ 13,591	₩ —	$ 11,933	$ —
	BNG Steel Co., Ltd.	2,936	118	2,578	104
Affiliates	Kia Motors Corp.	1,869	35	1,641	31
	Hyundai Green Power Co., Ltd.	27,623	2,846	24,254	2,499
Others	Glovis Co., Ltd.	—	89,092	—	78,226
	Hyundai Motor Company	56,151	897	49,303	788
	Hyundai Hysco Co., Ltd.	533,546	16,534	468,475	14,518
	Hyundai Rotem Company	536	153,301	471	134,604
	Autoever Company	—	13,925	—	12,227
	Hyundai AMCO Co., Ltd.	13,116	70,330	11,516	61,753
	Hyundai WIA Corp.	—	49,169	—	43,172
	Hyundai Card Co., Ltd.	—	2,866	—	2,516
	Haevichi Hotels & Resorts Co., Ltd.	—	55	—	48
	Haevichi Country Club Co., Ltd.	—	330	—	290
	Green Air Co., Ltd.	297	9,664	261	8,485
	Innocean Co., Ltd.	—	6,719	—	5,900
	Samwoo Co., Ltd.	18,841	1,249	16,543	1,097
	Hyundai Material Co., Ltd.	—	119	—	104
	Director & Employee	41,600	—	36,526	—

(4) The Company is contingently liable for guarantees of indebtedness for the following related party as of December 31, 2010:

	Korean Won	Translation into U.S. dollars (Note 2)	Remarks
	(In millions)	(In thousands)	
Qingdao Hyundai Machinery Co., Ltd. . . .	₩11,389	$10,000	Foreign currency loan guarantee

(5) Compensations for registered directors and unregistered directors of the Company for the years ended December 31, 2010 are as follows:

	Korean Won	Translation into U.S. dollars (Note 2)
	(In millions)	(In thousands)
Payroll expenses and others	₩30,259	$26,569
Provision for severance indemnities.	9,082	7,974
	₩39,341	$34,543

22. Pledged Assets:

(1) Pledged assets provided as collateral for the Company's borrowings and guarantees as of December 31, 2010 are as follows:

Description	Korean Won Collateral amount	Translation into U.S. dollars (Note 2) Collateral amount	Type	Bank
	(In millions)	(In thousands)		
Short-term financial instruments.	₩ 18,208	$ 15,987	ECA Loan and others	HSBC and others
Other non-current assets . . .	29	25	Bank overdrafts	Kookmin Bank and others
Investment securities accounted for using the equity method (Hyundai Mobis Co., Ltd., 108.1 thousand shares).	14,013	12,304	Supply contract guaranty	Korea Hydro & Nuclear Power Co., Ltd.
Investment securities accounted for using the equity method (BNG Steel Co., Ltd., 34 thousand shares)	255	224	Deposit for security management	Dang-jin Country office
Property, plant and equipment	2,588,105	2,272,460	Equipment loan and others	Korea Development Bank and others
	₩2,620,610	$2,301,000		

(2) Pledged assets that the Company provided for third party and related party as of December 31, 2010 are as follows:

Company	Description of pledged assets	Korean Won	Translation into U.S. dollars (Note 2)
		Book value	Book value
Hyundai Green Power Co., Ltd..	Investment securities accounted for using the equity method (Hyundai Green Power Co., Ltd.,7.627 million shares)	₩44,970	$39,485

23. Commitments and Contingencies:

(1) As of December 31, 2010, the company provides guarantee of ₩309,991 (US$272,185 thousand) to Hyundai Green Development Co., Ltd. and others in connection with fund supplement agreement for general industrial complex development in Dangjin, Korea and stable supply of raw materials.

(2) For the year ended December 31, 2010, the Company discounted accounts receivable-trade amounting to ₩174,334 million (US$153,072 thousand) related to export sales, and the outstanding balance not yet due is ₩23,738 million (US$20,843 thousand) with recourse obligation subsequent to the date of current reporting period.

(3) As of December 31, 2010, the Company has agreements with Shinhan Bank on account receivable discount with limit of ₩200,000 million (US$175,608 thousand) and the outstanding balance not yet due is ₩200,000 million (US$175,608 thousand) with recourse obligation subsequent to the date of current reporting period.

(4) As of December 31, 2010, the Company has agreements with Hana Bank and others on over-draft with limit of ₩36,000 million (US$31,609 thousand) and agreements with Korea Exchange Bank and others on trade financing with limit of ₩3,946,600 million (US$3,465,274 thousand).

(5) Guarantees received by the Company from third parties as of December 31, 2010 are as follows:

Guarantor	Korean Won	Translation into U.S. dollars (Note 2)	Description
	(In millions)	(In thousands)	
ECA	₩ 746,115	$655,119	Guarantee for borrowing from ECA
Korea Exim Bank.	299,628	263,085	Guarantee for facility loans
	₩1,045,743	$918,204	

24. Earnings Per Common Share:

(1) Basic earnings per common share for the years ended December 31, 2008, 2009 and 2010 is computed as follows:

Descriptions	Korean Won 2008	Korean Won 2009	Korean Won 2010	Translation into U.S. dollars (Note 2) 2010
	(In millions, except per share amounts)			(In thousands, except per share amounts)
Net income	₩ 822,540	₩ 1,151,997	₩ 1,014,142	$ 890,457
Adjustments:				
Dividends on convertible preferred stock	(208)	(208)	—	—
Participating dividends on convertible preferred stock	(3,873)	(5,507)	—	—
Net income available to common shares	818,459	1,146,282	1,014,142	890,457
Weighted average number of common shares outstanding(*)	83,529,498	83,540,159	83,915,299	83,915,299
Basic earnings per common share	₩ 9,798	₩ 13,721	₩ 12,085	$ 10.61

(*) Weighted average number of treasury stocks was deducted.

(2) Diluted earnings per common share for the years ended December 31, 2008, 2009 and 2010 is computed as follows:

Descriptions	Korean Won 2008	Korean Won 2009	Korean Won 2010	Translation into U.S. dollars (Note 2) 2010
	(In millions, except per share amounts)			(In thousands)
Net income available to common shares	₩ 818,459	₩ 1,146,282	₩ 1,014,142	$ 890,457
Adjustments				
Dividends on convertible preferred stock	4,081	5,715	—	—
Net income available to diluted common shares	822,540	1,151,997	1,014,142	890,457
Weighted average number of common shares and diluted securities outstanding	83,946,054	83,956,715	83,915,299	83,915,299
Diluted earnings per common share (*)	₩ 9,798	₩ 13,721	₩ 12,085	$ 10.61

(*) Since there is no dilution effect of convertible preferred stock in 2008, 2009 and 2010, diluted earnings per common share is equal to earnings per common share.

Weighted average number of common shares and diluted securities outstanding for the years ended December 31, 2008 and 2009 and 2010 is computed as follows:

Descriptions (Shares)	2008	2009	2010
Weighted average number of common shares outstanding	83,529,498	83,540,159	83,915,299
Convertible preferred shares	416,556	416,556	—
	83,946,054	83,956,715	83,915,299

25. Dividends:

(1) Details of dividends, which are included in statements of appropriations of retained earnings for the years ended December 31, 2008, 2009 and 2010, are as follows:

	Korean Won						Translation into U.S. dollars (Note 2)	
	2008		2009		2010		2010	
	Preferred stock	Common stock	Preferred stock	Common stock	Preferred stock	Common stock	Preferred stock	Common stock
	(In millions, except per share amount)						(In thousands)	
Stock dividends per share	₩500	₩500	₩500	₩500	₩—	₩500	$—	$0.44
Dividend rate	10%	10%	10%	10%	—	10%	—	10%
Number of shares on dividend(*)	416,556	83,540,159	416,556	83,540,159	—	84,119,395	—	84,119,395
Total dividends	208	41,770	208	41,770	—	42,060	—	36,930

(*) Treasury stocks held by the Company of 1,357,760 shares in 2008, 1,357,760 shares in 2009 and 1,195,080 shares in 2010 were excluded from dividend calculation, respectively.

(2) Dividend propensity for the year ended December 31, 2008, 2009 and 2010 is as follows:

	Korean Won						Translation into U.S. dollars (Note 2)	
	2008		2009		2010		2010	
	Preferred stock	Common stock	Preferred stock	Common stock	Preferred stock	Common stock	Preferred stock	Common stock
	(In millions)						(In thousands)	
Total dividends	₩208	₩41,770	₩208	₩41,770	₩—	₩42,060	$—	$36,930
Net income	4,081	818,459	5,716	1,146,282	—	1,014,142	—	890,457
Dividend propensity	5.10%	5.10%	3.64%	3.64%	—	4.15%	—%	4.15%

(3) Dividend yield ratio for the year ended December 31, 2008, 2009 and 2010 is as follows:

	Korean Won						Translation into U.S. dollars (Note 2)	
	2008		2009		2010		2010	
	Preferred stock	Common stock	Preferred stock	Common stock	Preferred stock	Common stock	Preferred stock	Common stock
Dividends per share	₩500	₩500	₩500	₩500	₩—	₩500	$—	$0.44
Stock price at the end of the year	32,000	37,600	86,000	86,500	—	124,500	—	109
Dividend yield ratio	1.56%	1.33%	0.58%	0.58%	—	0.40%	—	0.40%

26. Selling and Administrative Expenses:

The details of selling and administrative expenses for the years ended December 31, 2008, 2009 and 2010 are as follows:

	Korean Won			Translation into U.S. dollars (Note 2)
	2008	2009	2010	2010
	(In millions)			(In thousands)
Salaries	₩46,826	₩45,009	₩62,125	$54,548
Provision for severance indemnities	6,505	6,775	8,650	7,595
Employee welfare	12,557	13,178	15,602	13,699
Travel	3,881	4,185	4,763	4,182
Communication	713	1,204	1,244	1,092
Taxes and dues	3,112	3,427	3,204	2,813
Rental	2,279	2,064	2,298	2,018
Commissions and fees	26,366	23,892	32,442	28,485
Depreciations	8,721	8,490	8,547	7,505
Amortization of intangible assets	731	392	31	27
Entertainment	1,449	1,332	1,717	1,508
Advertising	11,540	12,729	13,624	11,962
Freight	130,966	118,015	137,430	120,669
Export expenses	168,784	117,669	141,703	124,421
Others	10,722	9,252	11,476	10,078
	₩435,152	₩367,613	₩444,856	$390,602

27. Segment Informations:

(1) The Company classifies operating segments into three divisions; Incheon factory, Pohang factory and Dangjin factory, based on the type of the finished goods, character of product line and management purpose.

(2) The name, location and finished goods of the segments are as follows:

Division	Description	Location	Principal finished goods
Incheon factory	Steel manufacture	1 Songhyundong, Dong-gu, Incheon, Korea	Re-bar, H-Beam, Stainless and others
Pohang factory	Steel manufacture	444 Songnaedong, Nam-gu, Pohang, Korea	Re-bar, H-Beam, Round-Bar, Rail, Roll, and Heavy equipment
Dangjin factory	Steel manufacture	167–32 Kodaeri, Songak-myun, Dangjin-gun, Chungnam, Korea	Re-bar, HR Coil, HR Sheet and Plate

(3) As of and for the years ended December 31, 2010, segment information are as follows:

Account (Korean Won in millions)	Incheon factory	Pohang factory	Dangjin factory	Total
Sales	₩3,151,843	₩2,335,689	₩4,710,633	₩10,198,165
Property, plant and equipment	1,226,266	509,652	10,041,851	11,777,769

	Translation into U.S. dollars (Note 2)			
Account	Incheon factory	Pohang factory	Dangjin factory	Total
	(In thousands)			
Sales	$2,767,445	$2,050,829	$4,136,125	$8,954,399
Property, plant and equipment	1,076,711	447,495	8,817,149	10,341,355

28. Operational Result of the 4th Quarter of 2008, 2009 and 2010:

Significant results of the operation in the 4th quarter of 2008, 2009 and 2010 (unaudited) are summarized as follows:

	Korean Won			Translation into U.S. dollars (Note 2)
	Unaudited Three months ended December 31, 2008	Unaudited Three months ended December 31, 2009	Unaudited Three months ended December, 31, 2010	Unaudited Three months ended December, 31, 2010
	(In millions)			(In thousands)
Sales	₩2,146,192	₩2,115,231	₩2,869,894	$2,519,882
Operating income	205,648	188,434	352,285	309,320
Net income	139,820	245,166	330,622	290,299

29. Event Subsequent to the end of the Reporting Period:

On January, 2011, the Company raised funds of ₩450,000 million (US$395,118 thousand) with the issue of unsecured debentures no.93-1 (3 years maturity/₩100,000 million par value) and no. 93-2 (5 years maturity/₩350,000 million par value)

30. Actual Approval and Authorization of the Financial Statements:

The financial statements of the Company as of December 31, 2010 for submission to the ordinary shareholders' meeting were approved at the Board of Directors' meeting on January 28, 2011.

31. Adoption of Korean International Financial Reporting Standards

(1) K-IFRS transition plan and the status of progress of the plan

The Company will begin to prepare its financial statements in accordance with the Korean International Reporting Standards ("K-IFRS") from the fiscal year ended December 31, 2011 with January 1, 2011 as its date of transition date. In 2009, the Company formed a task force to facilitate in the adoption of the standards, to review the financial impact of the adoption, and the Company has outsourced IFRS training to educate relevant employees. The Company is in progress of adopting K-IFRS through the system changes and continuous reviews.

(2) Significant differences between Korean GAAP and K-IFRS applicable to the Company are as follows:

Issues		K-IFRS	K-GAAP
First-Adoption of Korean IFRS	Business combination	The Company has elected not to apply K-IFRS 1103, Business combinations, retrospectively to past business combinations which have occurred prior to January 1, 2010	Not applicable
	Cumulative translation differences	The Company has elected to reset its cumulative foreign currency translation adjustments from translation of foreign operations to zero at January 1, 2010	Not applicable
	Deemed cost of Tangible assets	The Company selected to use deemed cost for selected tangible assets by measuring fair value of individual assets as at transition date of IFRS	Not applicable
	Investment securities accounted for using the equity method	Book value as at transition date or fair value as at transition date are to be used as deemed cost and measured at cost from then after	Not applicable
Consolidated financial statements and separate financial statements		Main financial statements are consolidated financial statements and separate financial statements are additionally attached along with consolidated financial statements	Individual financial statements are main financial statements and preparation of separate financial statements are not obligatory
Investment in subsidiaries and affiliates		Investment in subsidiaries and affiliates at transition date are measured at book value calculated under current GAAP applied before adoption of K-IFRS and are accounted for under the cost method after the transition date.	Investment in subsidiaries and affiliates are accounted for under equity method.
Elimination of financial assets		Financial assets can be eliminated from book only if transferor transfers substantial portion of risk and reward to transferee by holding financial assets	Financial assets can be eliminated if transferor cannot exercise rights for the transferred assets and transferee has a right of disposition of the assets after transfer. Also, transferor must not have effective control over transferred assets after transfer
Financial guarantee liability		The Company should recognize fair value of financial guarantee contract as a financial guarantee liability	Not applicable
Accrued severance indemnities		The present value of the estimated retirement benefits calculated using actuarial assumptions and discount rates is accrued for as defined benefit obligation, accordance with the Company's severance policy.	The Company accrued for estimated severance indemnities calculated as if all employees with more than one year of service were to terminate as of the period end date, in accordance with the Company's severance policy.

(3) Changes in scope of consolidation are as follows:

K-GAAP	K-IFRS	Difference
Qingdao Hyundai Machinery Co., Ltd.	Qingdao Hyundai Machinery Co., Ltd.	—
BNG Steel Co., Ltd.	—	It is assumed that the Company does not have effective control since ownership(%) is below 50%
—	Hyundai Steel 1st Asset Securitization Specialty Co., Ltd.	It is included in consolidation scope since the company is assumed to have effective control
—	Hyundai Steel 2nd Asset Securitization Specialty Co., Ltd.	It is included in consolidation scope since the company is assumed to have effective control

Independent Accountant's Review Report on Internal Accounting Control System ("IACS")

English Translation of a Report Originally Issued in Korean

To the Representative Director of
Hyundai Steel Company:

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of Hyundai Steel Company (the "Company") as of December 31, 2010. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2010, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2010, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, objective of which is to obtain a lower level of assurance than an audit, of the Management's Report in all material respects. A review includes obtaining an understanding of a company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

The Company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2010, and we did not review its IACS subsequent to December 31, 2010. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

/s/ Deloitte Anjin LLC

March 4, 2011

Report on the Assessment of Internal Accounting Control System ("IACS")

To the Board of Directors and Auditor of
Hyundai Steel Company:

I, as the Internal Accounting Control Officer ("IACO") of Hyundai Steel Company ("the Company"), assessed the status of the design and operation of the Company's IACS for the year ended December 31, 2010.

The Company's management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been appropriately designed and is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of preparing and disclosing reliable financial statements reporting. I, as the IACO, applied the IACS Framework established by the Korea Listed Companies Association for the assessment of design and operation of the IACS.

Based on the assessment of the IACS, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2010, in all material respects, in accordance with the IACS Framework.

January 28, 2011

/s/ Kang, Hak Seo, Internal Accounting Control Officer
/s/ Park, Seung Ha, Chief Executive Officer

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