

# **POSCO**

**Non-Consolidated Financial Statements**

**March 31, 2009 and 2008**

**(With Independent Accountants' Review Report Thereon)**

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## **Independent Accountants' Review Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholders of  
POSCO:

We have reviewed the accompanying non-consolidated balance sheet of POSCO (the "Company") as of March 31, 2009, and the related non-consolidated statements of income, changes in equity and cash flows for the three-month periods ended March 31, 2009 and 2008. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these non-consolidated financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. These Standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data and, thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the non-consolidated financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

The non-consolidated balance sheet 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, which are not accompanying this report, were audited by us and our report thereon, dated February 9, 2009, expressed an unqualified opinion on those statements. The accompanying non-consolidated balance sheet as of December 31, 2008, presented for comparative purposes, is not different from that audited by us in all material respects.

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

As discussed in note 2 to the non-consolidated financial statements, accounting principles and review 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 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 review such non-consolidated 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 review standards and their application in practice.

Seoul, Korea  
May 6, 2009

This report is effective as of May 6, 2009 the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**POSCO**  
**Non-Consolidated Balance Sheets**  
**As of March 31, 2009 and December 31, 2008**  
**(Unaudited)**

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 3)	₩ 1,903,542	941,687
Short-term financial instruments (note 3)	2,085,710	1,524,598
Trading securities (note 6)	708,160	1,236,185
Current portion of held-to-maturity securities (note 7)	20,000	20,000
Trade accounts and notes receivable, net of allowance for doubtful accounts (notes 4 and 23)	2,854,265	3,228,679
Inventories (note 5)	5,318,847	6,415,601
Other accounts receivable, net of allowance for doubtful accounts (notes 4 and 23)	223,402	278,301
Deferred income tax assets (note 20)	71,855	-
Prepaid expenses	50,994	8,784
Other current assets (note 11)	30,321	39,389
<b>Total current assets</b>	<b>13,267,096</b>	<b>13,693,224</b>
Property, plant and equipment at cost (note 8)	37,378,799	36,504,565
Less accumulated depreciation	(22,400,716)	(22,038,647)
Property, plant and equipment, net	14,978,083	14,465,918
Investment securities, net (note 7)	8,745,854	8,625,939
Intangible assets, net (note 9)	166,121	170,095
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts (note 4)	4,043	4,154
Long-term financial instruments (note 3)	40	40
Deferred income tax assets (note 20)	895	-
Other long-term assets, net of allowance for doubtful accounts (note 11)	73,322	74,083
<b>Total non-current assets</b>	<b>23,968,358</b>	<b>23,340,229</b>
<b>Total assets</b>	<b>₩ 37,235,454</b>	<b>37,033,453</b>

*See accompanying notes to non-consolidated financial statements.*

**POSCO**  
**Non-Consolidated Balance Sheets**  
**As of March 31, 2009 and December 31, 2008**  
**(Unaudited)**

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
<b>Liabilities</b>		
Trade accounts payable (note 23)	₩ 758,504	1,108,856
Short-term borrowings (note 12)	647,766	340,827
Current portion of long-term debt, net of discount on debentures issued (notes 12 and 13)	203,762	203,641
Accrued expenses	157,981	139,494
Other accounts payable (note 23)	580,472	694,682
Withholdings	25,606	40,042
Income tax payable	828,288	1,628,262
Deferred income tax liabilities (note 20)	-	90,307
Other current liabilities (note 15)	50,042	37,087
<b>Total current liabilities</b>	<b>3,252,421</b>	<b>4,283,198</b>
Long-term debt, net of current portion and discount on debentures issued (note 13)	6,108,670	4,584,681
Accrued severance benefits, net (note 14)	240,823	260,368
Deferred income tax liabilities (note 20)	-	36,533
Other long-term liabilities (note 17)	77,804	85,016
<b>Total non-current liabilities</b>	<b>6,427,297</b>	<b>4,966,598</b>
<b>Total liabilities</b>	<b>9,679,718</b>	<b>9,249,796</b>
<b>Shareholders' Equity</b>		
Capital stock	482,403	482,403
Capital surplus	4,281,325	4,291,355
Capital adjustments	(2,502,014)	(2,502,014)
Accumulated other comprehensive income	83,657	51,790
Retained earnings	25,210,365	25,460,123
<b>Total shareholders' equity</b>	<b>27,555,736</b>	<b>27,783,657</b>
<b>Total liabilities and shareholders' equity</b>	<b>₩ 37,235,454</b>	<b>37,033,453</b>

*See accompanying notes to non-consolidated financial statements.*

# POSCO

## Non-Consolidated Statements of Income For the three-month periods ended March 31, 2009 and 2008 (Unaudited)

<i>(in millions of Won, except per share information)</i>	<u>2009</u>	<u>2008</u>
<b>Sales</b> (notes 23 and 24)	₩ 6,471,303	6,066,183
<b>Cost of goods sold</b> (notes 23 and 25)	<u>5,815,583</u>	<u>4,505,705</u>
Gross profit	655,720	1,560,478
<b>Selling and administrative expenses</b> (note 19)	<u>282,697</u>	<u>315,872</u>
Operating profit	<u>373,023</u>	<u>1,244,606</u>
<b>Non-operating income</b>		
Interest income	43,559	40,840
Dividend income	45,627	55,181
Gain on valuation of trading securities	4,663	10,411
Gain on disposal of trading securities	10,005	10,441
Gain on disposal of property, plant and equipment	3,650	1,624
Gain on valuation of derivatives (note 17)	4,120	-
Gain on foreign currency transactions	248,804	44,928
Gain on foreign currency translation	63,632	10,167
Equity in earnings of equity method accounted investments (note 7)	252,386	175,118
Gain on derivative transactions (note 17)	20,342	307
Gain on disposal of other long-term assets	146	17,952
Reversal of stock compensation expense (note 18)	1,607	29,044
Others	<u>16,894</u>	<u>26,298</u>
	<u>715,435</u>	<u>422,311</u>
<b>Non-operating expenses</b>		
Interest expense	60,838	28,233
Other bad debt expense	229	4,322
Loss on foreign currency transactions	340,432	43,665
Loss on foreign currency translation	91,586	195,123
Donations	2,002	87
Loss on disposal of property, plant and equipment	13,164	10,546
Equity in losses of equity method accounted investments (note 7)	131,695	35,514
Loss on derivative transactions (note 18)	17,769	-
Others	<u>21,785</u>	<u>9,537</u>
	<u>679,500</u>	<u>327,027</u>
Income before income taxes	408,958	1,339,890
Income tax expense (note 20)	<u>84,442</u>	<u>308,676</u>
Net income (note 21)	<u>₩ 324,516</u>	<u>1,031,214</u>
Basic earnings per share (note 22)	<u>₩ 4,238</u>	<u>13,673</u>

See accompanying notes to non-consolidated financial statements.

**POSCO**  
**Non-Consolidated Statements of Changes in Equity**  
**For the three-month periods ended March 31, 2009 and 2008**  
**(Unaudited)**

*(in millions of Won)*

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Total
<b>Balance as of January 1, 2008</b>	₩ 482,403	₩ 4,128,838	₩ (2,715,964)	₩ 839,727	₩ 21,768,227	₩ 24,503,231
Year-end dividends	-	-	-	-	(566,552)	(566,552)
Net income	-	-	-	-	1,031,214	1,031,214
Changes in capital surplus of equity method accounted investments	-	(26,842)	-	-	-	(26,842)
Acquisition of treasury stock	-	-	(36,832)	-	-	(36,832)
Gain on valuation of available-for-sale securities.net	-	-	-	(426,601)	-	(426,601)
Changes in capital adjustment arising from equity method accounted investments	-	-	-	135,926	-	135,926
<b>Balance as of March 31, 2008</b>	<u>₩ 482,403</u>	<u>₩ 4,101,996</u>	<u>₩ (2,752,796)</u>	<u>₩ 549,052</u>	<u>₩ 22,232,889</u>	<u>₩ 24,613,544</u>

*(in millions of Won)*

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Total
<b>Balance as of January 1, 2009</b>	₩ 482,403	₩ 4,291,355	₩ (2,502,014)	₩ 51,790	₩ 25,460,123	₩ 27,783,657
Year-end dividends	-	-	-	-	(574,274)	(574,274)
Net income	-	-	-	-	324,516	324,516
Changes in capital surplus of equity method accounted investments	-	(10,030)	-	-	-	(10,030)
Changes in valuation gain and Losses on valuation of available-for-sale securities.net	-	-	-	(127,797)	-	(127,797)
Changes in capital adjustment arising from equity method accounted investments	-	-	-	159,664	-	159,664
<b>Balance as of March 31, 2009</b>	<u>₩ 482,403</u>	<u>₩ 4,281,325</u>	<u>₩ (2,502,014)</u>	<u>₩ 83,657</u>	<u>₩ 25,210,365</u>	<u>₩ 27,555,736</u>

*See accompanying notes to non-consolidated financial statements.*

**POSCO**  
**Non-Consolidated Financial Statements of Cash Flows**  
**For the three-month periods ended March 31, 2009 and 2008**  
**(Unaudited)**

(in millions of Won)

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities</b>		
Net income	₩ 324,516	₩ 1,031,214
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	477,839	466,864
Accrual of severance benefits	6,677	56,015
Gain on disposal of trading securities	(10,005)	(10,441)
Gain on valuation of trading securities	(4,663)	(10,411)
Loss on disposal of property, plant and equipment, net	9,514	8,922
Gain on derivative transactions, net	(2,573)	(307)
Reversal of stock compensation expense	(1,607)	(29,044)
Loss on foreign currency translation, net	62,265	192,321
Provision for allowance for doubtful accounts	21,304	148
Loss (gain) on disposal of other non-current assets, net	116	(17,387)
Other employee benefit	1,739	1,533
Equity in earnings of equity method accounted investments, net	(120,691)	(139,604)
Interest expense	4,272	458
Interest income	(275)	(553)
Others, net	6,470	5,589
	<u>450,382</u>	<u>524,103</u>
Changes in operating assets and liabilities		
Trade accounts and notes receivable	353,909	(155,636)
Other accounts and notes receivable	55,015	(53,595)
Accrued income	9,221	(6,473)
Prepaid expenses	(42,210)	(34,960)
Inventories	1,087,687	155,939
Trade accounts and notes payable	(349,126)	(83,910)
Other accounts payable	(112,675)	(143,414)
Accrued expenses	(14,619)	2,531
Income tax payable	(799,973)	(35,980)
Payment of severance benefits	(31,842)	(25,322)
Deferred income tax assets and liabilities	(197,181)	(21,990)
Retirement insurance deposits	5,620	1,813
Other current liabilities	11,560	16,389
Dividends from equity method accounted investment	32,141	42,470
Others, net	18,458	11,390
	<u>25,985</u>	<u>(330,748)</u>
Net cash provided by operating activities	<u>800,883</u>	<u>1,224,569</u>

**POSCO**  
**Non-Consolidated Financial Statements of Cash Flows**  
**For the three-month periods ended March 31, 2009 and 2008**  
**(Unaudited)**

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
<b>Cash flows from investing activities</b>		
Disposal of short-term financial instruments	₩ 1,237,770	791,711
Disposal of trading securities	1,582,692	2,076,979
Redemption of current portion of held-to-maturity securities	-	99,995
Disposal of equity method accounted investments	-	8,606
Disposal of property, plant and equipment	3,886	2,133
Disposal of other long-term assets	6,019	50,422
Acquisition of short-term financial instruments	(1,798,883)	(1,005,805)
Acquisition of trading securities	(1,040,000)	(2,225,000)
Acquisition of available-for-sale securities	(11,908)	(353)
Acquisition of equity method investments	-	(123,586)
Acquisition of current portion of held-to-maturity securities	-	(80,000)
Acquisition of other non-current assets	(2,705)	(16,216)
Acquisition of property, plant and equipment	(984,857)	(430,727)
Cost of removal of property, plant and equipment	(10,546)	(5,271)
Acquisition of intangible assets	(4,028)	(3,439)
Others, net	(2,685)	45
	<u>(1,025,245)</u>	<u>(860,506)</u>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	560,708	91,063
Proceeds from long-term borrowings	4,109	-
Proceeds from issuance of debentures	1,449,728	-
Increase of other long-term liabilities	4,349	2,476
Repayment of short-term borrowings	(253,472)	(53,816)
Repayment of current portion of long-term liabilities	(278)	(216)
Payment of cash dividends	(574,274)	(566,552)
Decrease in other long-term liabilities	(4,653)	(7,003)
	<u>1,186,217</u>	<u>(534,048)</u>
Net cash provided by (used in) financing activities	<u>1,186,217</u>	<u>(534,048)</u>
Net increase (decrease) in cash and cash equivalents	961,855	(169,985)
<b>Cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the year	941,687	691,034
Cash and cash equivalents at end of the year	<u>₩ 1,903,542</u>	<u>521,049</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**March 31, 2009**  
**(Unaudited)**

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**1. The Company**

POSCO (the “Company”) was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea to manufacture and sell steel rolled products and plates in the domestic and overseas markets. The shares of the Company have been listed on the Korea Stock Exchange since 1988. The Company’s head office is located in Pohang, Korea, and it also operates internationally through eight of its overseas liaison offices.

As of March 31, 2009, the shares of the Company are listed on the Korea Stock Exchange, while its depository receipts are listed on the New York, Tokyo and London Stock Exchanges.

**2. Summary of significant accounting policies**

The Company maintains its accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language in conformity with 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 generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

The accounting policies were consistently applied for the non-consolidated financial statements both as of and for the three -month period ended March 31, 2009 and as of and for the year ended December 31, 2008.

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**March 31, 2009**  
**(Unaudited)**

**3. Cash and Cash Equivalents, and Financial Instruments**

Cash and cash equivalents, short-term and long-term financial instruments as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>	<u>2009</u>	<u>2008</u>
<b>Cash and cash equivalents</b>			
Checking accounts	-	₩ 1,324	1,356
Money market deposit accounts	2.00 ~ 2.30	210,000	241,000
Time deposits	3.00 ~ 4.30	600,000	560,000
Time deposits in foreign currency	1.00 ~ 2.95	987,518	139,331
Money market trust	2.45 ~ 2.97	104,700	-
		<u>₩ 1,903,542</u>	<u>941,687</u>
<b>Short-term financial instruments</b>			
Ordinary deposits (*1)	-	7,000	5,887
Time deposits	3.10 ~ 7.10	1,080,000	910,000
Certificates of deposit	3.02 ~ 6.99	840,000	490,000
Repurchase agreement	3.20 ~ 3.44	100,000	60,000
Specified money in trust	-	58,710	58,711
		<u>₩ 2,085,710</u>	<u>1,524,598</u>
<b>Long-term financial instruments</b>			
Guarantee deposits for opening accounts (*2)	-	<u>₩ 40</u>	<u>40</u>

(\*1) In relation to projects outsourced to the Company by the Korea government, these deposits are restricted in use.

(\*2) The Company is required to provide deposits to maintain checking accounts and accordingly, the withdrawal of these deposits is restricted.

**4. Accounts and Notes Receivable**

Accounts and notes receivable, and their respective allowance for doubtful accounts as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Trade accounts and notes receivable	₩ 2,879,022	3,232,490
Less: Allowance for doubtful accounts	(24,757)	(3,811)
	<u>₩ 2,854,265</u>	<u>3,228,679</u>
Other accounts and notes receivable	₩ 235,312	290,015
Less: Allowance for doubtful accounts	(11,910)	(11,714)
	<u>₩ 223,402</u>	<u>278,301</u>
Long-term trade accounts and notes receivable	₩ 4,353	4,353
Less: Allowance for doubtful accounts	(310)	(199)
	<u>₩ 4,043</u>	<u>4,154</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**March 31, 2009**  
**(Unaudited)**

**5. Inventories**

Inventories as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>		<b>2008</b>	
Finished goods	₩	810,609		1,190,585
By-products		25,722		16,034
Semi-finished goods		1,435,494		1,542,922
Raw materials		1,827,988		1,644,500
Fuel and materials		464,200		428,466
Materials-in-transit		754,260		1,592,502
Others		574		592
	₩	<u>5,318,847</u>		<u>6,415,601</u>

**6. Trading Securities**

Trading securities as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>			<b>2008</b>	
	<u>Acquisition Cost</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Book Value</u>	
Beneficiary certificates	₩ 700,000	₩ 708,160	₩ 708,160	₩	<u>1,236,185</u>

**7. Investment securities**

(a) Investment securities as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>		<b>2008</b>	
Available-for-sale securities				
Marketable equity securities	₩	2,664,033		2,818,507
Non-marketable equity securities		762,131		761,644
Investments in bonds		6		-
Investments in capital		500		500
		<u>3,426,670</u>		<u>3,580,651</u>
Held-to-maturity		31,582		31,553
Equity method accounted investments		5,287,602		5,013,735
	₩	<u>8,745,854</u>		<u>8,625,939</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**March 31, 2009**  
**(Unaudited)**

(b) Investments in marketable equity securities as of March 31, 2009 and December 31, 2008 are as follows:

*(in millions of Won)*

Company	Number of Shares	Percentage of Ownership (%)	2009		2008	
			Acquisition Cost	Fair Value	Book Value	Book Value
SK Telecom Co., Ltd. (*1)	4,297,549	5.32	₩ 1,208,676	₩ 824,123	₩ 824,123	₩ 891,835
Hana Financial Group Inc.	4,663,776	2.20	29,998	97,006	97,006	90,943
Nippon Steel Corporation (*1)	238,352,000	3.50	719,622	886,890	886,890	963,486
Hyundai Heavy Industries	1,477,000	1.94	343,505	288,754	288,754	294,661
Hanil Iron & Steel Co., Ltd.	206,798	10.14	2,413	2,151	2,151	1,596
HISteel Co., Ltd.	135,357	9.95	1,609	2,017	2,017	1,766
Moonbae Steel Co., Ltd.	1,849,380	9.02	3,588	6,732	6,732	3,921
Dong Yang Steel Pipe Co., Ltd.	1,564,250	2.45	3,911	1,807	1,807	1,400
Korea Line Corporation	217,373	1.89	8,067	12,716	12,716	14,347
Shinhan Financial Group Inc.	4,369,881	0.92	228,778	107,499	107,499	113,326
SeAH Steel Corp.	540,000	10.11	18,792	21,168	21,168	23,490
Thainox Stainless Public Company Limited	1,200,000,000	15.00	42,301	33,454	33,454	40,299
Union Steel Co., Ltd.	1,005,000	9.80	40,212	13,668	13,668	14,472
Macarthur Coal Limited	21,215,700	10.00	420,805	67,205	67,205	55,927
Hanjin Shipping Co., Ltd.	68,260	0.08	2,652	1,270	1,270	1,236
KB Financial Group Inc.	8,379,888	2.35	300,150	276,117	276,117	282,402
LG Powercomm Co., Ltd.	3,600,000	2.70	153,000	21,456	21,456	23,400
			<u>₩ 3,528,079</u>	<u>₩ 2,664,033</u>	<u>₩ 2,664,033</u>	<u>₩ 2,818,507</u>

(\*1) Certain portion of securities has been pledged as collateral (note 10).

(c) Held-to-maturity as of March 31, 2009 and December 31, 2008 are as follows:

*(in millions of Won)*

	2009	2008
Held-to-maturity	₩ 51,582	51,553
Less: Current portion	(20,000)	(20,000)
	<u>₩ 31,582</u>	<u>31,553</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**March 31, 2009**  
**(Unaudited)**

(d) Equity method accounted investments as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	Investees(*1)	Number of Shares	Percentage of Ownership(%)	Acquisition Cost	2008			Increase(Decrease)		2009
					Book Value	Equity method Profit(Loss)	Other Increase (Decrease) (*2)	Book Value		
	POSCO E&C Co., Ltd.	27,281,080	89.53	₩ 365,789	₩ 864,030	₩ 60,007	₩ 4,277	₩ 928,314		
	Posteel Co., Ltd.	17,155,000	95.31	113,393	319,914	70,429	13,225	403,568		
	POSCON Co., Ltd.	3,098,610	88.04	49,822	49,099	4,901	(1,516)	52,484		
	POSCO Coated & Color Steel Co., Ltd.	3,412,000	56.87	82,017	103,912	(18,137)	(1,743)	84,032		
	POSCO Machinery & Engineering Co., Ltd.	1,700,000	100.00	17,052	30,824	(2,252)	263	28,835		
	POSDATA Co., Ltd.	50,440,720	61.85	52,749	39,544	135	(207)	39,472		
	POSCO Research Institute	3,800,000	100.00	19,000	23,356	761	(1)	24,116		
	Seung Kwang Co., Ltd.	2,737,000	69.38	28,408	27,957	(129)	1	27,829		
	POSCO Architects & consultants Co., Ltd.	230,000	100.00	1,043	14,838	195	(556)	14,477		
	POSCO Specialty Steel Co., Ltd.	26,000,000	100.00	260,000	564,515	11,487	(2,408)	573,594		
	POSCO Machinery Co., Ltd.	1,000,000	100.00	10,000	13,363	1,723	1	15,087		
	POSTECH Venture Capital Corp.	5,700,000	95.00	28,500	33,059	(42)	47	33,064		
	eNtoB Corporation (*4)	560,000	17.50	2,800	4,178	128	(146)	4,160		
	POSCO Refractories & Environment Co., Ltd.	3,544,200	60.00	41,210	74,329	5,155	(2,529)	76,955		
	POSCO Terminal Co., Ltd.	2,550,000	51.00	12,750	19,681	1,009	(638)	20,052		
	POSMATE Co., Ltd.	214,286	30.00	7,233	10,436	128	(1,018)	9,546		
	Samjung Packing & Aluminum Co., Ltd. (*4)	270,000	9.00	2,781	4,035	(678)	315	3,672		
	POSCO Power Corp.	40,000,000	100.00	597,170	619,037	9,083	(6,283)	621,837		
	SNNC Co., Ltd.	18,130,000	49.00	90,650	67,410	(1,001)	-	66,409		
	PNR Corporation	5,467,686	70.00	27,338	27,498	1,810	-	29,308		
	POSCO America Corporation	354,531	99.45	297,221	133,944	(21,251)	990	113,683		
	POSCO Australia Pty. Ltd.	761,775	100.00	37,352	165,573	13,000	16,949	195,522		
	POSCO Asia Co., Ltd.	9,360,000	100.00	7,425	29,158	1,659	3,150	33,967		
	VSC POSCO Steel Corporation (*3)	-	35.00	4,758	6,343	(692)	536	6,187		
	Dalian POSCO-CFM Coated Steel Co., Ltd. (*3)	-	30.00	7,189	3,756	(707)	432	3,481		
	POS-Tianjin Coil Center Co., Ltd. (*3,4)	-	10.00	653	1,303	8	144	1,455		
	Zhangjiagang Pohang Stainless Steel Co., Ltd. (*3)	-	58.60	234,204	323,170	(32,870)	32,075	322,375		
	Guangdong Pohang Coated Steel Co., Ltd. (*3)	-	86.55	43,501	20,901	5,301	3,013	29,215		
	POSCO Thailand Steel Processing Center Co., Ltd.	12,721,734	85.62	39,677	32,934	(7,486)	2,909	28,357		
	Myanmar POSCO Steel Co., Ltd.	13,440	70.00	2,192	3,796	1,044	328	5,168		
	KOBRASCO	2,010,719,185	50.00	32,950	60,429	22,794	6,179	89,402		
	POSCO Investment Co., Ltd.	5,000,000	100.00	53,189	91,303	2,376	8,379	102,058		
	Poschrome (Proprietary) Limited	21,675	25.00	4,859	9,575	2,919	745	13,239		
	Guangdong Xingpu Steel Center Co., Ltd. (*3,4)	-	10.50	927	2,669	48	270	2,987		
	POS-Hyundai Steel Manufacturing India Private Limited (*4)	2,345,558	10.00	1,057	1,600	89	43	1,732		
	POSVINA Co., Ltd. (*3)	-	50.00	1,527	2,104	(185)	222	2,141		
	POSMMIT Steel Centre SDN BHD	25,269,900	44.69	12,574	18,037	3,646	734	22,417		
	PT POSMI Steel Indonesia (*4)	1,193	9.47	782	1,020	(220)	283	1,083		
	Qingdao Pohang Stainless Steel Co., Ltd. (*3)	-	70.00	71,463	75,888	(5,553)	7,526	77,861		
	POSCO (Suzhou) Automotive Processing Center Co., Ltd. (*3)	-	90.00	31,023	48,401	1,992	4,725	55,118		
	POSCO-China Holding Corp. (*3)	-	100.00	165,233	228,489	(14,215)	23,676	237,950		
	POSCO-Japan Co., Ltd.	90,438	100.00	50,558	65,457	18,936	1,364	85,757		
	POSCO-India Private Ltd.	225,000,000	100.00	52,627	54,651	-	1,642	56,293		
	POS-India Pune Steel Processing Centre Pvt. Ltd.	74,787,080	65.00	17,017	14,096	4,076	913	19,085		
	POSCO-Foshan Steel Processing Center Co., Ltd. (*3)	-	39.60	9,408	12,971	361	1,255	14,587		
	Nickel Mining Company	3,234,698	49.00	157,585	219,879	4,595	(7,485)	216,989		

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Investees(*1)	Number of Shares	Percentage of Ownership(%)	Acquisition Cost	2008	Increase(Decrease)		2009
				Book Value	Equity method Profit(Loss)	Other Increase (Decrease) (*2)	Book Value
POSCO-Vietnam Co., Ltd. (*3)	-	100.00	198,578	232,647	(1,098)	18,428	249,977
POSCO-Mexico Co., Ltd.	1,304,955,672	84.67	117,950	103,485	(10,421)	6,093	99,157
POSS Delhi Steel Processing Centre Pvt. Ltd.	42,532,980	76.40	9,089	-	2,485	280	2,765
Zhongyue POSCO(Qinhuangdao) Timpla Industrial Co., Ltd. (*3)	-	24.00	6,718	11,959	(777)	1,119	12,301
POSCO Vietnam Processing Center Co., Ltd. (*3)	-	80.00	8,192	6,234	105	750	7,089
BX STEEL POSCO Cold Rolled Sheet Co., Ltd. (*3)	-	25.00	61,961	92,064	(9,685)	8,022	90,401
POSCO Malaysia SDN. BHD. (*5)	16,200,000	60.00	16,524	-	-	-	-
POSCO-SK Steel (Pinghu) Processing Center Co., Ltd. (*3)	-	20.00	1,869	2,977	(1,125)	299	2,151
POSCO Poland (Wroclaw) Steel Processing Center Co., Ltd.	30,000	30.00	3,803	3,225	(675)	(334)	2,216
POSCO (Chongqing) Automotive Processing Center Co., Ltd. (*3)	-	90.00	6,201	7,618	(785)	879	7,712
POSCO-SAMSUNG Slovakia Steel Processing Center Co., Ltd. (*3)	-	30.00	1,794	3,109	(292)	85	2,902
POSCO (Wuhu) Automotive Processing Center. Co., Ltd. (*3)	-	68.57	10,026	11,955	(183)	1,199	12,971
POSCO-SAMSUNG(Suzhou) Processing Center Co., Ltd. (*3,6)	-	30.00	1,608	-	(1,235)	4,275	3,040
			<u>₩ 3,590,969</u>	<u>₩ 5,013,735</u>	<u>₩ 120,691</u>	<u>₩ 153,176</u>	<u>₩ 5,287,602</u>

(\*1) The Company used the unaudited or unreviewed financial statements of these companies when applying the equity method of accounting.

(\*2) Other increase (decrease) represents the changes in investment securities primarily due to acquisitions (disposals), dividends received, valuation gain or loss on equity method accounted investments, changes in retained earnings and others.

(\*3) No shares have been issued in accordance with the local laws or regulations.

(\*4) Equity method of accounting is applied as the Company has significant influence on investees directly or indirectly through its affiliates by owning more than 20% of outstanding shares of investees.

(\*5) Acquisition cost of this investee consist of ₩ 2,071 million of common stock and ₩ 14,453 million of preferred stock. The carrying amount of common stock was reduced to zero due to the equity in loss of the investee. Because of this, equity in loss not to recognize was in the mount of ₩ 616 million as of March 31, 2009 and the remaining equity in loss was in the amount of ₩ 2,102 million as of December 31, 2008.

(\*6) Those securities were reclassified from available-for-sales securities to equity method accounted investments as total assets of each investee are greater than ₩ 7,000 million as of December 31, 2008.

For the three-month period ended March 31, 2009, amortization of goodwill amounted to ₩ 5,834 million and the elimination of the unrealized profit from intercompany transaction less realized profit amounted to ₩ 170,375 million.

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**8. Property, Plant and Equipment**

(a) Changes in property, plant and equipment for the three-month period ended March 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>Beginning</u>	<u>Acquisition (*1)</u>	<u>Disposal</u>	<u>Others (*2)</u>	<u>Depreciation</u>	<u>Ending Balance</u>
Land	₩ 908,306	₩ 325	₩ -	₩ -	₩ -	₩ 908,631
Buildings	1,978,609	11,741	(442)	-	(42,394)	1,947,514
Structures	1,490,098	15,192	(791)	16,350	(34,286)	1,486,563
Machinery and equipment	7,346,339	216,027	(1,613)	(16,350)	(381,755)	7,162,648
Vehicles	20,302	1,239	(8)	-	(2,163)	19,370
Tools	17,317	1,778	(1)	-	(2,721)	16,373
Furniture and fixtures	54,025	2,062	-	-	(4,823)	51,264
Finance Lease Assets	10,192	-	-	-	(159)	10,033
Construction-in-progress	2,640,730	984,857	-	(249,900)	-	3,375,687
	<u>₩ 14,465,918</u>	<u>₩ 1,233,221</u>	<u>₩ (2,855)</u>	<u>₩ (249,900)</u>	<u>₩ (468,301)</u>	<u>₩ 14,978,083</u>

(\*1) Includes acquisition cost transferred from construction-in-progress amounting to ₩ 248,364 million.

(\*2) Represent assets transferred from construction-in-progress to intangible assets and other property, plant and equipment.

(b) The Company's expenditures in relation to construction-in-progress for the expansion of Pohang transporting plates amounted to ₩ 984,857 million for the three-month period ended March 31, 2009.

**9. Intangible Assets**

Intangible assets, net of amortization, as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Intellectual property rights	₩ 2,566	2,479
Port facilities usage rights	111,702	116,554
Other intangible assets (*1)	51,853	51,062
	<u>₩ 166,121</u>	<u>170,095</u>

(\*1) The Company capitalized costs directly related to the Enterprise Resource Planning (ERP) system and process innovation as other intangible assets.

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**10. Pledged assets**

- (a) As of March 31, 2009, held-to-maturity securities amounting to ₩ 31,582 million was provided as collateral to the Gyung-sangbuk-do Province Office as guarantee for environmental remediation of POSCO No. 4 disposal site.
- (b) As of March 31, 2009, 1,955,978 shares, equivalent to 17,603,801 American depository receipts (“ADRs”) of SK Telecom Co., Ltd. have been pledged as collateral for the exchangeable bonds issued and 216,384,000 shares of Nippon Steel Corporation have been pledged as collateral for the 1st samuri bonds issued.
- (c) Guarantees provided by third parties on behalf of the Company as of March 31, 2009 and December 31, 2008 were as follows:

<i>(in millions of Won)</i>	<u>2009</u>		<u>2008</u>		
Korea Development Bank	EUR	4,444,093	₩ 8,072	4,600,591	8,171

**11. Other Assets**

Other current and other long-term assets as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>2009</u>		<u>2008</u>	
<b>Other current assets</b>				
Short-term loans receivable	₩	10		14
Accrued income		25,175		34,396
Advanced payments		3,886		3,729
Others		1,250		1,250
		30,321		39,389
<b>Other long-term assets</b>				
Log-term loans receivable		9,366		6,637
Guarantee deposits		1,386		1,413
Other investment assets		62,595		66,066
		73,347		74,116
Less: Allowance for doubtful accounts		(25)		(33)
	₩	73,322		74,083

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**12. Short-Term Borrowings and Current Portion of Long-Term Debt**

(a) Short-term borrowings as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>			<u>2009</u>		<u>2008</u>	
Domestic borrowings	2.40	KRW	300,000	₩	300,000	-	-
Foreign currency borrowings	4.02 ~ 5.68	USD	252,535,302		347,766	271,035,408	340,827
				₩	<u>647,766</u>		<u>340,827</u>

(b) Current portion of long-term debts as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>			<u>2009</u>		<u>2008</u>	
Debentures	4.66	KRW	200,000	₩	200,000	200,000	200,000
Foreign currency borrowings	4.60	JPY	192,000,000		2,716	192,000,000	2,676
Loans from foreign financial institutions	2.00	EUR	636,350		1,156	636,350	1,130
					203,872		203,806
Less: Discount on debentures issued					(110)		(165)
				₩	<u>203,762</u>		<u>203,641</u>

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**13. Long-Term Debts**

(a) Debentures as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	Issue date	Maturity	Annual Interest Rate (%)	2009		2008		
Domestic debentures	Mar. 28, 2006~ Jan. 20, 2009	Sep. 29, 2009~ Jan. 20, 2014	4.66 ~ 6.52	KRW	2,500,000 ₩	2,500,000	2,000,000	2,000,000
9th Samurai Bonds	Jun. 28, 2006	Jun. 28, 2013	2.05	JPY	50,000,000,000	707,400	50,000,000,000	696,945
1st Euro Bonds	Aug. 10, 2006	Aug. 10, 2016	5.88	USD	300,000,000	413,130	300,000,000	377,250
Exchangeable bonds (*1)	Aug. 19, 2008	Aug. 19, 2011	-	JPY	52,795,000,000	746,944	52,795,000,000	735,904
1st Yen dominated FRN	Nov. 11, 2008	Nov. 11, 2013	6 months Tibor+2.60	JPY	20,000,000,000	282,960	20,000,000,000	278,778
1st Samurai Bonds	Dec. 29, 2008	Dec. 29, 2011	6 months Tibor+1.60	JPY	50,000,000,000	707,400	50,000,000,000	696,945
1st Global Bonds	Mar. 26, 2009	Mar. 26, 2014	8.75	USD	700,000,000	963,970	-	-
						6,321,804		4,785,822
Add: Premium on bond redemption						11,279		11,112
Less: Current portion						(200,000)		(200,000)
Discount on debentures issued						(87,947)		(71,525)
						<u>₩ 6,045,136</u>		<u>4,525,409</u>

(\*1) The Company issued exchangeable bonds, which is exchangeable with 17,603,801 SK Telecom Co., Ltd. ADRs, on August 19, 2008. Details of exchangeable bonds are as follows:

Issuance date:	August 19, 2008
Maturity date:	August 19, 2013
Rate:	Interest rate of zero percent
Face value:	JPY 52,795,000,000
Issuance price:	JPY 52,424,229,136
Premium on bond redemption :	JPY 797,204,500 (redeemed on put date or maturity date)
Exchangeable price:	JPY 2,999.11/ADR
Fair value of exchangeable right:	JPY 2,867,605,334
Exercise call period by bondholders:	Commencing ten business days following the issuance date until ten business days prior to maturity date
Exercise put period by bondholders:	Exactly three years following the payment date

The Company issued exchangeable bonds which is exchangeable with SK Telecom Co., Ltd. ADRs through Zeus (Cayman) Ltd., a SPV. The transaction between the Company and Zeus (Cayman) Ltd. is deemed to be a borrowing transaction under generally accepted accounting principles in the Republic of Korea.

(b) Long-term domestic borrowing as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	Annual Interest Rate (%)	2009	2008
Korea Resources Corporation	Representitive-Borrowing Rate (*1)-2.25	₩ 53,417	49,308

(\*1) Indexed to the average yield of 3-year government bond which is rounded off to the nearest 0.25%.

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(c) Long-term foreign currency borrowing as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>	<u>2009</u>		<u>2008</u>	
Korea National Oil Corporation (*1)	Representative-Borrowing Rate -2.25	USD 2,324,540	₩ 3,201	2,324,540	2,923
Development Bank of Japan	4.60	JPY 192,000,000	2,716	192,000,000	2,676
			5,917		5,599
Less: Current portion			(2,716)		(2,676)
			<u>₩ 3,201</u>		<u>2,923</u>

(\*1) The borrowing is related to the exploration of gas field in the Aral Sea (note 16).

(d) Loans from foreign financial institutions as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>	<u>2009</u>		<u>2008</u>	
Natixis	2.00	EUR 4,444,093	₩ 8,072	4,600,591	8,171
Less : Current portion		EUR (636,350)	(1,156)	(636,350)	(1,130)
			<u>₩ 6,916</u>		<u>7,041</u>

(e) Aggregate maturities of long-term debt as of March 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>Debtures(*1)</u>		<u>Borrowings</u>		<u>Foreign Currency Borrowings</u>	<u>Loans from Foreign financial Institutions</u>	<u>Total</u>
March 31,							
2010	₩	200,000	₩	-	₩ 2,716	₩ 1,156	₩ 203,872
2011		300,000		-	-	1,156	301,156
2012		1,490,360		1,500	-	1,156	1,493,016
2013		500,000		4,510	-	1,156	505,666
Thereafter		3,842,723		47,407	3,201	3,448	3,896,779
	₩	<u>6,333,083</u>	₩	<u>53,417</u>	₩ 5,917	₩ 8,072	₩ 6,400,489

(\*1) The amount includes premium on bond redemption.

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**14. Severance Benefits**

Changes in the retirement and severance benefits for the three-month period ended March 31, 2009 and the year ended December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
<b>Estimated severance benefits at beginning of period</b>	₩ 851,391	682,686
Provision for severance benefits	6,677	221,748
Payment	<u>(31,842)</u>	<u>(53,043)</u>
<b>Estimated severance benefits at end of period</b>	<u>₩ 826,226</u>	<u>851,391</u>
Transfer to National Pension Fund	(84)	(84)
Deposit for severance benefits trust	<u>(585,319)</u>	<u>(590,939)</u>
<b>Net balance at end of period</b>	<u>₩ 240,823</u>	<u>260,368</u>

**15. Other Current Liabilities**

Other current liabilities as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Other current liabilities		
Advances received	₩ 23,901	25,162
Unearned revenue	3,984	2,472
Others	<u>22,157</u>	<u>9,453</u>
	<u>₩ 50,042</u>	<u>37,087</u>

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**16. Commitments and Contingencies**

- (a) As of March 31, 2009, contingent liabilities for outstanding guarantees provided by the Company for the repayment of loans of related companies and others are as follows:

<i>(in millions of Won)</i>		<b>2009</b>				<b>2008</b>		
<b>Company</b>	<b>Financial Institution</b>	<b>Guaranteed</b>	<b>Won Equivalent</b>	<b>Guaranteed</b>	<b>Won Equivalent</b>			
<b>Related companies</b>								
POSCO Investment Co., Ltd.	Bank of Tokyo-Mitsubish	USD	42,000,000		42,000,000			
		CNY	29,000,000	₩	285,713	29,000,000	₩	248,976
	HSBC	MYR	223,649,576		180,000,000			
		USD	100,000,000		100,000,000			
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Bank of China and others	USD	199,925,000	275,317	199,925,000		251,406	
POSCO-Vietnam Co., Ltd.	The export-Import Bank of Korea	USD	230,000,000	316,733	200,000,000		251,500	
				877,763			751,882	
<b>Others</b>								
DC Chemical Co., Ltd.	EI Co., Ltd.	KRW	320	320	320		320	
Zeus (Cayman) Ltd.	Related creditors	JPY	52,795,000,000	746,944	52,795,000,000		735,904	
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Bank of China and others	USD	15,260,000		15,840,000			
		CNY	383,810,000	98,333	423,440,000		97,870	
				845,597			834,094	
				₩	1,723,360		₩	1,585,976

- (b) As of March 31, 2009, the Company issued four blank promissory notes to Korea Resources Corporation as collateral for borrowings, and issued three blank promissory notes to Korea National Oil Corporation (“KNOC”) as collateral for foreign currency borrowings.
- (c) In January 2007, the Company entered into a capital lease contract acquiring a ro-ro ship for the exclusive use of transporting plates for ₩ 1,953 million and US\$ 11,583 thousand, equivalent to 90 % of fair value of the ship price, to be redeemed over 12 years.
- (d) As of March 31, 2009, the Company acquired certain tools and equipment under operating lease agreements from Macquarie Capital Korea Company Limited and others. The Company’s rent expense with respect to these lease agreements, amounted to ₩ 1,350 million for the three-month period ended March 31, 2009. Future lease payments under these lease agreements are as follows:

<i>(in millions of Won)</i>	<b>Amount</b>
<b>Period</b>	
2009	₩ 3,690
2010	3,123
2011	1,549
	₩ 8,362

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- (e) The Company is involved in eleven lawsuits and claims for alleged damages aggregating to ₩ 11,153 million as of March 31, 2009 which arose in the ordinary course of business. The Company is unable to predict the possible outcome of the above claims. However, in the opinion of management, the foregoing lawsuits and claims will not have a material adverse effect on the Company's financial position, operating results or cash flows. No provision is recorded in connection with the above lawsuits and claims as of March 31, 2009.
- (f) The Company entered into long-term contracts to purchase iron ore, coal and nickel. These contracts generally have terms of more than three years and provide for periodic price adjustments to market price. As of March 31, 2009, 390 million tons of iron ore and 57 million tons of coal remained to be purchased under such long-term contracts.
- (g) The Company entered into an agreement with Tangguh LNG Consortium in Indonesia regarding the commitment to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. This agreement provides for periodic price adjustments to market price (Japan JCC), and the ceiling price is applied when the market price exceeds the certain price level provided in the agreement.
- (h) The Company has a bank overdraft agreement with Woori Bank and others amounting to ₩ 300,000 million as of March 31, 2009. In addition, the Company entered into a credit purchase loan agreement for credit lines of up to ₩ 200,000 million and ₩ 700,000 million in short-term borrowings.
- (i) As of March 31, 2009, the Company has an agreement with Woori Bank and others to open letters of credit, documents against acceptance and documents against payment amounting to US\$ 1,265 million and US\$ 480 million in foreign short-term borrowings.
- (j) The outstanding balance of accounts receivable in foreign currency sold to financial institutions as of March 31, 2009 amounted to US\$ 123 million for which the Company is contingently liable upon default.
- (k) The Company entered into a foreign currency borrowing agreement of up to US\$ 6.86 million with KNOC related to the exploration of gas fields in the Aral Sea. The repayment obligation is subject to results of the exploration. If the exploration fails, the Company will be exempt from all or portion of the repayment obligation. If it succeeds, a portion of the project income is payable to KNOC.

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**17. Derivatives**

(a) Details of derivatives for the three-month period ended March 31, 2009 are as follows:

<u>Type of Transaction</u>	<u>Purpose of Transaction</u>	<u>Financial Institutions</u>	<u>Description of contract</u>
Currency forward (Swaps)	Hedge	Calyon and others	Currency forward (Forward exchange)
Embedded derivative (*)	Issuing exchangeable bonds	Investee for exchangeable bonds	Exchangeable rights for stock

(\*) The Company applied derivative accounting as exchangeable right to investors related to exchangeable bond issued in August 19, 2008 meets certain criteria of embedded derivatives. Fair values of exchangeable right are ₩ 9,199 million (JPY 659,937,500) as of December 31, 2008 and ₩ 5,079 million (JPY 359,006,000) as of March 31, 2009. This exchangeable right is included in other long-term liabilities.

(b) Details of the gains and losses on derivatives for the three-month periods ended March 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i> <u>Type of Transaction</u>	<u>Valuation Gain (Loss)</u>		<u>Transaction Gain (Loss)</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Currency forward (swaps)	₩ -	-	₩ 2,573	307
Embedded derivative	4,120	-	-	-
	<u>₩ 4,120</u>	<u>-</u>	<u>₩ 2,573</u>	<u>307</u>

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**18. Stock Appreciation Rights**

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

	<u>1<sup>st</sup> Grant</u>	<u>2<sup>nd</sup> Grant</u>	<u>3<sup>rd</sup> Grant</u>	<u>4<sup>th</sup> Grant</u>	<u>5<sup>th</sup> Grant</u>	<u>6<sup>th</sup> Grant</u>	<u>Total</u>
<b>Before the modifications (*)</b>							
Number of shares	498,000 shares	60,000 shares	22,000 shares	141,500 shares	218,600 shares	90,000 shares	1,030,100 shares
Exercise price	₩ 98,400 per share	₩ 135,800 per share	₩ 115,600 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
<b>After the modifications (*)</b>							
Grant date	July 23, 2001	April 27, 2002	September 18, 2002	April 26, 2003	July 23, 2004	April 28, 2005	
Exercise price	₩ 98,900 per share	₩ 136,400 per share	₩ 116,100 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
Number of shares granted	453,576 shares	55,896 shares	20,495 shares	135,897 shares	214,228 shares	90,000 shares	970,092 shares
Number of shares cancelled	19,409 shares	-	-	-	-	-	19,409 shares
Number of shares exercised	434,167 shares	53,511 shares	6,931 shares	121,138 shares	87,524 shares	62,000 shares	765,271 shares
Number of shares outstanding	-	2,385 shares	13,564 shares	14,759 shares	126,704 shares	28,000 shares	185,412 shares
Exercise period	July 24, 2003~ July 23, 2008	April 28, 2004~ April 27, 2009	Sept. 19, 2004~ Sept. 18 2009	April 27, 2005~ April 26, 2010	July 24, 2006~ July 23, 2011	April 29, 2007~ April 28, 2012	

(\*) The Company changed the number of shares granted and the exercise price, as presented above (1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup>), in accordance with the resolutions of the Board of Directors on April 26, 2003, October 17, 2003 and October 22, 2004.

(b) Expense incurred related to stock appreciation rights granted to executives for the three-month period ended March 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>1<sup>st</sup> Grant</u>	<u>2<sup>nd</sup> Grant</u>	<u>3<sup>rd</sup> Grant</u>	<u>4<sup>th</sup> Grant</u>	<u>5<sup>th</sup> Grant</u>	<u>6<sup>th</sup> Grant</u>	<u>Total</u>
Cumulative expense in prior periods	₩ 59,945	₩ 10,801	₩ 4,843	₩ 29,770	₩ 54,680	₩ 25,486	₩ 185,525
Reversal of expense recognized in current period	-	(42)	(111)	(143)	(1,081)	(230)	(1,607)
	<u>₩ 59,945</u>	<u>₩ 10,759</u>	<u>₩ 4,732</u>	<u>₩ 29,627</u>	<u>₩ 53,599</u>	<u>₩ 25,256</u>	<u>₩ 183,918</u>

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**19. Selling, General and Administration Expenses**

Details of selling, general and administrative expenses for the three-month period ended March 31, 2009 and 2008 were as follows:

<i>(in millions of Won)</i>	<b>For the three-month periods ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Selling expenses	₩ 152,586	177,840
Fees and charges	28,008	31,296
Salaries and wages	24,412	22,606
Advertising	16,485	16,203
Research and development	7,289	6,330
Depreciation	3,759	3,976
Amortization	3,724	2,975
Rent	4,526	5,125
Other employ benefit	15,152	17,684
Provision for severance benefits	3,397	8,422
Supplies	2,482	2,542
Travel	2,639	2,756
Training	3,309	3,749
Repairs	1,350	2,110
Communications	1,785	2,022
Vehicle expenses	1,361	1,268
Taxes and public dues	1,093	1,142
Entertainment	894	1,109
Subscriptions and printing	594	556
Utilities	84	236
Insurance	2,525	1,673
Others	5,243	4,252
	<u>₩ 282,697</u>	<u>315,872</u>

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**20. Income Taxes**

(a) Income tax expense for the three-month periods ended March 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Current income taxes (*)	₩ 281,966	330,346
Deferred income taxes	(199,590)	(155,815)
Items charged directly to shareholders' equity	2,066	134,144
	<u>₩ 84,442</u>	<u>308,675</u>

(\*) Additional tax payments (or tax returns) arising from finalized tax assessment are added or deducted in current income taxes.

(b) The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company for the three-month periods ended March 31, 2009 and 2008:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Net income before income tax expense	₩ 408,958	1,339,890
Income tax expense computed at statutory rate	98,962	368,466
Adjustments	(14,520)	(59,791)
Tax credit	(70,278)	(41,259)
Others, net	55,758	(18,532)
Income tax expense	<u>₩ 84,442</u>	<u>308,675</u>
Effective rate (%)	<u>20.65%</u>	<u>23.04%</u>

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(c) Changes in temporary differences and deferred income taxes for the three-month period ended March 31, 2009 are as follows:

<i>(in millions of Won)</i>	Accumulated temporary differences			Deferred income tax		
	Dec. 31, 2008	Inc. (dec.) (*1)	Mar. 31, 2009	Dec. 31, 2008(*1)	Inc. (dec.)	Mar. 31, 2009
Reserve for special repairs	₩ (281,824)	₩ 4,522	₩ (277,302)	₩ (62,423)	₩ 1,415	₩ (61,008)
Allowance for doubtful accounts	-	4,482	4,482	-	986	986
Reserve for technology developments	(720,000)	659,550	(60,450)	(167,016)	153,718	(13,298)
Dividend income from related companies	430,688	32,141	462,829	94,751	7,071	101,822
Depreciation expense	(267,736)	(25,893)	(293,629)	(58,569)	(6,029)	(64,598)
Valuation of equity method accounted investments (*2)	(1,778,197)	(270,609)	(2,048,806)	(299,121)	(69,513)	(368,634)
Prepaid expenses	68,751	12,421	81,172	16,182	1,675	17,857
Impairment loss on property, plant and equipment	42,461	(4,274)	38,187	9,374	(973)	8,401
Gain on foreign currency translation	622,855	15,136	637,991	137,581	2,777	140,358
Gain on valuation of available-for-sale securities	(393,580)	63,182	(330,398)	(86,587)	13,900	(72,687)
Loss on valuation of available-for-sale securities	973,348	101,100	1,074,448	214,137	22,242	236,379
Tax credit	-	-	-	-	70,278	70,278
Others	362,567	5,727	368,294	74,851	2,043	76,894
	<u>₩ (940,667)</u>	<u>₩ 597,485</u>	<u>₩ (343,182)</u>	<u>₩ (126,840)</u>	<u>₩ 199,590</u>	<u>₩ 72,750</u>

(\*1) The adjustments reflect the effect of the finalized tax assessment for the three-month period ended March 31, 2009 and as a result, the deferred income tax balances as of March 31, 2009 has been adjusted.

(\*2) As the Company is unlikely to dispose of its investee shares within five years, the income tax effect of ₩ 322,110 million as of March 31, 2009 is not recognized as it is not probable that the deferred tax asset will be realized.

(d) A summary of deferred tax assets and liabilities as of March 31, 2009 are as follows:

<i>(in millions of Won)</i>	Current	Non-current	Total
Deferred tax assets	₩ 99,732	₩ 798,991	₩ 898,723
Deferred tax liabilities	(27,877)	(798,096)	(825,973)
Total	<u>₩ 71,855</u>	<u>₩ 895</u>	<u>₩ 72,750</u>

(e) Income tax expenses which are directly charged to equity due to changes in valuation of available-for-sale securities for the three-month period ended March 31, 2009 amounted to ₩ 2,066 million.

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**21. Comprehensive Income**

For the three-month periods ended March 31, 2009 and 2008, comprehensive income are as follows:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Net income	₩ 324,516	1,031,214
Loss on valuation of available-for sale securities	(163,939)	(588,415)
Less: tax effect	36,142	161,814
Changes in capital adjustments arising from equity method accounted investments	183,709	173,547
Less: tax effect	<u>(24,045)</u>	<u>(37,621)</u>
	<u>31,867</u>	<u>(290,675)</u>
Comprehensive income	<u>₩ 356,383</u>	<u>740,539</u>

**22. Earnings Per Share**

(a) Basic earnings per share for the three-month periods ended March 31, 2009 and 2008 were as follows:

<i>(in millions of Won except per share information)</i>	<u>2009</u>	<u>2008</u>
Net income	₩ 324,516	1,031,214
Weighted-average number of common shares outstanding (*)	<u>76,569,916</u>	<u>75,421,190</u>
Basic earnings per share	<u>₩ 4,238</u>	<u>13,673</u>

(\*) Basic earnings per share is computed by dividing net income allocated to common stock, by the weighted-average number of common shares outstanding for the three-month periods ended March 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	<u>10,616,919</u>	<u>11,765,645</u>
Weighted-average number of common shares outstanding	<u>76,569,916</u>	<u>75,421,190</u>

(b) Earnings per share for the year ended December 31, 2008 was ₩ 58,905.

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**23. Related Party Transactions**

(a) As of March 31, 2009, the subsidiaries of the Company are as follows:

Domestic (26)	POSCO E&C Co., Ltd., Posteel Co., Ltd., POSCON Co., Ltd., POSCO Coated & Color Steel Co., Ltd., POSCO Machinery & Engineering Co., Ltd., POSDATA Co., Ltd., POSCO Research Institute, Seung Kwang Co., Ltd., POSCO Architects & Consultants Co., Ltd., POSCO Specialty Steel Co., Ltd., POSCO Machinery Co., Ltd., POSTECH Venture Capital Corp., POSTECH 2006 Energy Fund, POSCO Refractories & Environment Co., Ltd., POSCO Terminal Co., Ltd., POSMATE Co., Ltd., Samjung Packing & Aluminum Co., Ltd., POSCO Power Corp., Metapolis Co., Ltd., POSCORE Co., Ltd., PHP Co., Ltd., PNR Co., Ltd., Megaasset Co., Ltd., Daewoo Engineering Company, Universal Studio Resort Development Co., Ltd., Pohang Fuelcell Power Corporation
Foreign (50)	POSCO America Corporation(POSAM), POSCO Australia Pty. Ltd.(POSA), POSCO Canada Limited(POSCAN), POSCAN Elkview Coal Ltd., POSCO Asia Co., Ltd.(POA), VSC POSCO Steel Corp.(VPS), Dalian POSCO-CFM Coated Steel Co., Ltd. POS-Tianjin Coil Center Co., Ltd.(POSCO-CTPC), POSMETAL Co., Ltd.(POSCO-JKPC), Shanghai POSCO E&C Real Estate Development Co., Ltd., International Business Center Corporation(IBC), POSLILAMA E&C Co., Ltd. Zhangjiagang Pohang Stainless Steel Co., Ltd.(ZPSS), Guangdong Pohang Coated Steel Co., Ltd., POSCO Thailand Bangkok Processing Center Co., Ltd.(POSCO-TBPC), Myanmar POSCO Steel Co., Ltd., Zhangjiagang Posha Steel Port Co.,Ltd., POSCO-Osaka Processing Center Co., Ltd.(POSCO-JOPC), POSCO Investment Co., Ltd.(POSINVEST), POSCO-MKPC SDN. BHD., Qingdao Pohang Stainless Steel Co., Ltd., POSCO (Suzhou) Automotive Processing Center Co., Ltd.(POSCO-CSPC), POSEC-Hawaii Inc., POS-Qingdao Coil Center Co., Ltd.(POSCO-CQPC), POS-ORE Pty. Ltd., POSCO-China Holding Corp., POSCO-Japan Co., Ltd., POSCO E&C (Zhangjiagang) E&C Co., Ltd., POS-CD Pty. Ltd., POS-GC Pty. Ltd., POSCO-India Pvt. Ltd., POS-India Pune Steel ProcessingCenter Private Limited(POSCO-IPPC), POSCO-Nagoya Automotive Processing Center Co., Ltd.(POSCO-JNPC), POSCO (Foshan) Steel Processing Center Co., Ltd.(POSCO-CFPC), POSCO E&C (Beijing) Co., Ltd., POSCO MPC S.A. de C.V.(POSCO-MPPC), Zhangjiagang Pohang Port Co., Ltd., POSCO-Vietnam Co., Ltd., POSCO-Mexico Co., Ltd., POSCO-India Delhi Steel Processing Center Private Limited(POSCO-IDPC), POSCO (Chongqing) Automotive Processing Center Co., Ltd.(POSCO-CCPC), POS-NP Pty. Ltd., POSCO-Vietnam Processing Center Co., Ltd.(POSCO-VHPC), Auzhou Poscore Technology Co., Ltd.(POSCO-CORE(SZ)), POSCO-Yokoyama Steel Processing Center Co., Ltd.(POSCO-JYPC), POSCO-Malaysia SDN. BHD., POS-Mineral Corporation, POSCO (Wuhu) Automotive Processing Center Co., Ltd.(POSCO-CWPC), &TV Communication Inc., POSCO-Philippine Manila Processing Center Inc.(POSCO-PMPC)

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(b) Significant transactions, which occurred in the ordinary course of business, with related companies for the three-month periods ended March 31, 2009 and 2008 and the related account balances as of March 31, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>Sales and others (*1)</b>		<b>Purchase and others (*1)</b>		<b>Receivables (*2)</b>		<b>Payables (*2)</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Subsidiaries</b>								
POSCO E&C Co., Ltd.	₩ 3,037	₩ 4,353	₩ 477,687	₩ 219,043	₩ 7,644	₩ 814	₩ 180,897	₩ 249,792
Posteel Co., Ltd.	351,607	302,765	36,201	65,639	196,236	220,713	1,435	21,651
POSCON Co., Ltd.	25	23	45,273	33,027	2	5	14,419	62,957
POSCO Coated & Color Steel Co., Ltd.	105,792	121,103	239	361	116,544	48,785	122	71
POSCO Machinery & Engineering Co., Ltd.	269	19	52,218	16,029	22	2,665	16,140	25,387
POSDATA Co., Ltd.	264	855	45,875	41,060	-	1	24,657	20,311
POSCO Specialty Steel Co., Ltd.	-	327	69	19,314	-	1,843	69	4,463
POSCO Machinery Co., Ltd.	3,975	2,191	22,391	14,356	1,428	2,188	8,012	28,517
POSCO Refractories & Environment Co., Ltd.	23,177	1,979	103,978	60,289	9,011	19,137	44,843	57,791
Samjung Packing & Aluminum Co., Ltd.	3,455	3,993	48,607	50,556	172	2,578	19,539	17,422
POSCORE Co., Ltd.	30,346	24,675	1	-	21,067	20,330	-	-
POSAM	50,274	26,583	-	-	6,808	25	-	405
POSCAN	-	-	9,572	18,172	-	21	9,572	-
POA	265,155	197,324	35,084	28,887	25,135	28,301	177	2,978
POSCO-TBPC	10,635	13,828	-	-	222	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	42,995	15,726	-	-	1,590	4,804	-	-
POSCO-Japan Co., Ltd.	132,467	199,061	5,358	2,853	13,376	21,700	689	1,104
POSCO-IPPC	9,239	13,556	-	-	2,858	4,019	-	-
Others	31,790	25,735	26,689	19,567	8,100	7,586	9,591	15,105
	<u>1,064,502</u>	<u>954,096</u>	<u>909,242</u>	<u>589,153</u>	<u>410,215</u>	<u>385,515</u>	<u>330,162</u>	<u>507,954</u>
<b>Equity method investees</b>								
eNtoB Corporation	-	-	57,755	58,177	140	-	3,205	6,016
SNNC Co., Ltd.	51	756	64,867	-	14	19	6,591	1,926
KOBRASCO	-	-	-	27,189	3,042	4,115	-	-
Poschrome(Proprietary) Limited	-	-	2,895	17,378	-	-	-	-
USS-POSCO Industries (UPI)	90,868	74,397	7	-	-	-	-	-
Guangdong Xingpu Steel Center Co., Ltd.	10,801	1,976	-	-	4,501	1,825	-	-
Others	2,252	4,647	75	-	-	-	-	-
	<u>103,972</u>	<u>81,776</u>	<u>125,599</u>	<u>102,744</u>	<u>7,697</u>	<u>5,959</u>	<u>9,796</u>	<u>7,942</u>
<b>Total</b>	<u>₩ 1,168,474</u>	<u>₩ 1,035,872</u>	<u>₩ 1,034,841</u>	<u>₩ 691,897</u>	<u>₩ 417,912</u>	<u>₩ 391,474</u>	<u>₩ 339,958</u>	<u>₩ 515,896</u>

(\*1) Sales and others include sales and non-operating income; purchases and others include purchases, acquisition of property, plant and equipment and overhead expenses.

(\*2) Receivables include trade accounts and notes receivable and other accounts and notes receivable; payables include trade accounts and notes payable and other accounts payable.

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(c) For the three-month periods ended March 31, 2009 and 2008, details of compensation to key management officers are as follows:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Salaries	₩ 2,811	2,478
Severance benefits	2,894	1,643
Management achievement awards	<u>3,601</u>	<u>3,284</u>
Total	<u>₩ 9,306</u>	<u>7,405</u>

The Company granted stock option to its key management officers other than the details of compensation which is described above. Expensed related to stock appreciation rights granted to key management officers reversed amounted to ₩ 1,607 million and ₩ 29,044 million for the three-month periods ended March 31, 2009 and 2008.

Key management officers include directors (including non-executive directors) and internal audit officer who have significant influence and responsibilities in the Company's business and operations.

#### **24. Segment Information**

The Company has main plants in Pohang and in Gwangyang in the Republic of Korea. Sales of the plants for the three-month periods March 31, 2009 and 2008 were as follows:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Pohang	₩ 2,813,543	3,363,212
Gwangyang	3,636,622	2,685,318
Others	<u>21,138</u>	<u>17,653</u>
Total	<u>₩ 6,471,303</u>	<u>6,066,183</u>

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**25. Cost of goods sold**

Details of cost of goods sold for the three-month periods ended March 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	<b>For the three-month periods ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Finished goods, semi-product and by-product		
Beginning balance of inventories	₩ 2,749,541	1,359,024
Cost of goods manufactured	5,258,358	4,442,259
Overhead variance	69,500	48,887
Refund of customs	(2,132)	(2,768)
Ending balance of inventories	(2,271,824)	(1,348,328)
	<u>5,803,443</u>	<u>4,499,074</u>
Others	12,140	6,631
Total	<u>₩ 5,815,583</u>	<u>4,505,705</u>

**26. The Company's plan and status for applying K-IFRS**

The Company plans to prepare its financial statements under K-IFRS from 2011. To manage all the things accompanied with adoption of K-IFRS, the Company has organized a separate task force team, and the team reports the results of its operation to the management group periodically.