

POSCO

**Non-Consolidated Financial Statements
September 30, 2009**

(With Independent Accountants' Review Report Thereon)

Table of Contents

	Page
Independent Accountants' Review Report	1
Non-Consolidated Financial Statements	
Non-Consolidated Statements of Financial Position	3
Non-Consolidated Statements of Income	5
Non-Consolidated Statements of Changes in Equity	6
Non-Consolidated Statements of Cash Flows	7
Notes to the Non-Consolidated Financial Statements	9

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 statement of financial position of POSCO (the "Company") as of September 30, 2009, and the related non-consolidated statements of income for the three-month and nine-month periods ended September 30, 2009 and 2008, and changes in equity and cash flows for the nine-month periods ended September 30, 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 review 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 statement of financial position 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 statement of financial position 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 non-consolidated 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
October 29, 2009

This report is effective as of October 29, 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 Statements of Financial Position
As of September 30, 2009 and December 31, 2008
(Unaudited)

<i>(in millions of Won)</i>	2009	2008
Assets		
Cash and cash equivalents (note 3)	₩ 1,007,081	941,687
Short-term financial instruments (note 3)	4,323,325	1,524,598
Trading securities (note 5)	431,588	1,236,185
Current portion of available-for-sale securities (note 7)	20,228	-
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)	2,493,814	3,228,679
Other accounts receivable, net of allowance for doubtful accounts (note 4 and 23)	100,555	278,301
Inventories (note 6)	3,483,028	6,415,601
Deferred income tax assets (note 20)	213,974	-
Other current assets (note 11)	99,520	48,173
Total current assets	12,193,113	13,693,224
Property, plant and equipment at cost (note 8)	39,051,742	36,504,565
Less accumulated depreciation	(23,162,404)	(22,038,647)
Property, plant and equipment, net	15,889,338	14,465,918
Investment securities, net (notes 7)	9,861,763	8,625,939
Intangible assets, net (note 9)	154,508	170,095
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts (note 4)	2,270	4,154
Long-term financial instruments (note 3)	40	40
Other long-term assets, net of allowance for doubtful accounts (note 11)	83,118	74,083
Total non-current assets	25,991,037	23,340,229
Total assets	₩ 38,184,150	37,033,453

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Financial Position
As of September 30, 2009 and December 31, 2008
(Unaudited)

<i>(in millions of Won)</i>	2009	2008
Liabilities		
Trade accounts and notes payable (note 23)	₩ 961,035	1,108,856
Short-term borrowings (note 12)	491,552	340,827
Current portion of long-term debt, net of discount on debentures issued (notes 12 and 13)	2,370	203,641
Accrued expenses	121,330	139,494
Other accounts payable (note 23)	646,610	694,682
Withholdings	53,093	40,042
Income tax payable	9,861	1,628,262
Deferred income tax liabilities (note 20)	-	90,307
Other current liabilities (note 15)	68,892	37,087
Total current liabilities	2,354,743	4,283,198
Long-term debt, net of current portion and discount on debentures issued (note 13)	5,784,206	4,584,681
Accrued severance benefits, net (note 14)	206,018	260,368
Deferred income tax liabilities (note 20)	325,224	36,533
Other long-term liabilities	86,183	85,016
Total non-current liabilities	6,401,631	4,966,598
Total liabilities	8,756,374	9,249,796
Shareholders' Equity		
Capital stock	482,403	482,403
Capital surplus	4,288,006	4,291,355
Capital adjustments	(2,502,014)	(2,502,014)
Accumulated other comprehensive income	491,450	51,790
Retained earnings	26,667,931	25,460,123
Total shareholders' equity	29,427,776	27,783,657
Total liabilities and shareholders' equity	₩ 38,184,150	37,033,453

See accompanying notes to non-consolidated financial statements.

POSCO

Non-Consolidated Statements of Income

For the three-month and nine-month periods ended September 30, 2009 and 2008 (Unaudited)

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2009	2008	2009	2008
<i>(in millions of Won, except per share amounts)</i>				
Sales (notes 23 and 24)	₩ 6,850,514	8,812,977	19,665,813	22,337,118
Cost of goods sold (note 25)	5,499,854	6,450,476	17,208,604	16,158,116
Gross profit	1,350,660	2,362,501	2,457,209	6,179,002
Selling and administrative expenses (note 19)	332,907	379,172	895,990	1,036,548
Operating profit	1,017,753	1,983,329	1,561,219	5,142,454
Non-operating income				
Interest income	52,048	49,717	140,333	132,244
Dividend income	11,280	7,388	60,114	76,637
Gain on valuation of trading securities	1,394	1,186	1,961	10,537
Gain on disposal of trading securities	1,523	10,789	19,877	37,083
Gain on disposal of investments	-	1,872	8,939	1,946
Gain on disposal of property, plant and equipment	4,597	3,538	14,215	7,900
Gain on derivatives transactions (note 17)	13,100	1,049	33,458	1,356
Gain on valuation of derivatives (note 17)	172	14,196	6,337	14,196
Gain on foreign currency transactions	143,570	173,483	555,606	285,668
Gain on foreign currency translation	106,927	38,861	318,736	43,957
Equity in earnings of equity method accounted investments (note 7)	156,066	30,328	520,983	347,257
Reversal of allowance for doubtful accounts	-	654	422	3,306
Gain on disposal of other long-term assets	1,087	4,250	1,233	28,344
Reversal of stock compensation expense (note 18)	-	34,372	-	34,372
Others	11,129	22,826	36,490	70,574
	502,893	394,509	1,718,704	1,095,377
Non-operating expenses				
Interest expense	75,353	39,907	216,198	96,801
Other bad debt expense	556	622	21	588
Loss on valuation of trading securities	373	-	373	-
Loss on foreign currency transactions	127,052	268,156	653,051	391,780
Loss on foreign currency translation	-	193,635	20,678	397,635
Donations	25,717	11,702	40,862	84,704
Loss on disposal of property, plant and equipment	18,417	11,588	54,443	33,944
Equity in losses of equity method accounted investments (note 7)	54,034	54,893	174,408	130,166
Loss on impairment of investments	-	96,785	-	96,785
Loss on disposal of investments	13	33	13	117
Loss on derivative transactions (note 17)	-	526	19,281	526
Loss on disposal of trade accounts and notes receivable	822	2,446	4,080	5,961
Loss on impairment of other long-term assets				
Loss on disposal of other long-term assets	-	32	271	298
Others	12,174	18,532	35,265	40,008
	314,511	698,857	1,218,944	1,279,313
Income before income taxes	1,206,135	1,678,981	2,060,979	4,958,518
Income tax expense (note 20)	64,244	460,264	164,042	1,233,022
Net income(note 21)	₩ 1,141,891	1,218,717	1,896,937	3,725,496
Basic earnings per share (note 22)	₩ 14,913	16,165	24,774	49,408

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Changes in Equity
For the nine-month periods ended September 30, 2009 and 2008
(Unaudited)

(in millions of Won)

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance as of January 1, 2008	₩ 482,403	4,128,839	(2,715,964)	839,727	21,768,227	24,503,232
Year-end dividends	-	-	-	-	(566,552)	(566,552)
Net income	-	-	-	-	3,725,496	3,725,496
Interim dividends	-	-	-	-	(188,485)	(188,485)
Changes in capital surplus of equity method accounted investments	-	9,516	-	-	-	9,516
Acquisition of treasury stock	-	-	(36,832)	-	-	(36,832)
Loss on valuation of available-for-sale securities, net	-	-	-	(759,156)	-	(759,156)
Changes in capital adjustment arising from equity method accounted investments	-	-	-	379,558	-	379,558
Balance as of September 30, 2008	₩ 482,403	4,138,355	(2,752,796)	460,129	24,738,686	27,066,777

(in millions of Won)

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance as of January 1, 2009	₩ 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	-	-	-	-	1,896,937	1,896,937
Interim dividends	-	-	-	-	(114,855)	(114,855)
Changes in capital surplus of equity method accounted investments	-	(3,349)	-	-	-	(3,349)
Gain on valuation of available-for-sale securities, net	-	-	-	419,075	-	419,075
Changes in capital adjustment arising from equity method accounted investments	-	-	-	20,585	-	20,585
Balance as of September 30, 2009	₩ 482,403	4,288,006	(2,502,014)	491,450	26,667,931	29,427,776

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Cash Flows
For the nine-month periods ended September 30, 2009 and 2008
(Unaudited)

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Net income	₩ 1,896,937	3,725,496
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,517,371	1,419,183
Accrual of severance benefits	-	158,153
Gain on disposal of trading securities	(19,877)	(37,083)
Gain on valuation of trading securities, net	(1,588)	(10,537)
Loss on disposal of property, plant and equipment, net	40,228	26,044
Gain on valuation of derivative transactions	(6,337)	(14,196)
Gain on derivatives transactions, net	(14,177)	(830)
(Recovery of) stock compensation expense	21,316	(34,372)
Gains on disposal of Investments, net	(8,926)	(1,829)
Loss on impairment of Investments	-	96,785
Loss (gain) on foreign currency translation, net	(309,229)	373,552
Loss on disposal of trade accounts and notes receivable	4,080	5,961
Provision for allowance for doubtful accounts, net	8,495	(2,718)
Gain on disposal of other long-term assets, net	(962)	(28,046)
Other employee benefit	5,124	5,434
Equity in earnings of equity method accounted investments, net	(346,575)	(217,091)
Interest expense	14,331	3,781
Interest income	(900)	(1,822)
Others	1,052	4,852
	<u>903,426</u>	<u>1,745,221</u>
Changes in Operating assets and liabilities		
Trade accounts and notes receivable	721,841	(1,282,732)
Other accounts and notes receivable	178,823	(57,289)
Accrued income	871	(11,626)
Prepaid expenses	(51,966)	(41,971)
Inventories	2,927,648	(2,105,203)
Trade accounts and notes payable	(137,431)	581,112
Other accounts payable	(48,778)	(31,627)
Accrued expenses	(18,164)	92,346
Income tax payable	(1,618,400)	434,091
Payment of severance benefits	(62,340)	(53,248)
Deferres income tax assets and liabilities	(130,714)	(24,125)
Other current liabilities	26,486	26,678
Deposit for severance benefit trust	11,863	(60,610)
Advances received	10,189	21,887
Dividends from equity method accounted investments	30,711	47,032
Others, net	6,899	14,539
	<u>1,847,538</u>	<u>(2,450,746)</u>
Net cash provided by operating activities	<u>4,647,901</u>	<u>3,019,971</u>

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Cash Flows
For the nine-month periods ended September 30, 2009 and 2008
(Unaudited)

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Cash flows from investing activities		
Disposal of short-term financial instruments	₩ 4,662,209	2,637,105
Disposal of trading securities	2,626,062	5,651,153
Redemption of current portion of held-to-maturity securities	40,000	346,412
Disposal of available-for-sale securities	17,093	782
Disposal of equity method accounted investments	-	8,606
Disposal of other non-current assets	12,433	82,369
Disposal of property, plant and equipment	15,426	30,115
Acquisition of short-term financial instruments	(7,460,936)	(3,506,494)
Acquisition of trading securities	(1,800,000)	(5,304,993)
Acquisition of available-for-sale securities	(232,323)	(433,598)
Acquisition of equity method investments	(164,507)	(295,410)
Acquisition of current portion of held-to-maturity securities	(40,000)	(186,417)
Acquisition of other long-term asset	(10,718)	(8,900)
Acquisition of property, plant and equipment	(2,927,914)	(1,899,809)
Cost of removal of property, plant and equipment	(44,989)	(18,914)
Acquisition of intangible assets	(9,468)	(14,289)
Others, net	(7,716)	(5,499)
Net cash used in investing activities	<u>(5,325,348)</u>	<u>(2,917,781)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	1,972,180	607,893
Proceeds from long-term borrowings	19,743	-
Proceeds from issuance of debentures	1,449,728	967,674
Increase of other long-term liabilities	33,954	25,824
Repayment of short-term borrowings	(1,804,235)	(171,953)
Repayment of current portion of long-term liabilities	(202,181)	(431,637)
Payment of cash dividends	(689,129)	(755,037)
Decrease in other long-term liabilities	(31,773)	(20,637)
Decrease in capital lease obligations	(5,446)	(575)
Acquisition of treasury stock	-	(36,832)
Net cash provided by financing activities	<u>742,841</u>	<u>184,720</u>
Net increase in cash and cash equivalents	65,394	286,910
Cash and cash equivalents		
Cash and cash equivalents at beginning of the year	941,687	691,034
Cash and cash equivalents at end of the year	<u>₩ 1,007,081</u>	<u>977,944</u>

See accompanying notes to non-consolidated financial statements.

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

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 owns and operates two steel plants (Pohang and Gwangyang) and one office in Korea, and it also operates internationally through seven of its overseas liaison offices.

As of September 30, 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 nine-month period ended September 30, 2009 and as of and for the year ended December 31, 2008.

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

3. Cash and Cash Equivalents, and Financial Instruments

Cash and cash equivalents, short-term and long-term financial instruments as of September 30, 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>
Cash and cash equivalents			
Checking accounts	-	₩ 1,691	1,356
Money market deposit accounts	2.20 ~ 2.90	342,500	241,000
Time deposits	2.80 ~ 3.45	150,000	560,000
Time deposits in foreign currency	0.10 ~ 1.63	492,890	139,331
Repurchase agreement	2.50	20,000	-
		<u>₩ 1,007,081</u>	<u>941,687</u>
Short-term financial instruments			
Ordinary deposits (*1)	-	12,593	5,887
Time deposits	3.06 ~ 4.45	1,950,000	910,000
Certificates of deposit	3.09 ~ 4.80	2,020,000	490,000
Repurchase agreement	3.24 ~ 3.82	280,000	60,000
Specified money in trust	-	60,732	58,711
		<u>₩ 4,323,325</u>	<u>1,524,598</u>
Long-term financial instruments			
Guarantee deposits for opening accounts (*2)	-	<u>₩ 40</u>	<u>40</u>

(*1) In relation to projects outsourced to the Company by the Korean 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 September 30, 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	₩ 2,505,066	3,232,490
Less: Allowance for doubtful accounts	(11,252)	(3,811)
	<u>₩ 2,493,814</u>	<u>3,228,679</u>
Other accounts receivable	₩ 111,174	290,015
Less: Allowance for doubtful accounts	(10,619)	(11,714)
	<u>₩ 100,555</u>	<u>278,301</u>
Long-term trade accounts and notes receivable	₩ 3,114	4,353
Less: Allowance for doubtful accounts	(844)	(199)
	<u>₩ 2,270</u>	<u>4,154</u>

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

5. Trading Securities

Trading securities as of September 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	2009			2008
	Acquisition Cost	Fair Value	Book Value	Book Value
Beneficiary certificates	₩ 430,000	₩ 431,588	₩ 431,588	₩ 1,236,185

6. Inventories

Inventories as of September 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	2009		2008
Finished goods	₩	369,656	1,194,588
By-products		4,015	16,034
Semi-finished goods		900,562	1,542,922
Raw materials		829,141	1,644,500
Fuel and materials		436,880	428,466
Materials-in-transit		942,241	1,592,502
Others		533	592
		3,483,028	6,419,604
Less: Provision for valuation loss		-	(4,003)
	₩	3,483,028	6,415,601

7. Investment Securities

(a) Investment securities as of September 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	2009		2008
Available-for-sale securities			
Marketable equity securities	₩	3,391,567	2,818,507
Non-marketable equity securities		816,588	761,644
Investments in bonds		120,413	-
Equity investments		500	500
		4,329,068	3,580,651
Less: Current portion		(20,228)	-
		4,308,840	3,580,651
Held-to-maturity securities		51,643	51,553
Less: Current portion		(20,000)	(20,000)
		31,643	31,553
Equity method accounted investments		5,521,280	5,013,735
	₩	9,861,763	8,625,939

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

(b) Investments in marketable equity securities as of September 30, 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)	4,372,096	5.41	₩ 1,222,528	₩ 806,406	₩ 806,406	₩ 891,835
Hana Financial Group Inc.	4,663,776	2.20	29,998	189,349	189,349	90,943
Nippon Steel Corporation (*1)	238,352,000	3.50	719,622	1,031,031	1,031,031	963,486
Hyundai Heavy Industries	1,477,000	1.94	343,506	265,860	265,860	294,661
Hanil Iron & Steel Co., Ltd.	206,798	10.14	2,413	2,688	2,688	1,596
HISteel Co., Ltd.	135,357	9.95	1,609	2,112	2,112	1,766
Moonbae Steel Co., Ltd.	1,849,380	9.02	3,588	5,548	5,548	3,921
Dong Yang Steel Pipe Co., Ltd.	1,564,250	2.44	3,911	1,697	1,697	1,400
Korea Line Corporation	-	-	-	-	-	14,347
Shinhan Financial Group Inc.	4,369,881	0.92	228,778	205,384	205,384	113,326
SeAH Steel Corp.	610,103	10.17	18,792	21,964	21,964	23,490
Thainox Stainless Public Company Limited	1,200,000,000	15.00	42,301	57,707	57,707	40,299
Union Steel Co., Ltd.	1,005,000	9.80	40,212	23,919	23,919	14,472
Macarthur Coal Limited	21,215,700	8.34	420,805	207,811	207,811	55,927
Hanjin Shipping Co., Ltd.	68,260	0.08	2,652	1,403	1,403	1,236
KB Financial Group Inc.	9,030,870	2.34	324,399	546,368	546,368	282,402
LG Powercomm Co., Ltd.	3,600,000	2.70	153,000	22,320	22,320	23,400
			<u>₩ 3,558,114</u>	<u>₩ 3,391,567</u>	<u>₩ 3,391,567</u>	<u>₩ 2,818,507</u>

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

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

(c) Equity method accounted investments as of September 30, 2009 and December 31, 2008 are as follows:

(in millions of Won)

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	
Domestic								
POSCO E&C Co., Ltd.	27,281,080	89.53	₩ 365,789	₩ 864,030	₩ 184,162	₩ (25,610)	₩ 1,022,582	
Posteel Co., Ltd.	17,155,000	95.31	113,393	319,914	81,141	6,418	407,473	
POSCON Co., Ltd.	3,098,610	88.04	49,822	49,099	11,815	(1,522)	59,392	
POSCO Coated & Color Steel Co., Ltd.	3,412,000	56.87	82,017	103,912	1,865	-	105,777	
POSCO Machinery & Engineering Co., Ltd.	1,700,000	100.00	17,052	30,824	(5,380)	(895)	24,549	
POSDATA Co., Ltd. (*3)	50,440,720	61.85	52,749	39,544	(39,544)	-	-	
POSCO Research Institute	3,800,000	100.00	19,000	23,356	2,100	-	25,456	
Seung Kwang Co., Ltd.	2,737,000	69.38	28,408	27,957	1,568	-	29,525	
POSCO Architects & consultants Co., Ltd.	300,000	100.00	1,743	14,838	1,261	142	16,241	
POSCO Specialty Steel Co., Ltd.	26,000,000	100.00	260,000	564,515	43,659	(1,280)	606,894	
POSCO Machinery Co., Ltd.	1,000,000	100.00	10,000	13,363	(5,186)	-	8,177	
POSTECH Venture Capital Corp.	5,700,000	95.00	28,500	33,059	73	536	33,668	
eNtoB Corporation (*4)	560,000	17.50	2,800	4,178	243	(140)	4,281	
POSCO Refractories & Environment Co., Ltd.	3,544,200	60.00	41,210	74,329	20,721	(2,734)	92,316	
POSCO Terminal Co., Ltd.	2,550,000	51.00	12,750	19,681	3,553	(638)	22,596	
POSMATE Co., Ltd.	214,286	30.00	7,233	10,436	1,202	(843)	10,795	
Samjung Packing & Aluminum Co., Ltd. (*4)	270,000	9.00	2,781	4,035	(59)	570	4,546	
POSCO Power Corp.	40,000,000	100.00	597,170	619,037	19,834	4,008	642,879	
SNNC Co., Ltd.	18,130,000	49.00	90,650	67,410	21,127	-	88,537	
PNR Corporation	5,467,686	70.00	27,338	27,498	2,243	-	29,741	
POSCOAST CO., Ltd.	3,400,000	85.00	76,134	-	(606)	76,134	75,528	
POSHIMETAL Co., Ltd.	1,300,000	65.00	6,500	-	(113)	6,500	6,387	
POSCO E&E Co., Ltd.	3,480,000	100.00	17,400	-	(221)	17,400	17,179	
			1,910,439	2,911,015	345,458	78,046	3,334,519	
Foreign								
POSCO America Corporation	362,027	99.45	306,589	133,944	(13,836)	(14,086)	106,022	
POSCO Australia Pty. Ltd.	761,775	100.00	37,352	165,573	26,273	115,895	307,741	
POSCO Asia Co., Ltd.	9,360,000	100.00	7,425	29,158	4,532	(1,992)	31,698	
VSC POSCO Steel Corporation (*5)	-	35.00	4,758	6,343	1,186	(608)	6,921	
Dalian POSCO-CFM Coated Steel Co., Ltd. (*5)	-	30.00	7,189	3,756	(1,965)	(49)	1,742	
POS-Tianjin Coil Center Co., Ltd. (*4,5)	-	10.00	653	1,303	112	(80)	1,335	
Zhangjiagang Pohang Stainless Steel Co., Ltd. (*5)	-	58.60	234,204	323,170	(8,154)	(17,224)	297,792	
Guangdong Pohang Coated Steel Co., Ltd. (*5)	-	86.55	45,503	20,901	7,901	33	28,835	
POSCO Thailand Bangkok Processing Center Co., Ltd.	12,721,734	85.62	39,677	32,934	(8,363)	140	24,711	
Myanmar POSCO Steel Co., Ltd.	13,440	70.00	2,192	3,796	2,260	(426)	5,630	

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

<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	
	KOBRASCO	2,010,719,185	50.00	32,950	60,429	31,533	17,168	109,130	
	POSCO Investment Co., Ltd.	5,000,000	100.00	53,189	91,303	5,258	(5,160)	91,401	
	Poschrome (Proprietary) Limited Guangdong Xingpu Steel Center Co., Ltd. (*6)	21,675	25.00	4,859	9,575	995	2,462	13,032	
	POS-Hyundai Steel Manufacturing India Private Limited (*4)	-	-	-	2,669	-	(2,669)	-	
	POSVINA Co., Ltd. (*5)	2,345,558	10.00	1,057	1,600	105	(391)	1,314	
	POSCO-MKPC SDN. BHD.	-	50.00	1,527	2,104	680	(238)	2,546	
	PT POSMI Steel Indonesia (*4)	25,269,900	44.69	12,574	18,037	920	(1,071)	17,886	
	Qingdao Pohang Stainless Steel Co., Ltd. (*5)	1,193	9.47	782	1,020	(112)	122	1,030	
	POSCO (Suzhou) Automotive Processing Center Co., Ltd. (*5)	-	70.00	71,463	75,888	328	(4,226)	71,990	
	POSCO-China Holding Corp. (*5)	-	90.00	31,023	48,401	5,558	(3,155)	50,804	
	POSCO-Japan Co., Ltd.	-	100.00	165,233	228,489	1,237	(12,982)	216,744	
	POSCO-India Private Ltd.	90,438	100.00	55,004	65,457	24,598	(6,971)	83,084	
	POS-India Pune Steel Processing Centre Pvt. Ltd.	225,000,000	100.00	52,627	54,651	-	(3,398)	51,253	
	POSCO-Foshan Steel Processing Center Co., Ltd. (*5)	74,787,080	65.00	17,017	14,096	3,210	(1,554)	15,752	
	Nickel Mining Company	-	39.60	9,408	12,971	1,349	(837)	13,483	
	POSCO-Vietnam Co., Ltd. (*5)	3,234,698	49.00	157,585	219,879	(5,546)	(18,377)	195,956	
	POSCO-Mexico Co., Ltd.	-	100.00	198,578	232,647	(17,740)	(21,091)	193,816	
	POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	1,304,955,672	84.67	117,950	103,485	(32,035)	(1,416)	70,034	
	POSCO-SK Steel (PingHu) Processing Center Co., Ltd. (*5)	42,532,980	76.40	9,089	-	3,298	(392)	2,906	
	POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	-	20.00	1,869	2,977	(1,102)	(29)	1,846	
	Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd. (*5)	30,000	30.00	3,803	3,225	625	(154)	3,696	
	POSCO Vietnam Processing Center Co., Ltd. (*5)	-	24.00	6,718	11,959	(242)	(695)	11,022	
	POSCO (Chongqing) Automotive Processing Center Co., Ltd. (*5)	-	80.00	8,192	6,234	349	(476)	6,107	
	BX STEEL POSCO Cold Rolled Sheet Co., Ltd. (*5)	-	90.00	6,201	7,618	1,273	(565)	8,326	
	POSS-SLPC s.r.o. (*5)	-	25.00	61,961	92,064	(31,786)	(2,456)	57,822	
	POSCO Malaysia SDN. BHD. (*7)	-	30.00	1,794	3,109	(465)	(47)	2,597	
	POSCO (Wuhu) Automotive Processing Center Co., Ltd. (*5)	16,200,000	60.00	16,524	-	(1,024)	1,024	-	
	POSCO-SAMSUNG Steel Processing Center Co., Ltd. (*5,8)	-	68.57	10,025	11,955	139	(701)	11,393	
	POSCO VST Co., Ltd.	-	30.00	1,608	-	(928)	2,432	1,504	
		55,000,000	90.00	66,333	-	696	67,164	67,860	
				1,862,485	2,102,720	1,117	82,924	2,186,761	
				₩ 3,772,924	₩ 5,013,735	₩ 346,575	₩ 160,970	₩ 5,521,280	

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

- (*1) Due to the difference in the closing schedule of investees' financial statements, the Company used the unaudited or unreviewed financial statements of these companies as of September 30, 2009, 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) The equity method of accounting has been suspended for investment in POSDATA as the Company's net investments have been reduced to zero. Unrecorded changes in equity interest in POSDATA for the nine-month period ended September 30, 2009 was ₩ 1,253 million.
- (*4) Equity method of accounting is applied as the Company has significant influence over investees directly or indirectly through its affiliates by owning more than 20% of outstanding shares of investees.
- (*5) No shares have been issued in accordance with the local laws or regulations.
- (*6) Due to the sales of the interest previously owned by a subsidiary, the Company no longer has significant influence for Guangdong Xingpu Steel Center Co., Ltd. Therefore, the Company has reclassified it to available-for-sale securities from equity method accounted investments.
- (*7) The equity method of accounting has been suspended for investment in POSCO Malaysia SDN. BHD. as the Company's net investments have been reduced to zero. Unrecorded changes in equity interest in POSCO Malaysia SDN. BHD. for the nine-month period ended September 30, 2009 was ₩ 2,272 million and the accumulated unrecorded change in the interest prior to 2009 amounted to ₩ 2,102 million.
- (*8) This investment was reclassified to equity method accounted investment from available-for-sale securities, since its total assets were greater than ₩ 10,000 million as of December 31, 2008.

For the period ended September 30, 2009, amortization of goodwill amounted to ₩ 18,018 million and the the elimination of the unrealized profit from intercompany transaction less realized profit amounted to ₩ 183,169 million.

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

8. Property, Plant and Equipment

- (a) Changes in property, plant and equipment for the nine-month period ended September 30, 2009 are as follows:

<i>(in millions of Won)</i>	Beginning Balance	Acquisition (*1)	Disposal	Others (*2)	Depreciation	Ending Balance
Land	₩ 908,306	₩ 40,801	₩ -	₩ (592)	₩ -	₩ 948,515
Buildings	1,978,609	200,143	(747)	(912)	(130,635)	2,046,458
Structures	1,490,098	61,444	(3,054)	16,344	(93,277)	1,471,555
Machinery and equipment	7,346,339	2,320,970	(6,701)	(16,351)	(1,236,406)	8,407,851
Vehicles	20,302	2,974	(15)	-	(6,333)	16,928
Tools	17,317	7,465	(72)	-	(7,480)	17,230
Furniture and fixtures	54,025	8,341	(16)	-	(13,931)	48,419
Capital Lease Assets	10,192	-	-	-	(478)	9,714
Construction-in-progress	2,640,730	2,927,914	-	(2,645,976)	-	2,922,668
	<u>₩ 14,465,918</u>	<u>₩ 5,570,052</u>	<u>₩ (10,605)</u>	<u>₩ (2,647,487)</u>	<u>₩ (1,488,540)</u>	<u>₩ 15,889,338</u>

(*1) Includes acquisition cost transferred from construction-in-progress amounting to ₩ 2,642,138 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 ₩ 2,927,914 million for the nine-month period ended September 30, 2009.

9. Intangible Assets

Intangible assets, net of amortization, as of September 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	2009	2008
Intellectual property rights	₩ 2,683	2,479
Port facilities usage rights	104,248	116,554
Other intangible assets (*1)	47,577	51,062
	<u>₩ 154,508</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.

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

10. Pledged assets

- (a) As of September 30, 2009, treasury bills amounting to ₩ 29,742 million and the bonds amounting to ₩ 1,901 million issued by the Seoul metropolitan rapid transit Corporation, among the held-to-maturity securities, were provided as collateral to the Gyunggangbuk-do Province Office as guarantee for environmental remediation of POSCO No. 4 disposal site.
- (b) As of September 30, 2009, 2,030,526 shares, equivalent to 18,274,731 American depository receipts (“ADRs”) of SK Telecom Co., Ltd. have been pledged as collateral for the exchangeable bonds issued (note 13) and 164,893,000 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 September 30, 2009 and December 31, 2008 were as follows:

<i>(in millions of Won)</i>	2009		2008	
Korea Development Bank	EUR	4,125,918	₩	7,155
	EUR		EUR	4,600,591
				8,171

11. Other Assets

Other current and other long-term assets as of September 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	2009		2008	
Other current assets				
Short-term loans receivable	₩	-		14
Accrued income		33,525		34,396
Advanced payments		5,245		3,729
Prepaid expense		60,750		8,784
Others		-		1,250
	₩	99,520		48,173
Other long-term assets				
Log-term loans receivable	₩	15,322		6,637
Guarantee deposits		1,688		1,413
Other investment assets		66,794		66,066
		83,804		74,116
Less: Allowance for doubtful accounts		(686)		(33)
	₩	83,118		74,083

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

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

(a) Short-term borrowings as of September 30, 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	2.55	KRW	130,000	₩ 130,000	-	-	-
Foreign currency borrowings	1.80 ~ 3.27	USD	304,157,637	361,552	271,035,408	340,827	-
				₩ 491,552		340,827	-

(b) Current portion of long-term debts as of September 30, 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	-
Foreign currency borrowings	4.60	JPY	96,000,000	1,266	192,000,000	2,676	-
Loans from foreign financial institutions	2.00	EUR	636,350	1,104	636,350	1,130	-
				2,370		203,806	-
Less: Discount on debentures issued				-		(165)	-
				₩ 2,370		203,641	-

13. Long-Term Debts

(a) Debentures as of September 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>Issue date</u>	<u>Maturity</u>	<u>Annual Interest Rate (%)</u>			<u>2009</u>			<u>2008</u>
Domestic debentures	Mar. 28, 2006~ Jan. 20, 2009	Sep. 29, 2009~ Jan. 20, 2014	4.66 ~ 6.52	KRW	2,300,000	₩ 2,300,000	2,000,000	2,000,000	-
9th Samurai Bonds	Jun. 28, 2006	Jun. 28, 2013	2.05	JPY	50,000,000,000	659,400	50,000,000,000	696,945	-
Euro Bonds	Aug. 10, 2006	Aug. 10, 2016	5.88	USD	300,000,000	356,610	300,000,000	377,250	-
Exchangeable bonds (*1)	Aug. 19, 2008	Aug. 19, 2011	-	JPY	52,795,000,000	696,260	52,795,000,000	735,904	-
Yen denominated FRN	Nov. 11, 2008	Nov. 11, 2013	6 Months Tibor+2.60	JPY	20,000,000,000	263,760	20,000,000,000	278,778	-
1st Samurai Private Equity Bonds	Dec. 29, 2008	Dec. 29, 2011	6 Months Tibor+1.60	JPY	50,000,000,000	659,400	50,000,000,000	696,945	-
Global Bonds	Mar. 26, 2009	Mar. 26, 2014	8.75	USD	700,000,000	832,090	-	-	-
						5,767,520		4,785,822	-
Add: Premium on bond redemption						10,514		11,112	-
Less: Current portion						-		(200,000)	-
Discount on debentures issued						(71,853)		(71,525)	-
						₩ 5,706,181		4,525,409	-

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

(*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 an exchangeable right	JPY 2,867,605,334
Fair value of an exchangeable right as of September 30, 2009:	JPY 216,987,450
ADR exchangeable as of September 30, 2009:	ADR 18,274,731
Exercise period of exchangeable right:	Commencing ten business days following the issuance date until ten business days prior to maturity date
Exercisable date of put by bondholders:	August 19, 2011

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 borrowings as of September 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	Annual Interest Rate (%)		2009	2008
Korea Resources Corporation	Representative-Borrowing Rate(*1)-2.25	₩	55,114	49,308
Woori Bank	Representative-Borrowing Rate(*1)-1.25		13,269	-
		₩	<u>68,383</u>	<u>49,308</u>

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

(c) Long-term foreign currency borrowings as of September 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	Annual Interest Rate (%)		2009	2008		
Korea National Oil Corporation (*1)	Representative-Borrowing Rate-2.25	USD	2,851,409	₩ 3,591	2,324,540	2,923
Development Bank of Japan	4.60	JPY	96,000,000	1,266	192,000,000	2,676
				4,857		5,599
Less: Current portion				(1,266)		(2,676)
				<u>₩ 3,591</u>		<u>2,923</u>

(*1) The borrowing is related to the exploration of gas field in the Aral Sea in Uzbekistan with Korea National Oil Corporation (“KNOC”) (note 16).

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

(d) Loans from foreign financial institutions as of September 30, 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	4,125,918	₩	7,155
Less: Current portion		EUR	(636,350)	₩	(1,104)
			<u>₩</u>	<u>₩</u>	<u>7,041</u>
				4,600,591	8,171
				(636,350)	(1,130)
				<u>₩</u>	<u>7,041</u>

(e) Aggregate maturities of long-term debts as of September 30, 2009 are as follows:

<i>(in millions of Won)</i>						<u>Loans from</u>		
September 30,	<u>Debentures (*)</u>	<u>Borrowings</u>	<u>Foreign Currency</u>	<u>Borrowings</u>	<u>Loans from</u>	<u>Foreign financial</u>	<u>Institution</u>	<u>Total</u>
2010	₩ -	₩ -	₩	1,266	₩	1,104	₩	2,370
2011	800,000	-	-	-	-	1,104	-	801,104
2012	1,423,160	5,459	-	-	-	1,104	-	1,429,723
2013	1,855,660	7,164	-	-	-	1,104	-	1,863,928
Thereafter	1,699,214	55,760	-	3,591	-	2,739	-	1,761,304
	<u>₩ 5,778,034</u>	<u>₩ 68,383</u>	<u>₩</u>	<u>4,857</u>	<u>₩</u>	<u>7,155</u>	<u>₩</u>	<u>5,858,429</u>

(*) The amount includes premium on bond redemption.

14. Accrued Severance Benefits

The changes in accrued severance benefits for the nine-month period ended September 30, 2009 and the year ended December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Estimated severance benefits at the beginning of period	₩ 851,391	682,686
Provision for severance benefits	(3,875)	221,748
Payment	(62,340)	(53,043)
Estimated severance benefits at the end of period	<u>₩ 785,176</u>	<u>851,391</u>
Transferred to National Pension Fund	(82)	(84)
Deposit for severance benefits trust	(579,076)	(590,939)
Net balance at the end of period	<u>₩ 206,018</u>	<u>260,368</u>

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

15. Other Current Liabilities

Other current liabilities as of September 30, 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	₩ 35,351	25,162
Unearned revenue	2,021	2,472
Others	31,520	9,453
	<u>₩ 68,892</u>	<u>37,087</u>

16. Commitments and Contingencies

(a) As of September 30, 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>	<u>Company</u>	<u>Financial Institution</u>	<u>2009</u>		<u>2008</u>	
			<u>Guaranteed</u>	<u>Won Equivalent</u>	<u>Guaranteed</u>	<u>Won Equivalent</u>
Related companies						
	POSCO Investment Co., Ltd.	Bank of Tokyo-Mitsubish	USD	-	42,000,000	
			CNY	-	29,000,000	
		HSBC	CNY	630,000,000	₩ 616,458	248,976
			MYR	280,000,000	180,000,000	
			USD	346,000,000	100,000,000	
	Zhangjiagang Pohang Stainless Steel Co., Ltd.	Bank of China and others	USD	-	199,925,000	251,406
	POSCO-Vietnam Co., Ltd.	The Export-Import Bank of Korea and others	USD	230,000,000	336,792	251,500
			JPY	4,806,750,000	-	751,882
				<u>953,250</u>		<u>751,882</u>
Others						
	OCI Company LTD.	E1 Co., Ltd.	KRW	320	320	320
	Zeus (Cayman) Ltd.	Related creditors	JPY	52,795,000,000	696,260	52,795,000,000
	BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Bank of China and others	USD	13,800,000	65,877	15,840,000
			CNY	284,180,000	423,440,000	97,870
				<u>762,457</u>		<u>834,094</u>
				<u>₩ 1,715,707</u>		<u>₩ 1,585,976</u>

(b) As of September 30, 2009, the Company issued five blank promissory notes to Korea Resources Corporation as collateral for borrowings, and issued six blank promissory notes to KNOC as collateral for foreign currency borrowings.

(c) 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.

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

- (d) As of September 30, 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 ₩ 4,038 million for the nine-month period ended September 30, 2009. Future lease payments under these lease agreements are as follows:

(in millions of Won)

Period	Amount
2009	₩ 1,266
2010	3,288
2011	1,049
	₩ 5,603

- (e) The Company is involved in fourteen lawsuits and claims for alleged damages aggregating to ₩ 14,764 million as of September 30, 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 September 30, 2009.
- (f) The Company entered into long-term contracts to purchase iron ore, coal and nickel and other raw materials. These contracts generally have terms of more than three years and provide for periodic price adjustments to the market price. As of September 30, 2009, 364 million tons of iron ore and 55 million tons of coal remained to be purchased under such long-term contracts.
- (g) The Company entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia regarding the commitment to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. 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 agreements of up to ₩ 300,000 million with Woori Bank and six other banks as of September 30, 2009. In addition, the Company entered into a credit purchase loan agreement with Industrial Bank of Korea and five other banks for credit lines of up to ₩ 280,000 million and short-term borrowing agreement of up to ₩ 700,000 million with Woori Bank and five other banks.
- (i) As of September 30, 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\$ 1,400 million and US\$ 500 million in foreign short-term borrowings.
- (j) The outstanding balance of accounts receivable in foreign currency sold to financial institutions as of September 30, 2009 amounted to US\$ 160.4 million for which the Company is contingently liable upon the issuers' default.

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

- (k) The Company entered into commitments of foreign currency long-term borrowings which are limited up to the amount of US\$ 6.86 million and US\$ 3.54 million with KNOC related to the exploration of gas fields in the Aral Sea, Uzbekistan and Namangan-Tergachi, respectively. The repayment obligation depends on the success of the project. The Company is not liable for the repayment of full or part of money borrowed if the project fails and also the Company has agreed to pay certain portion of its profits under certain conditions as defined by borrowing agreement.

17. Derivatives

- (a) Details of derivatives as of September 30, 2009 and December 31, 2008 are as follows:

<u>Type of Transaction</u>	<u>Purpose of Transaction</u>	<u>Financial Institutions</u>	<u>Description of contract</u>
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 ₩ 2,862 million (JPY 216,987,450) as of September 30, 2009. This exchangeable right is included in other long-term liabilities.

- (b) Details of the gains (losses) on derivatives, net for the nine-month periods ended September 30, 2009 and 2008 are as follows:

<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)	₩ -	-	₩ 14,177	830
Embedded derivative	6,337	14,196	-	-
	₩ 6,337	14,196	₩ 14,177	830

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

18. Stock Appreciation Rights

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

	<u>1st Grant</u>	<u>2nd Grant</u>	<u>3rd Grant</u>	<u>4th Grant</u>	<u>5th Grant</u>	<u>6th Grant</u>	<u>Total</u>
Before the modifications (*)							
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	
After the modifications (*)							
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	55,896 shares	20,495 shares	124,417 shares	90,524 shares	62,000 shares	787,499 shares
Number of shares outstanding	-	-	-	11,480 shares	123,704 shares	28,000 shares	163,184 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 modified the number of shares granted under the stock appreciation rights and the exercise price, as presented above (1st, 2nd, 3rd, 4th and 5th), in accordance with the resolutions of the Board of Directors on April 26, 2003, October 17, 2003 and October 22, 2004.

- (b) Expense (or income) related to stock appreciation rights granted to executives incurred for the nine-month period ended September 30, 2009 are as follows:

<i>(in millions of Won)</i>	<u>1st Grant</u>	<u>2nd Grant</u>	<u>3rd Grant</u>	<u>4th Grant</u>	<u>5th Grant</u>	<u>6th Grant</u>	<u>Total</u>
Prior periods	₩ 59,945	₩ 10,801	₩ 4,843	₩ 29,770	₩ 54,680	₩ 25,486	₩ 185,525
Current period	-	(21)	1,228	1,627	15,108	3,374	21,316
	<u>₩ 59,945</u>	<u>₩ 10,780</u>	<u>₩ 6,071</u>	<u>₩ 31,397</u>	<u>₩ 69,788</u>	<u>₩ 28,860</u>	<u>₩ 206,841</u>

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

19. Selling and Administration Expenses

Details of selling and administrative expenses for the three-month and nine-month periods ended September 30, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	For the three-month period		For the nine-month period	
	ended September 30		ended September 30	
	2009	2008	2009	2008
Selling expenses	₩ 160,909	199,247	465,578	568,478
Fees and charges	28,191	34,305	83,385	98,344
Salaries and wages	23,848	22,114	71,449	66,642
Advertising	16,674	19,163	50,778	59,559
Research and development	30,405	12,459	40,453	37,118
Depreciation	3,668	3,876	11,177	11,753
Amortization	4,094	3,702	11,824	10,886
Rent	4,697	5,743	13,822	16,331
Other employ benefits	22,410	35,306	54,765	72,503
Provision for severance benefits	37	7,802	3,804	21,141
Supplies	501	807	3,431	3,760
Travel	3,155	3,908	8,696	10,803
Training	3,538	4,416	9,167	13,207
Repairs	5,265	2,694	8,116	7,169
Communications	1,809	1,995	5,541	5,940
Vehicle expenses	1,448	1,514	4,172	4,042
Taxes and public dues	1,356	1,270	3,322	3,665
Entertainment	724	1,113	2,271	3,663
Subscriptions and printing	557	590	1,531	1,559
Utilities	108	261	294	724
Insurances	3,540	2,393	8,422	6,013
Stock compensation expense (note 18)	12,318	10,780	21,316	-
Others	3,655	3,714	12,676	13,248
	₩ <u>332,907</u>	<u>379,172</u>	<u>895,990</u>	<u>1,036,548</u>

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

20. Income Taxes

- (a) Income tax expense for the nine-month periods ended September 30, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Current income taxes (*)	₩ 294,757	1,288,515
Deferred income taxes	(15,590)	(223,932)
Items charged directly to shareholders' equity	(115,125)	168,439
	<u>₩ 164,042</u>	<u>1,233,022</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 nine-month periods ended September 30, 2009 and 2008:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Net income before income tax expense	₩ 2,060,979	4,958,518
Income tax expense computed at statutory rate	498,740	1,363,569
Adjustments:	(334,698)	(130,547)
Tax credit	(200,406)	(89,923)
Tax returns (*)	(140,442)	-
Others, net	6,150	(40,624)
Income tax expense	<u>₩ 164,042</u>	<u>1,233,022</u>
Effective rate	<u>7.96%</u>	<u>24.87%</u>

- (*) The Company obtained tax refunds amounting to ₩ 144,248 million from the additional tax payments made in 2005, according to the decision of Tax Tribunal, and recognized ₩ 140,442 million as tax returns less the adjusted amount in deferred income tax assets (liabilities).

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

(c) Changes in temporary differences and deferred income taxes for the nine-month period ended September 30, 2009 are as follows:

<i>(in millions of Won)</i>	Accumulated temporary differences			Deferred income tax		
	Dec. 31, 2008	Inc. (dec.) (*1)	September 30, 2009	Dec. 31, 2008	Inc. (dec.)	September 30, 2009
Reserve for special repairs	₩ (281,824)	₩ 103,266	₩ (178,558)	₩ (62,423)	₩ 23,039	₩ (39,384)
Reserve for technology developments	(720,000)	214,220	(505,780)	(167,016)	55,744	(111,272)
Dividend income from related companies	430,688	30,711	461,399	94,751	6,757	101,508
Depreciation expense	(267,736)	(79,441)	(347,177)	(58,569)	(17,796)	(76,365)
Valuation of equity method accounted investments (*2)	(1,778,197)	(327,617)	(2,105,814)	(299,121)	(69,827)	(368,948)
Prepaid expenses	68,751	47,989	116,740	16,182	9,696	25,878
Impairment loss on property, plant and equipment	42,461	(5,936)	36,525	9,374	(1,321)	8,053
Gain on foreign currency translation	622,855	(322,533)	300,322	137,581	(71,510)	66,071
Gain on valuation of available-for-sale securities	(393,580)	(392,293)	(785,873)	(86,587)	(86,305)	(172,892)
Loss on valuation of available-for-sale securities	973,348	(144,983)	828,365	214,137	(31,897)	182,240
Tax credit	-	-	-	-	199,298	199,298
Others	362,567	(3,552)	359,015	74,851	(288)	74,563
	₩ (940,667)	₩ (880,169)	₩ (1,820,836)	₩ (126,840)	₩ 15,590	₩ (111,250)

(*1) The adjustments reflect the effect of the finalized tax assessment for the year ended December 31, 2008.

(*2) As the Company is unlikely to dispose of its investee shares within five years, the income tax effect of ₩ 416,777 million in September 30, 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 September 30, 2009 are as follows:

<i>(in millions of Won)</i>	Current	Non-current	Total
Deferred tax assets	₩ 240,462	707,014	947,476
Deferred tax liabilities	(26,488)	(1,032,238)	(1,058,726)
Total	₩ 213,974	(325,224)	(111,250)

(e) Income tax expense which is directly charged to shareholders' equity due to changes in valuation of available-for-sale securities for the nine-month period ended September 30, 2009 amounted to ₩ 115,125 million.

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

21. Comprehensive Income

- (a) For the nine-month periods ended September 30, 2009 and 2008, comprehensive income are as follows:

<i>(in millions of Won)</i>	2009	2008
Net income	₩ 1,896,937	3,725,496
Gain (loss) on valuation of available-for-sale securities	537,277	(1,047,112)
Less: tax effect	(118,202)	287,956
Changes in capital adjustments arising from equity method accounted investments	7,668	493,753
Less: tax effect	12,917	(114,195)
Comprehensive income	<u>₩ 2,336,597</u>	<u>3,345,898</u>

- (b) For the three-month periods ended September 30, 2009 and 2008, comprehensive income are as follows:

<i>(in millions of Won)</i>	2009	2008
Net income	₩ 1,141,891	1,218,717
Gain (loss) on valuation of available-for-sale securities	242,386	(532,769)
Less: tax effect	(53,326)	146,511
Changes in capital adjustments arising from equity method accounted investments	(130,045)	188,384
Less: tax effect	31,551	(42,111)
Comprehensive income	<u>₩ 1,232,457</u>	<u>978,732</u>

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

22. Earnings Per Share

(a) Basic earnings per share for the nine-month periods ended September 30, 2009 and 2008 were as follows:

<i>(in millions of Won except per share information)</i>	<u>2009</u>	<u>2008</u>
Net income	₩ 1,896,937	3,725,496
Weighted-average number of common shares outstanding (*)	76,569,916	75,403,165
Basic earnings per share	<u>₩ 24,774</u>	<u>49,408</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 nine-month periods ended September 30, 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	10,616,919	11,783,670
Weighted-average number of common shares outstanding	<u>76,569,916</u>	<u>75,403,165</u>

(b) Basic earnings per share for for the three-month periods ended September 30, 2009 and 2008 were as follows:

<i>(in millions of Won except per share information)</i>	<u>2009</u>	<u>2008</u>
Net income	₩ 1,141,891	1,218,717
Weighted-average number of common shares outstanding (*)	76,569,916	75,394,201
Basic earnings per share	<u>₩ 14,913</u>	<u>16,165</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 September 30, 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	10,616,919	11,792,634
Weighted-average number of common shares outstanding	<u>76,569,916</u>	<u>75,394,201</u>

(c) Basic earnings per share for the year ended December 31, 2008, for the three-month period ended March 31, 2009 and for the six-month period ended June 30, 2009 were ₩ 58,905, ₩ 4,238 and ₩ 9,861, respectively.

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

23. Related Party Transactions

(a) As of September 30, 2009, the subsidiaries of the Company are as follows:

Domestic (29)	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 Company Co., Ltd., POSCO Terminal Co., Ltd., POSMATE Co., Ltd., Samjung Packing & Aluminum Co., Ltd., POSCO Power Corp., PHP Co., Ltd., PNR Co., Ltd., Megaasset Co., Ltd., Daewoo Engineering Company, Metapolis Co., Ltd., POSCORE Co., Ltd., Pohang Fuelcell Power Corp., POSCOAST Co., Ltd., DAIMYUNG TMS.Co., Ltd., POSHIMETAL Co., Ltd., POSCO E&E Co., Ltd.
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), POSCO-JKPC Co., Ltd., International Business Center Corporation (IBC), POSLILAMA Steel Structure 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-JOPC Co., Ltd., 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) Engineering & Consulting Co., Ltd, POS-CD Pty. Ltd., POS-GC Pty. Ltd., POSCO-India Pvt. Ltd., POS-India Pune Steel Processing Centre Pvt. Ltd. (POSCO-IPPC), POSCO-JNPC Co., Ltd., POSCO-Foshan Steel Processing Center Co., Ltd. (POSCO-CFPC), POSCO E&C (Beijing) Co., Ltd., POSCO MPC S.A. de C.V. (POSCO-MPPC), Zhanjiagang Pohang Port Co., Ltd., POSCO Vietnam Co., Ltd., POSCO-Mexico S.A. de Co. Ltd., POSCO-India Delhi Steel Processing Centre Pvt. Ltd. (POSCO-IDPC), POSCO (Chongqing) Automotive Processing Center Co., Ltd. (POSCO-CCPC), POS-NP Pty. Ltd., POSCO Vietnam Processing Center Co., Ltd. (POSCO-VHPC), Suzhou Poscore Technology Co., Ltd. (POSCO-CORE(SZ)), POSCO-JYPC Co., Ltd., POSCO Malaysia SDN. BHD., POS-Minerals Corporation, POSCO (Wuhu) Automotive Processing Center Co., Ltd. (POSCO-CWPC), &TV Communications Inc., POSCO Phillipine Manila Processing Center Inc. (POSCO-PMPC), POSCO VST Co., Ltd.

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

(b) Significant transactions, which occurred in the ordinary course of business, with related companies for the nine-month periods ended September 30, 2009 and 2008, and the related account balances as of September 30, 2009 and December 31, 2008 are as follows:

	Sales and others (*1)		Purchase and others (*1)		Receivables (*2)		Payables (*2)	
	2009	2008	2009	2008	2009	2008	2009	2008
<i>(in millions of Won)</i>								
Subsidiaries								
POSCO E&C Co., Ltd.	₩ 3,675	₩ 11,917	₩ 1,506,199	₩ 831,946	₩ 90	₩ 814	₩ 177,533	₩ 249,792
Posteel Co., Ltd.	879,897	1,034,125	99,169	146,192	112,502	220,713	6,440	21,651
POSCON Co., Ltd.	74	79	165,821	162,822	1	5	23,222	62,957
Pohang Coated & Color Steel Co., Ltd.	349,651	447,357	962	1,579	98,510	48,785	173	71
POSCO Machinery & Engineering Co., Ltd.	1,486	1,344	124,531	113,746	1	2,665	11,246	25,387
POSDATA Co., Ltd.	863	1,330	131,862	137,094	-	1	22,003	20,311
POSCO Research Institute	-	2	15,448	14,165	-	54	1,347	3,780
POSCO Architects & Consultants Co., Ltd.	254	731	27,111	20,861	-	-	1,994	5,470
POSCO Specialty Steel Co., Ltd.	177	2,021	3,289	18,651	161	1,843	2,007	4,463
POSCO Machinery Co., Ltd.	8,816	10,659	59,505	50,789	-	2,188	3,422	28,517
POSMATE Co., Ltd.	901	1,177	27,321	27,720	-	246	3,217	4,763
POSCO Refractories & Environment Company Co., Ltd.	67,043	29,376	338,940	223,101	6,765	19,137	59,735	57,791
Samjung Packing & Aluminum Co., Ltd.	12,692	17,774	150,277	190,961	2,601	2,578	24,125	17,422
POSCORE Co., Ltd.	94,473	89,471	64	-	15,315	20,330	6	-
POSCO America Corporation	114,220	97,356	-	88	3,904	25	-	405
POSCO Australia Pty. Ltd.	6,864	22,619	-	-	528	18	-	-
POSCO Canada Limited	-	20	70,835	142,864	-	21	9,245	-
POSCO Asia Co., Ltd.	849,733	775,266	65,295	158,350	24,500	28,301	1,513	2,978
POSCO-JKPC Co., Ltd.	20,667	24,775	-	-	851	2,560	-	-
POSCO Thailand Bangkok Processing Center Co., Ltd.	46,233	65,586	5	29	1,398	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	160,560	68,826	-	-	2,681	4,804	-	-
POSCO-Japan Co., Ltd.	463,662	756,987	23,724	11,004	22,534	21,700	7,040	1,104
POS-India Pune Steel Processing Centre Pvt. Ltd.	58,877	62,391	-	-	1,349	4,019	-	-
POSCO-Mexico Co., Ltd.	62,779	-	-	-	304	-	-	-
POSCO-Malaysia SDN. BHD.	36,539	32,287	-	-	777	-	-	-
Others	345,691	208,310	18,129	8,389	36,963	4,708	7,152	1,092
	3,585,827	3,761,786	2,828,487	2,260,351	331,735	385,515	361,420	507,954
Equity method investees								
eNtoB Corporation	-	-	154,250	191,691	-	-	-	6,016
SNNC Co., Ltd.	307	1,855	244,392	-	119	19	15,935	1,926
KOBRASCO	-	-	2,857	60,883	-	4,115	-	-
Poschrome(Proprietary) Limited	-	98	32,590	82,124	-	-	-	-
USS - POSCO Industries	162,659	301,516	56	-	8	-	-	-
Others	18,926	16,527	90	-	243	1,825	-	-
	181,892	319,996	434,235	334,698	370	5,959	15,935	7,942
Total	₩ 3,767,719	₩ 4,081,782	₩ 3,262,722	₩ 2,595,049	₩ 332,105	₩ 391,474	₩ 377,355	₩ 515,896

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

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

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

(c) For the nine-month periods ended September 30, 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	₩ 8,648	8,025
Severance benefits	4,714	3,276
Management achievement awards	10,660	10,628
Total	<u>₩ 24,022</u>	<u>21,929</u>

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. Other than the compensation which is described above, the Company granted stock appreciation rights to its key management officers. The Company recognized expense related to stock appreciation rights which were increased by ₩ 21,316 million, and decreased by ₩ 34,372 million for the nine-month periods ended September 30, 2009 and 2008, respectively (note 18).

24. Segment Information

The Company has main plants in Pohang and in Gwangyang in the Republic of Korea. Sales of the plants for the nine-month periods ended September 30, 2009 and 2008 were as follows:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Pohang	₩ 11,267,283	12,211,140
Gwangyang	8,326,593	10,083,763
Others	71,937	42,215
Total	<u>₩ 19,665,813</u>	<u>22,337,118</u>

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

25. Cost of goods sold

Details of cost of goods sold for the three-month and nine-month periods ended September 30, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2009	2008	2009	2008
Finished goods, semi-finished goods and by-product				
Beginning balance of inventories	₩ 1,494,965	1,772,251	2,749,541	1,359,025
Cost of goods manufactured	5,374,410	6,718,862	15,724,177	16,802,125
Overhead variance	(100,219)	71,050	(17,016)	99,159
Refund of customs	(6,564)	(2,709)	(11,684)	(8,253)
Ending balance of inventories	(1,274,233)	(2,118,677)	(1,274,233)	(2,118,677)
	5,488,359	6,440,777	17,170,785	16,133,379
Others	11,495	9,699	37,820	24,737
Total	₩ 5,499,854	6,450,476	17,208,605	16,158,116

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 2009
(Unaudited)

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, and it has analyzed the impact of the adoption of K-IFRS and has been on the process of modification of system. Also, the Company has trained persons in charge of adoption of K-IFRS in POSCO and its subsidiaries and it is reporting the results of its operation to the audit committee and management group periodically. Details of action plans and current status for the preparation of K-IFRS as of September 30, 2009 are as follows:

Major activities	Action Plans	Current status for the preparation of K-IFRS as of September 30, 2009
Analysis of the impact on adoption of K-IFRS and managing the separate task force for the adoption of K-IFRS	Preparation in adopting K-IFRS by managing the separate task force for the adoption of K-IFRS	1) Setting up separate task force for the adoption of K-IFRS in July, 2008 2) Completion of first phase of K-IFRS consulting project provided by the accounting firm from August, 2008 to March, 2009 (Analysis of the impact on adoption of K-IFRS and creating Group GAAP) 3) Performing second phase of K-IFRS consulting project provided by the accounting firm from April, 2009 up to now (Design stand-alone financial closing process with respect to GAAP differences)
Train persons in charge of accounting and related system	Obtaining essential technical knowledge for the adoption of K-IFRS by the end of 2009	1) Training persons in charge at working level of the Company and its subsidiaries regarding the impact of adoption of K-IFRS and reporting to audit committee and management group from July, 2008 up to now
Modification of system	Modification of the stand-alone financial closing system by the end of 2009 for application of K-IFRS	1) Modifying the stand-alone financial closing system as of September 31, 2009

27. Subsequent Events

On October 16, 2009, the Board of Directors decided to dispose 462,962 treasury shares worth 250,000 million to Kookmin Bank to execute equity swap with Kookmin Bank.