

POSCO

**Non-Consolidated Financial Statements
December 31, 2009 and 2008**

(With Independent Auditors' Report Thereon)

Table of Contents

	Page
Independent Auditors' Report	1
Non-Consolidated Financial Statements	
Non-Consolidated Statements of Financial Position.....	3
Non-Consolidated Statements of Income	5
Non-Consolidated Statements of Appropriation of Retained Earnings	6
Non-Consolidated Statements of Changes in Equity	7
Non-Consolidated Statements of Cash Flows.....	8
Notes to the Non-Consolidated Financial Statements.....	10
Independent Accountants' Review Report on Internal Accounting Control System ...	65
Report on the Operations of Internal Accounting Control System	67

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders of
POSCO:

We have audited the accompanying non-consolidated statements of financial position of POSCO (the "Company") as of December 31, 2009 and 2008, and the related non-consolidated statements of income, appropriation of retained earnings, changes in equity and cash flows for the years ended December 31, 2009 and 2008. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall non-consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008 and the results of its operations, appropriation of its retained earnings, the changes in its equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

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

Seoul, Korea
February 8, 2009

This report is effective as of February 8, 2010, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

POSCO
Non-Consolidated Statements of Financial Position
As of December 31, 2009 and 2008

<i>(in millions of Won)</i>	2009	2008
Assets		
Current assets		
Cash and cash equivalents (notes 3 and 26)	₩ 626,782	941,687
Short-term financial instruments (note 3)	5,581,594	1,524,598
Trading securities (note 6)	505,811	1,236,185
Current portion of available-for- sale securities (note 7)	20,230	-
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, 26 and 30)	2,683,909	3,228,679
Inventories (note 5)	2,996,326	6,415,601
Other accounts receivable, net of allowance for doubtful accounts (notes 4, 26 and 30)	126,942	278,301
Deferred income tax assets (note 27)	286,075	-
Other current assets (note 11)	70,395	48,173
Total current assets	12,918,064	13,693,224
Property, plant and equipment at cost (notes 8 and 31)	40,071,426	36,504,565
Less accumulated depreciation	(23,425,832)	(22,038,647)
Property, plant and equipment, net	16,645,594	14,465,918
Investment securities, net (note 7)	10,187,813	8,625,939
Intangible assets, net (notes 9 and 31)	151,829	170,095
Long-term trade accounts receivable, net of allowance for doubtful accounts (note 4)	1,307	4,154
Long-term financial instruments (note 3)	40	40
Other long-term assets, net of allowance for doubtful accounts (notes 3 and 26)	88,118	74,083
Total non-current assets	27,074,701	23,340,229
Total assets	₩ 39,992,765	37,033,453

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Financial Position
As of December 31, 2009 and 2008

<i>(in millions of Won)</i>	2009	2008
Liabilities		
Trade accounts payable (notes 26 and 30)	₩ 739,746	1,108,856
Short-term borrowings (notes 12 and 26)	430,910	340,827
Current portion of long-term debt, net of discount on debentures issued (notes 12, 13 and 26)	1,065	203,641
Accrued expenses	145,484	139,494
Other accounts payable (notes 26 and 30)	993,120	694,681
Withholdings	51,075	40,042
Income tax payable	290,638	1,628,262
Deferred income tax liabilities (note 27)	-	90,307
Other current liabilities (note 15)	33,804	37,088
Total current liabilities	2,685,842	4,283,198
Long-term debt, net of current portion and discount on debentures issued (notes 13 and 26)	5,681,509	4,584,681
Accrued severance benefits, net (note 14)	185,187	260,368
Deferred income tax liabilities (note 27)	400,276	36,533
Other long-term liabilities	88,660	85,016
Total non-current liabilities	6,355,632	4,966,598
Total liabilities	9,041,474	9,249,796
Shareholders' Equity		
Capital stock (note 19)	482,403	482,403
Capital surplus (note 20)	4,404,069	4,291,355
Capital adjustments (note 21)	(2,403,263)	(2,502,014)
Accumulated other comprehensive income	524,824	51,790
Retained earnings (note 22)	27,943,258	25,460,123
Total shareholders' equity	30,951,291	27,783,657
Total liabilities and shareholders' equity	₩ 39,992,765	37,033,453

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Income
For the years Ended December 31, 2009 and 2008

<i>(in millions of Won except per share amounts)</i>	2009	2008
Sales (note 31)	₩ 26,953,945	30,642,409
Cost of goods sold (note 24)	22,574,304	22,706,984
Gross profit	4,379,641	7,935,425
Selling and administrative expenses (note 25)	1,231,642	1,395,366
Operating profit	3,147,999	6,540,059
Non-operating income		
Interest income	208,473	191,086
Dividend income	60,114	95,382
Gain on valuation of trading securities	5,811	16,185
Gain on disposal of trading securities	21,103	52,923
Gain on disposal of property, plant and equipment	21,274	11,970
Gain on valuation of derivatives (note 17)	7,065	17,985
Gain on disposal of derivatives transactions (note 17)	33,458	1,356
Gain on foreign currency transactions	649,733	827,198
Gain on foreign currency translation	422,225	71,476
Equity in earnings of equity method accounted investments (note 7)	585,436	399,436
Reversal of allowance for doubtful accounts	417	7,655
Gain on disposal of other long-term assets	1,893	29,336
Reversal of stock compensation expense (note 18)	-	55,155
Others	49,256	102,425
	<u>2,066,258</u>	<u>1,879,568</u>
Non-operating expenses		
Interest expense	288,575	143,160
Other bad debt expense	21	4,892
Loss on foreign currency transactions	722,956	987,361
Loss on foreign currency translation	15,406	694,011
Donations	106,410	112,856
Loss on disposal of property, plant and equipment	73,822	67,191
Loss on disposal of derivatives transactions (note 17)	19,281	526
Equity in losses of equity method accounted investments (note 7)	235,407	422,784
Loss on disposal of trade accounts and notes receivable	5,458	8,829
Loss on impairment of investments (note 7)	131,126	96,785
Others	33,270	51,702
	<u>1,631,732</u>	<u>2,590,097</u>
Income before income taxes	3,582,525	5,829,530
Income tax expense (note 27)	410,261	1,382,597
Net income	<u>₩ 3,172,264</u>	<u>4,446,933</u>
Basic earnings per share (note 29)	<u>₩ 41,380</u>	<u>58,905</u>

See accompanying notes to non-consolidated financial statements.

POSCO

Non-Consolidated Statements of Appropriation Retained Earnings For the years Ended December 31, 2009 and 2008 (Dates of Appropriations : February 26, 2010 and February 27, 2009 for the years ended December 31, 2009 and 2008, respectively)

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Retained earnings before appropriation		
Unappropriated retained earnings carried over from prior year	₩ 237,624	230,611
Interim dividends (note 23)	(114,855)	(188,485)
Dividends (ratio) per share		
₩1,500 (30%) in 2009		
₩2,500 (50%) in 2008		
Net income	<u>3,172,264</u>	<u>4,446,933</u>
	<u>3,295,033</u>	<u>4,489,059</u>
Transfer from discretionary reserve		
Reserve for technology and human resource development	<u>391,667</u>	<u>351,667</u>
Appropriations of retained earnings		
Cash dividends (note 23)	500,714	574,274
Dividends (ratio) per share		
₩6,500 (130%) in 2009		
₩7,500 (150%) in 2008		
Reserve for research and manpower development	800,000	-
Appropriated retained earnings for business expansion	2,000,000	3,800,000
Appropriated retained earnings for dividends	<u>184,671</u>	<u>228,828</u>
	<u>3,485,385</u>	<u>4,603,102</u>
Unappropriated retained earnings carried forward to subsequent year	<u>₩ 201,315</u>	<u>237,624</u>

See accompanying notes to non-consolidated financial statements.

POSCO

Non-Consolidated Statements of Changes in Equity For the years ended December 31, 2009 and 2008

<i>(in millions of Won)</i>	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	-	-	-	-	4,446,933	4,446,933
Interim dividends	-	-	-	-	(188,485)	(188,485)
Changes in capital surplus of equity method accounted investments	-	40,578	-	-	-	40,578
Acquisition of treasury stock	-	-	(36,832)	-	-	(36,832)
Disposal of treasury stock	-	121,938	250,782	-	-	372,720
Gain on valuation of available-for-sale securities, net	-	-	-	(1,140,947)	-	(1,140,947)
Changes in capital adjustments arising from equity method accounted investments	-	-	-	353,010	-	353,010
Balance as of December 31, 2008	₩ 482,403	₩ 4,291,355	₩ (2,502,014)	₩ 51,790	₩ 25,460,123	₩ 27,783,657
<i>(in millions of Won)</i>	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	-	-	-	-	3,172,264	3,172,264
Interim dividends	-	-	-	-	(114,855)	(114,855)
Changes in capital surplus of equity method accounted investments	-	(4,578)	-	-	-	(4,578)
Disposal of treasury stock	-	117,292	98,751	-	-	216,043
Loss on valuation of available-for-sale securities, net	-	-	-	426,519	-	426,519
Changes in capital adjustments arising from equity method accounted investments	-	-	-	46,515	-	46,515
Balance as of December 31, 2009	₩ 482,403	₩ 4,404,069	₩ (2,403,263)	₩ 524,824	₩ 27,943,258	₩ 30,951,291

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Cash Flows
For the years Ended December 31, 2009 and 2008

<i>(in millions of Won)</i>	2009	2008
Cash flows from operating activities		
Net income	₩ 3,172,264	4,446,933
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,059,548	1,908,805
Accrual of severance benefits	3,320	221,748
Gain on valuation of trading securities	(5,811)	(16,185)
Gain on disposal of trading securities	(21,103)	(52,923)
Gain on disposal of investments, net	(10,548)	(13,882)
Loss on disposal of property, plant and equipment, net	52,548	55,221
Gain on valuation of derivatives	(7,065)	(17,985)
Equity in earnings (losses) of equity method accounted investments, net	(350,029)	23,348
(Reversal of) stock compensation expense	36,100	(55,155)
Loss (gain) on foreign currency translation, net	(408,522)	618,739
Loss on disposal of trade accounts and notes receivable	5,458	8,829
Provision for (reversal of) allowance for doubtful accounts, net	8,465	(2,762)
Loss on impairment of investments	131,126	96,785
Other employee benefit	6,822	60,352
Interest expense	19,396	6,396
Interest income	(906)	(2,423)
Loss on valuation of inventories	691	4,003
Others, net	(8,796)	4,001
	<u>1,510,694</u>	<u>2,846,912</u>
Changes in operating assets and liabilities		
Trade accounts and notes receivable	528,932	(1,341,169)
Other accounts receivable	152,419	(234,489)
Accrued income	(15,591)	(3,653)
Prepaid expenses	318	(2,789)
Inventories	3,413,323	(3,202,404)
Trade accounts payable	(365,649)	507,672
Other accounts payable	296,883	97,269
Accrued expenses	5,121	51,545
Income tax payable	(1,337,623)	804,539
Advances received	452	407
Payment of severance benefits	(70,354)	(53,043)
Deferred income tax assets and liabilities	(171,287)	(256,305)
Deposits for severance benefits trust	(8,149)	(133,747)
Other current liabilities	(3,256)	4,097
Dividends from equity method accounted investments	30,711	64,455
Others, net	4,249	17,197
	<u>2,460,499</u>	<u>(3,680,418)</u>
Net cash provided by operating activities	<u>7,143,457</u>	<u>3,613,427</u>

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Cash Flows
For the years Ended December 31, 2009 and 2008

<i>(in millions of Won)</i>	2009	2008
Cash flows from investing activities		
Disposal of short-term financial instruments	₩ 7,107,347	4,580,674
Disposal of trading securities	2,697,287	6,867,212
Redemption of current portion of held-to-maturity securities	40,000	272,000
Disposal of available-for-sale securities	17,093	1,700
Disposal of other long-term assets	16,495	88,066
Disposal of property, plant and equipment	23,095	37,573
Disposal of equity method accounted investments	-	8,606
Acquisition of short-term financial instruments	(11,164,342)	(4,661,971)
Acquisition of trading securities	(1,940,000)	(6,795,000)
Acquisition of available-for-sale securities	(568,241)	(1,401,658)
Acquisition of equity method accounted investments	(239,946)	(318,843)
Acquisition of current portion of held-to-maturity securities	(40,000)	(100,000)
Acquisition of other long-term assets	(12,273)	(12,003)
Acquisition of property, plant and equipment	(4,228,840)	(3,172,009)
Cost of removal of property, plant and equipment	(52,103)	(36,032)
Acquisition of intangible assets	(14,797)	(20,986)
Others, net	(17,005)	(6,029)
Net cash used in investing activities	<u>(8,376,230)</u>	<u>(4,668,700)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	2,256,539	766,094
Proceeds from long-term borrowings	28,866	5,886
Proceeds from issuance of debentures	1,449,728	1,939,634
Proceeds from treasury stock	249,124	364,753
Increase in other long-term liabilities	25,363	27,357
Acquisition of treasury stock	-	(36,832)
Repayment of short-term borrowings	(2,158,046)	(542,074)
Repayment of current portion of long-term debts	(203,807)	(432,661)
Payment of cash dividends	(689,129)	(755,037)
Decrease in other long-term liabilities	(39,727)	(20,915)
Others, net	(1,043)	(10,279)
Net cash provided by financing activities	<u>917,868</u>	<u>1,305,926</u>
Net increase (decrease) in cash and cash equivalents	(314,905)	250,653
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 (note 3)	<u>₩ 626,782</u>	<u>941,687</u>

See accompanying notes to non-consolidated financial statements.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

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 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 December 31, 2009, the Company’s major shareholders are as follows:

	<u>Number of Shares</u>	<u>Percentage of Ownership (%)</u>
National Pension Service	4,427,612	5.08
Nippon Steel Corporation (*1)	4,394,712	5.04
Mirae Asset Investments Co., Ltd.	2,817,800	3.23
SK Telecom Co., Ltd.	2,481,310	2.85
Shinhan Financial Group Co.,Ltd. (*2)	2,297,551	2.64
Others	70,767,850	81.16
	<u>87,186,835</u>	<u>100.00</u>

(*1) Nippon Steel Corporation has American Depositary Receipts (ADRs), each of which represents 0.25 share of POSCO’s common share which has par value of ₩5,000 per share.

(*2) Includes number of shares held by its subsidiaries.

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

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

2. Summary of significant accounting policies and basis of presenting financial statements

Basis of Presenting Financial Statements

The Company maintains its accounting records in Korean won and prepares statutory non-consolidated financial statements in Korean language in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these non-consolidated 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 financial statements.

The Company prepares the non-consolidated financial statements in accordance with generally accepted accounting principles in the Republic of Korea.

Revenue recognition

The Company's revenue categories consist of goods sold, and other income. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Allowance for doubtful accounts

Allowance for doubtful accounts is estimated based on the analysis of individual accounts and past experience of collection and presented as a deduction from trade accounts and notes receivable.

When the terms of trade accounts and notes receivable (the principal, interest rate or term) are modified, either through a court order, such as a reorganization, or by mutual formal agreement, resulting in a reduction in the present value of the future cash flows due to the Company, the difference between the carrying value of the relevant accounts and notes receivable and the present value of the future cash flows is recognized as bad debt expense.

Inventories

The costs of inventories are determined using the moving-weighted average method. Valuation losses incurred when the market price of inventories falls below their carrying amount are reported as a contra inventory account and added to the cost of goods sold and losses incurred because of the difference between the quantity of inventories recorded in the financial statements and the actual quantity found shall be added to the cost of goods sold if it is incurred in the ordinary course of business. Loss on valuation of inventories amounting to ₩ 691 million for the year ended December 31, 2009, is added to the cost of goods sold.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

2. Summary of significant accounting policies and basis of presenting financial statements, continued

Investments in securities

Upon acquisition, the Company classifies debt and equity securities (excluding investments in subsidiaries, associates and joint ventures) into the following categories: held-to-maturity, available-for-sale or trading securities. This classification is reassessed at the end of each reporting period.

Investments in debt securities where the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

A security is recognized initially at its acquisition cost, which includes the market value of the consideration given and any other transaction costs. After initial recognition, held-to-maturity securities are accounted for at amortized costs in the statements of financial position and trading and available-for-sale securities are accounted for at their fair values, however, non-marketable securities are accounted for at their acquisition costs if their fair values cannot be reliably estimated. The fair value of marketable securities is determined using quoted market prices as of the period end.

Trading securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of trading securities are included in the income statement in the period in which they arise. Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized as accumulated other comprehensive income, net of tax, directly in equity. Investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost less impairment, if any. Held-to-maturity investments are carried at amortized cost with interest income and expense recognized in the income statement using the effective interest method.

The Company reviews investments in securities whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reasonably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary.

Trading securities are presented as current assets. Available-for-sale securities, which mature within one year from the end of the reporting period or where the likelihood of disposal within one year from the end of the reporting period is probable, are presented as current assets. Held-to-maturity securities, which mature within one year from the end of the reporting period, are presented as current assets. All other available-for-sale securities and held-to-maturity securities are presented as long-term investments.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

2. Summary of significant accounting policies and basis of presenting financial statements, continued

Equity method investments

Investments in equity securities of companies over which the Company exercises significant control or influence are recorded using the equity method of accounting. Differences between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investee are amortized using the straight-line method over its estimated useful life.

The Company's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the income statement, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. Changes in the carrying amount of an investment resulting from dividends by an associate or subsidiary are recognized when the associate or subsidiary declares the dividend. When the Company's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long term loans and receivables issued by the associate or subsidiary, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary. Unrealized gains on transactions between the Company and its associates or subsidiaries are eliminated to the extent of the Company's interest in each associate or subsidiary.

The Company's investments in associates and subsidiaries include goodwill identified on acquisition (net of any accumulated impairment loss). Goodwill is calculated as the excess of the acquisition cost of an investment in an associate or subsidiary over the Company's share of the fair value of the identifiable net assets acquired. Goodwill is amortized using the straight-line method over its estimated useful life. Amortization of goodwill is recorded together with equity income (losses).

Foreign currency financial statements of equity method investees are translated into Korean won using the exchange rates in effect at the end of the reporting period for assets and liabilities, exchange rates on the date of transaction for equity and annual average exchange rates for income and expenses. Any resulting translation gain or loss is included under the capital adjustment account, a component of shareholders' equity.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

2. Summary of significant accounting policies and basis of presenting financial statements, continued

Property, plant and equipment, and related depreciation

Property, plant and equipment are stated at cost, except in the case of revaluations made in accordance with the Asset Revaluation Law, which allowed for asset revaluation prior to the Law being revoked.

Depreciation is computed by the straight-line method using rates based on the useful lives of the respective as follows:

	<u>Estimated useful lives</u>
Buildings and structures	20-40 years
Machinery and equipment	8 years
Vehicles	4-9 years
Tools	4 years
Furniture and fixtures	4 years
Finance Lease Assets	18 years

The Company recognizes interest costs and other financial charges on borrowings associated with the production, acquisition, construction or development of property, plant and equipment as an expense in the period in which they are incurred.

Significant additions or improvements extending useful lives of assets are capitalized. Normal maintenance and repairs are charged to expense as incurred.

The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the expected estimated undiscounted future net cash flows from the use of the asset and its eventual disposal are less than its carrying amount.

Leases

The Company classifies and accounts for leases as either operating or capital, depending on the terms. Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as capital leases. All other leases are classified as operating leases.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

2. Summary of significant accounting policies and basis of presenting financial statements, continued

Intangible assets

Intangible assets are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated net of accumulated amortization computed using the straight-line method over the estimated useful lives as described below.

	<u>Estimated useful lives</u>
Intellectual property right	5-10 years
Port facilities usage rights	1-75 years
Other intangibles	4-20 years

The Company has estimated useful life of Port facilities usage rights for the period that the Company has been granted to use the Port facilities exclusively in accordance with an agreement with the Government office.

Discounts on debentures

Discounts on debentures are amortized over the term of the debentures using the effective interest rate method. Amortization of the discount is recorded as part of interest expense.

Accrued severance benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment at the end of the reporting period. The Company has partially funded the accrued severance benefits through group severance insurance and the amounts funded under these insurance deposits are classified as a deduction from the accrued severance benefits liability.

Through March 1999, under the National Pension Scheme of Korea, the Company transferred a certain portion of retirement allowances for employees to the National Pension Fund. The amount transferred will reduce the retirement and severance benefit amount to be paid to the employees when they leave the Company and is accordingly reflected in the accompanying non-consolidated statements of financial position as a reduction of the retirement and severance benefits liability. However, due to a regulation effective April 1999, such transfers to the National Pension Fund are no longer required.

2. Summary of significant accounting policies and basis of presenting financial statements, continued

Valuation of receivables at present value

When the difference between the carrying value of receivables and the present value of future cash flows is material arising from variation of the terms of receivables (the principle, interest rate or term), either through a court order, such as a reorganization, or by mutual agreement, future cash flows expected to be earned are valued at their present value using an appropriate discount rate. The present value discounts are recovered using the effective interest rate method and are recognized as interest income.

Foreign Currency Translation

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the rates of exchange in effect at the end of the reporting period, and the resulting translation gains and losses are recognized in current operations.

Derivatives

All derivative instruments are accounted for at their fair value according to the rights and obligations associated with the derivative contracts. The resulting changes in fair value of derivative instruments are recognized either in the income statement or shareholders' equity, depending on whether the derivative instruments qualify as a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument purchased with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment that is attributable to a particular risk. The resulting changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in the shareholders' equity as accumulated other comprehensive income and expense.

An embedded derivative instrument is separated from the host contract and accounted for as a derivative instrument when the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract and a separate instrument with the same terms as the embedded derivative instrument would be a derivative instrument subject to derivative accounting.

Provisions and contingent liabilities

When there is a probability that an outflow of economic benefit will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, only disclosure regarding the contingent liability is made in the notes to the financial statements.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

2. Summary of significant accounting policies and basis of presenting financial statements, continued

Treasury stock

In accordance with the cost method, the acquisition cost of the Company's treasury stocks are recorded as an adjustment to shareholders' equity. Gain on disposal of treasury stock is recorded as other capital surplus and loss on disposal of treasury stock is first deducted from the gain on disposal of treasury stock recorded in other capital surplus, recording the balance as capital adjustments and then offset against retained earnings in accordance with the order of disposition of deficit.

Sale of receivables

The Company sells or discounts certain amounts or notes receivable to financial institutions and accounts for these transactions as a sale if the rights and obligations relating to the receivables sold are substantially transferred to the buyers. The losses from the sale of the receivables are charged to operations as incurred.

Income tax and deferred income tax

Income tax on the income or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, disclosures of contingent liabilities and others, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

3. Cash and Cash Equivalents, and Financial Instruments

Cash and cash equivalents, and short-term and long-term financial instruments as of December 31, 2009 and 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	-	₩ 817	1,356
Money market deposit accounts	2.30 ~ 3.00	245,500	241,000
Time deposits	3.25 ~ 3.50	70,000	560,000
Time deposits in foreign currency	0.17 ~ 1.14	310,465	139,331
		<u>₩ 626,782</u>	<u>941,687</u>
Short-term financial instruments			
Ordinary deposits (*1)	-	10,667	5,887
Time deposits	1.60 ~ 4.45	2,850,000	910,000
Certificates of deposit	1.60 ~ 4.80	2,370,000	490,000
Repurchase agreement	3.51 ~ 4.44	290,000	60,000
Specified money in trust	-	60,927	58,711
		<u>₩ 5,581,594</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 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.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

4. Accounts and Notes Receivable

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

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Trade accounts and notes receivable	₩ 2,695,161	3,232,490
Less: Allowance for doubtful accounts	(11,252)	(3,811)
	<u>₩ 2,683,909</u>	<u>3,228,679</u>
Other accounts receivable	₩ 137,560	290,015
Less: Allowance for doubtful accounts	(10,618)	(11,714)
	<u>₩ 126,942</u>	<u>278,301</u>
Long-term trade accounts receivable	₩ 1,875	4,353
Less: Allowance for doubtful accounts	(568)	(199)
	<u>₩ 1,307</u>	<u>4,154</u>

(b) Accounts stated at present value under long-term deferred payment terms are as follows:

<i>(in millions of Won)</i>	Interest		Face Value	Present Value	Discount at
<u>Company</u>	<u>Rate (%)</u>	<u>Period</u>			<u>Present Value</u>
BNG Steel Co., Ltd.	8.62	Apr. 01, 2010	₩ 4,680	₩ 4,608	₩ 72
DK Dongsin Co., Ltd.	4.65	Apr. 30, 2011	6,609	6,401	208
			<u>₩ 11,289</u>	<u>₩ 11,009</u>	<u>₩ 280</u>

(*) Discount at present value is presented as allowance for doubtful accounts. Bad debt expense arising from a reduction in the present value of the future cash flow for the year ended December 31, 2009 and 2008 amounted to ₩ 5 million and ₩ 613 million, respectively. Interest income recovered for the year ended December 31, 2009 and 2008 amounted to ₩ 1,036 million and ₩ 2,304 million, respectively.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

5. Inventories

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

<i>(in millions of Won)</i>	2009		2008
Finished goods	₩	344,192	1,194,588
By-products		4,281	16,034
Semi-finished goods		843,720	1,542,922
Raw materials		696,492	1,644,500
Fuel and materials		405,003	428,466
Materials-in-transit		702,807	1,592,502
Others		522	592
		<u>2,997,017</u>	<u>6,419,604</u>
Less: Provision for valuation loss		(691)	(4,003)
	₩	<u><u>2,996,326</u></u>	<u><u>6,415,601</u></u>

6. Trading Securities

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

<i>(in millions of Won)</i>	2009			2008
	<u>Acquisition</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Book Value</u>
Beneficiary certificates	₩ 500,000	₩ 505,811	₩ 505,811	₩ 1,236,185

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

7. Investment Securities

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

(in millions of Won)

	<u>2009</u>	<u>2008</u>
Available-for-sale securities		
Marketable equity securities	₩ 3,650,351	2,818,507
Non-marketable equity securities	767,174	761,644
Investments in bonds	125,125	-
Investments in capital	500	500
	<u>4,543,150</u>	<u>3,580,651</u>
Less: Current portion	<u>(20,230)</u>	<u>-</u>
	4,522,920	3,580,651
Held-to-maturity securities	51,675	51,553
Less: Current portion	<u>(20,000)</u>	<u>(20,000)</u>
	31,675	31,553
Equity method accounted investments	5,633,218	5,013,735
	<u>₩ 10,187,813</u>	<u>8,625,939</u>

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

Available-for-sales securities

(a) Investments in marketable equity securities as of December 31, 2009 and 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	₩ 743,845	₩ 743,845	₩ 891,835
Hana Financial Group Inc.	4,663,776	2.20	29,998	153,438	153,438	90,943
Hyundai Heavy Industries	1,477,000	1.94	343,505	256,260	256,260	294,661
Hanil Iron & Steel Co., Ltd.	206,798	10.14	2,413	2,575	2,575	1,596
HISteel Co., Ltd.	135,357	9.95	1,609	1,895	1,895	1,766
Moonbae Steel Co., Ltd.	1,849,380	9.02	3,588	5,419	5,419	3,921
Dong Yang Steel Pipe Co., Ltd.	1,564,250	2.45	3,911	1,877	1,877	1,400
Korea Line Corporation	-	-	-	-	-	14,347
Shinhan Financial Group Co.,Ltd.	4,369,881	0.92	228,778	188,779	188,779	113,326
SeAH Steel Corporation	610,103	10.17	18,792	22,055	22,055	23,490
Union Steel Co., Ltd.	1,005,000	9.80	40,212	22,110	22,110	14,472
Hanjin Shipping Co., Ltd.	57,226	0.08	2,354	1,185	1,185	1,236
Hanjin Shipping Holdings Co.,Ltd.	11,033	0.08	298	151	151	-
KB Financial Group Inc.	13,115,837	3.39	574,524	783,015	783,015	282,402
LG Powercom Corporation (*2)	3,600,000	2.70	153,000	21,924	21,924	23,400
Nippon Steel Corporation (*1)	238,352,000	3.50	719,622	1,128,734	1,128,734	963,486
Thainox Stainless Public Company Limited	1,200,000,000	15.00	42,301	67,658	67,658	40,299
MacArthur Coal Limited (*3)	21,215,700	8.34	420,805	249,431	249,431	55,927
			₩ 3,808,238	₩ 3,650,351	₩ 3,650,351	₩ 2,818,507

(*1) Certain portion of SK Telecom Co., Ltd. shares has been pledged as collateral. (note 10).

(*2) In January 2010, LG Powercom Corporation's stocks were exchanged with LG TeleCom, Ltd.'s by merger and accordingly, the differences between the fair values and the acquisition costs amounting to ₩ 131,076 million were recognized as impairment losses.

(*3) In the prior year, the Company recognized the excess of the acquisition cost of MacArthur Coal Limited over the fair value at the acquisition date amounting to ₩ 96,785 million as impairment losses.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

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

(in millions of Won)

Company	2009			2008	
	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	Book Value	Book Value
Nacional Minerios S.A. (formerly, Big Jump Energy Participacoes S.A) (*1)	30,784,625	6.48	₩ 668,636	₩ 535,357	₩ 667,824
THE SIAM UNITED STEEL (*1)	11,071,000	12.30	34,658	65,135	58,367
POSCO Maharashtra Steel Private Limited (*2)	1,138,500	100.00	63,872	63,872	-
POSCO-Turkey Nilufer Processing Center Co., Ltd. (*2,3)	-	100.00	19,983	19,983	-
POSCO (Liaoning) Automotive Processing Center Co., Ltd. (*2,3)	-	90.00	16,952	16,952	-
POSCO India Chennai Steel Processing Centre	-	100.00	14,925	14,925	-
POSCOAST Co., Ltd. (formerly, Taihan ST Co., Ltd.) (*4)	-	-	-	-	13,930
Others (*5)	-	-	66,240	50,950	21,523
			<u>₩ 885,266</u>	<u>₩ 767,174</u>	<u>₩ 761,644</u>

(*1) The fair value of those investments was based on the valuation report of a public rating services company. Except for those investments, other investments are recorded at cost since their fair values are not readily determinable.

(*2) Those investments were not accounted for using the equity method as their total assets were under ₩ 10,000 million as of December 31, 2008 and they are also small sized entities or under construction.

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

(*4) This investment was reclassified to equity method accounted investments from available-for-sale securities, since the Company has significant influence on investees through additional acquisition of shares in current year.

(*5) Impairment losses related to others amounted to ₩ 50 million in the current year, and the accumulated impairment losses as of December 31, 2008 were ₩ 15,240 million.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

(c) Investments in bonds as of December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	Maturity	2009			2008
		Acquisition Cost	Fair Value	Book Value	Book Value
Current bonds					
Industrial financial debentures	Less than 1 year	₩ 20,423	₩ 20,230	₩ 20,230	₩ -
Non-current bonds					
Government bonds	1-5 years	4,839	4,317	4,317	-
Industrial financial debentures	1-5 years	100,383	100,578	100,578	-
		105,222	104,895	104,895	-
		<u>₩ 125,645</u>	<u>₩ 125,125</u>	<u>₩ 125,125</u>	<u>₩ -</u>

(d) Investments in capital as of December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009		2008
	Acquisition Cost	Book Value	Book Value
Purunichildcare	₩ 500	₩ 500	₩ 500

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

- (e) Available-for-sale securities are stated at fair value, and the difference between the acquisition cost and fair value are accounted for in the capital adjustment account. The movements of such differences for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Won)

Company	2009			2008		
	Beginning Balance	Increase (Decrease)	Ending Balance	Beginning Balance	Increase (Decrease)	Ending Balance
Marketable equity securities						
SK Telecom Co., Ltd.	₩ (247,137)	₩ (126,237)	₩ (373,374)	₩ (98,383)	₩ (148,754)	₩ (247,137)
Hana Financial Group Inc.	47,537	48,746	96,283	148,666	(101,129)	47,537
Hyundai Heavy Industries	(38,098)	(29,954)	(68,052)	224,798	(262,896)	(38,098)
Hanil Iron & Steel Co., Ltd.	(809)	763	(46)	2,464	(3,273)	(809)
HI Steel Co., Ltd.	123	100	223	595	(472)	123
Munbae Steel Co., Ltd.	90	1,168	1,258	3,365	(3,275)	90
Dong Yang Steel Pipe Co., Ltd.	(1,958)	372	(1,586)	(782)	(1,176)	(1,958)
Korea Line Corporation	4,898	(4,898)	-	20,155	(15,257)	4,898
Shinhan Financial Group Co., Ltd.	(82,790)	51,591	(31,199)	(11,114)	(71,676)	(82,790)
Seah Steel Corporation	3,664	(1,119)	2,545	5,246	(1,582)	3,664
Union Steel	(20,077)	5,958	(14,119)	(12,031)	(8,046)	(20,077)
Hanjin Shipping Co., Ltd.	(1,105)	69	(1,036)	-	(1,105)	(1,105)
Hanjin Shipping Holdings Co., Ltd.	-	10	10	-	-	-
KB Financial Group Inc.	(13,843)	176,467	162,624	-	(13,843)	(13,843)
LG Powercom Corporation	(101,088)	101,088	-	(72,232)	(28,856)	(101,088)
Nippon Steel Corporation	190,214	128,893	319,107	474,780	(284,566)	190,214
Thainox Stainless Public Company Limited	(1,562)	21,341	19,779	2,858	(4,420)	(1,562)
Macarthur Coal Limited	(209,113)	150,934	(58,179)	-	(209,113)	(209,113)
	<u>(471,054)</u>	<u>525,292</u>	<u>54,238</u>	<u>688,385</u>	<u>(1,159,439)</u>	<u>(471,054)</u>
Non-marketable equity securities						
THE SIAM UNITED STEEL	18,492	5,279	23,771	-	18,492	18,492
Nacional Minerios S.A. (formerly, Big Jump Energy Participacoes S.A)	-	(103,957)	(103,957)	-	-	-
Investments in bonds, etc.	-	(95)	(95)	-	-	-
	<u>18,492</u>	<u>(98,773)</u>	<u>(80,281)</u>	<u>-</u>	<u>18,492</u>	<u>18,492</u>
	<u>₩ (452,562)</u>	<u>₩ 426,519</u>	<u>₩ (26,043)</u>	<u>₩ 688,385</u>	<u>₩ (1,140,947)</u>	<u>₩ (452,562)</u>

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

Held-To-Maturity Securities

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

(in millions of Won)

	Maturity	2009		2008	
		Acquisition Cost	Book Value	Book Value	Book Value
Current portion of held-to-maturity securities					
Government bonds and others	Less than 1 year	₩ 20,000	₩ 20,000	₩ 20,000	₩ 20,000
Held-to-maturity securities					
Government bonds and others (*1)	1 ~ 5 years	31,090	31,675	31,553	31,553
		<u>₩ 51,090</u>	<u>₩ 51,675</u>	<u>₩ 51,553</u>	<u>₩ 51,553</u>

(*1) The Company provided government bonds and bonds issued by Seoul Metropolitan Rapid Transit Corp, amounting to ₩ 29,749 million and ₩ 1,926 million, respectively, to the Gyeongsangbuk-Do Province Office as guarantee for environmental remediation of POSCO No. 4 disposal site.

(b) Total interest income earned from investment securities amounted to ₩ 4,835 million and ₩ 6,990 million for the years ended December 31, 2009 and 2008, respectively.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

Equity Method Accounted Investments

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

(in millions of Won)

Investees (*1)			2009			2008	
	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	Net Asset Value	Book Value	Book Value	
Domestic							
POSCO E&C Co., Ltd.	27,281,080	89.53	₩ 365,789	₩ 1,675,591	₩ 1,063,089	₩ 864,030	
Posteel Co., Ltd.	17,155,000	95.31	113,393	442,376	421,927	319,914	
POSCON Co., Ltd.	3,098,610	88.04	49,822	164,525	70,990	49,099	
POSCO Coated & Color Steel Co., Ltd.	3,412,000	56.87	82,017	114,441	108,421	103,912	
POSCO Machinery & Engineering Co., Ltd.	1,700,000	100.00	17,052	53,450	24,276	30,824	
POSCO ICT Co., Ltd. (*2) (formerly, POSDATA Co., Ltd.)	50,440,720	61.85	52,749	11,603	-	39,544	
POSCO Research Institute	3,800,000	100.00	19,000	23,598	23,553	23,356	
Seung Kwang Co., Ltd.	2,737,000	69.38	28,408	29,927	29,928	27,957	
POSCO Architects & consultants Co., Ltd.	300,000	100.00	1,743	41,910	17,734	14,838	
POSCO Specialty Steel Co., Ltd.	26,000,000	100.00	260,000	629,043	628,842	564,515	
POSTECH Venture Capital Corp.	5,700,000	95.00	28,500	33,780	33,779	33,059	
POSCO Refractories & Environment Co., Ltd.	3,544,200	60.00	41,210	112,505	100,535	74,329	
POSCO Terminal Co., Ltd.	2,550,000	51.00	12,750	23,672	23,674	19,681	
POSMATE Co., Ltd.	214,286	30.00	7,233	12,686	12,270	10,436	
Samjung Packing & Aluminum Co., Ltd. (*3)	270,000	9.00	2,781	6,581	5,989	4,035	
POSCO Power Corp.	40,000,000	100.00	597,170	623,273	649,148	619,037	
SNNC Co., Ltd.	18,130,000	49.00	90,650	106,383	100,655	67,410	
PNR Corporation	5,467,686	70.00	27,338	25,719	25,720	27,498	
POSCOAST Co., Ltd. (*4) (formerly, Taihan ST Co., Ltd.)	3,400,000	85.00	70,085	81,064	75,603	-	
POSCO E&E Co., Ltd.	3,480,000	100.00	17,400	17,303	17,303	-	
Others	-	-	19,300	32,233	19,430	17,541	
			1,904,390	4,261,663	3,452,866	2,911,015	

POSCO

Notes to Non-Consolidated Financial Statements

December 31, 2009

(in millions of Won)

Investees (*1)	2009				2008	
	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	Net Asset Value	Book Value	Book Value
Overseas						
POSCO America Corporation	367,572	99.45	312,961	131,492	113,510	133,944
POSCO Australia Pty. Ltd.	761,775	100.00	37,352	231,089	330,623	165,573
POSCO Asia Co., Ltd.	9,360,000	100.00	7,425	32,244	32,189	29,158
Zhangjiagang Pohang Stainless Steel Co., Ltd. (*5)	-	58.60	234,204	291,828	283,845	323,170
Guangdong Pohang Coated. Steel Co., Ltd. (*5)	-	87.04	45,503	35,852	31,299	20,901
POSCO (Thailand) Co., Ltd.	12,721,734	85.62	39,677	27,620	25,945	32,934
KOBRASCO	2,010,719,185	50.00	32,950	98,944	98,962	60,429
POSCO Investment Co., Ltd.	5,000,000	100.00	53,189	83,232	85,521	91,303
Poschrome (Proprietary) Limited	21,675	25.00	4,859	15,284	15,090	9,575
Guangdong Xingpu Steel Center Co., Ltd. (*6)	-	-	-	-	-	2,669
POSCO-MKPC SDN.BHD.	25,269,900	44.69	12,574	18,232	17,550	18,037
PT. Posmi Steel Indonesia (*3)	1,193	9.47	782	1,099	1,104	1,020
Qingdao Pohang Stainless Steel Co., Ltd. (*5)	-	70.00	71,463	68,570	65,982	75,888
POSCO (Suzhou) Automotive Processing Center Co., Ltd. (*5)	-	90.00	31,023	55,262	49,429	48,401
POSCO-China Holding Corp. (*5)	-	100.00	165,233	226,581	208,413	228,489
POSCO-Japan Co., Ltd.	90,438	100.00	55,004	82,934	68,436	65,457
POSCO-India Private Ltd.	450,000,000	100.00	110,287	108,538	108,538	54,651
POS-India Pune Steel Processing Centre Pvt. Ltd.	74,787,138	65.00	17,017	23,407	15,016	14,096
POSCO-Foshan Steel Processing Centre Pvt. Ltd. (*5)	-	39.60	9,408	13,502	12,985	12,971
Nickel Mining Company SAS	3,234,698	49.00	157,585	193,204	189,197	219,879
POSCO-Vietnam Co., Ltd. (*5)	-	85.00	198,578	169,452	154,691	232,647
POSCO-Mexico Co., Ltd.	1,304,955,672	84.67	117,950	74,166	62,581	103,485
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	30,000	30.00	3,803	4,387	3,399	3,225
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd. (*5)	-	24.00	6,718	11,268	11,003	11,959
POSCO Vietnam Processing Center Co., Ltd. (*5)	-	80.00	14,914	12,215	11,425	6,234
POSCO (Chongqing) Automotive Processing Center Co., Ltd. (*5)	-	90.00	6,201	9,284	8,057	7,618
BX STEEL POSCO Cold Rolled Sheet Co., Ltd. (*5)	-	25.00	61,961	56,961	63,865	92,064
POSCO-Malaysia SDN. BHD. (*7)	16,200,000	60.00	16,524	(16,213)	-	-
POSCO (Wuhu) Automotive Processing Center Co., Ltd. (*5)	-	68.57	10,026	13,203	11,533	11,955
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd. (*5,8)	-	30.00	1,608	1,480	1,276	-
POSCO VST Co., Ltd.	64,000,000	90.00	77,068	36,959	71,901	-
Others	-	-	30,128	33,780	26,987	24,988
			1,943,975	2,145,856	2,180,352	2,102,720
			₩ 3,848,365	₩ 6,407,519	₩ 5,633,218	₩ 5,013,735

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

- (*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 December 31, 2009, when applying the equity method of accounting.
- (*2) The equity method of accounting has been suspended for investment in POSCO ICT Co., Ltd. as the Company's net investments have been reduced to zero. Unrecorded changes in equity interest in POSCO ICT Co., Ltd. for the year ended December 31, 2009 was ₩ 477 million.
- (*3) 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.
- (*4) This investment was reclassified to equity method accounted investments from available-for-sale securities, since the Company has significant influence on investees through additional acquisition of shares in current year.
- (*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 has been reduced to zero. Unrecorded changes in equity interest in POSCO Malaysia SDN. BHD. for the year ended December 31, 2009 was ₩ 3,891 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 investments from available-for-sale securities, since its total assets were greater than ₩ 10,000 million as of December 31, 2008.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

(b) The valuations of equity method accounted investments as of and for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Won)

Investees	Dec. 31, 2007 Book Value	Equity method Profits (Losses)	Other Increase (Decrease) (*)	Dec. 31, 2008 Book Value	Equity method Profits (Losses)	Other Increase (Decrease) (*)	Dec. 31, 2009 Book Value
Domestic							
POSCO E&C Co., Ltd.	₩ 657,107	₩ 113,389	₩ 93,534	₩ 864,030	₩ 216,571	₩ (17,512)	₩ 1,063,089
Posteel Co., Ltd.	283,509	26,262	10,143	319,914	65,851	36,162	421,927
POSCON Co., Ltd.	46,261	5,153	(2,315)	49,099	19,964	1,927	70,990
POSCO Coated & Color Steel Co., Ltd.	155,769	(37,209)	(14,648)	103,912	4,509	-	108,421
POSCO Machinery & Engineering Co., Ltd.	27,005	(341)	4,160	30,824	(5,720)	(828)	24,276
POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)	95,191	(55,921)	274	39,544	(41,799)	2,255	-
POSCO Research Institute	23,196	160	-	23,356	197	-	23,553
Seung Kwang Co., Ltd.	28,916	(958)	(1)	27,957	1,971	-	29,928
POSCO Architects & Consultants Co., Ltd.	9,972	4,737	129	14,838	2,748	148	17,734
POSCO Specialty Steel Co., Ltd.	487,376	79,633	(2,494)	564,515	66,650	(2,323)	628,842
POSTECH Venture Capital Corp.	36,792	(2,117)	(1,616)	33,059	114	606	33,779
POSCO Refractories & Environment Co., Ltd.	74,627	1,806	(2,104)	74,329	28,885	(2,679)	100,535
POSCO Terminal Co., Ltd.	18,172	1,510	(1)	19,681	4,631	(638)	23,674
POSMATE Co., Ltd.	9,531	1,147	(242)	10,436	2,669	(835)	12,270
Sanjung Packing & Aluminum Co., Ltd.	5,138	(76)	(1,027)	4,035	1,183	771	5,989
POSCO Power Corp.	618,048	17,381	(16,392)	619,037	27,036	3,075	649,148
SNNC Co., Ltd.	89,516	(22,106)	-	67,410	33,245	-	100,655
PNR Corporation	-	160	27,338	27,498	(1,778)	-	25,720
POSCOAST Co., Ltd. (formerly, Taihan ST Co., Ltd.)	-	-	-	-	5,518	70,085	75,603
POSCO E&E Co., Ltd.	-	-	-	-	(97)	17,400	17,303
Others	15,427	2,114	-	17,541	(4,471)	6,360	19,430
	2,681,553	134,724	94,738	2,911,015	427,877	113,974	3,452,866
Overseas							
POSCO America Corporation	86,093	(24,034)	71,885	133,944	(19,938)	(496)	113,510
POSCO Australia Pty. Ltd.	199,968	79,065	(113,460)	165,573	26,029	139,021	330,623
POSCO Asia Co., Ltd.	19,380	1,493	8,285	29,158	5,495	(2,464)	32,189
Zhangjiagang Pohang Stainless Steel Co., Ltd. (*5)	338,703	(78,675)	63,142	323,170	(17,344)	(21,981)	283,845
Guangdong Pohang Coated. Steel Co., Ltd. (*5)	17,313	(20,086)	23,674	20,901	11,271	(873)	31,299
POSCO (Thailand) Co., Ltd.	9,696	(10,664)	33,902	32,934	(6,682)	(307)	25,945
KOBRASCO	40,509	40,606	(20,686)	60,429	21,206	17,327	98,962
POSCO Investment Co., Ltd.	67,036	1,596	22,671	91,303	641	(6,423)	85,521
Poschrome (Proprietary) Limited	5,056	7,959	(3,440)	9,575	3,197	2,318	15,090

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

(in millions of Won)

Investees	Dec. 31, 2007 Book Value	Equity method Profits (Losses)	Other Increase (Decrease) (*)	Dec. 31, 2008 Book Value	Equity method Profits (Losses)	Other Increase (Decrease) (*)	Dec. 31, 2009 Book Value
Guangdong Xingpu Steel Center Co., Ltd. (*6)	1,454	452	763	2,669	-	(2,669)	-
POSCO-MKPC SDN.BHD.	4,587	704	12,746	18,037	621	(1,108)	17,550
PT. Posmi Steel Indonesia (*3)	803	101	116	1,020	(10)	94	1,104
Qingdao Pohang Stainless Steel Co., Ltd. (*5)	51,257	(21,747)	46,378	75,888	(4,742)	(5,164)	65,982
POSCO (Suzhou) Automotive Processing Center Co., Ltd. (*5)	30,181	3,522	14,698	48,401	5,375	(4,347)	49,429
POSCO-China Holding Corp. (*5)	173,158	(29,964)	85,295	228,489	(3,728)	(16,348)	208,413
POSCO-Japan Co., Ltd.	45,878	(15,712)	35,291	65,457	13,975	(10,996)	68,436
POSCO-India Private Ltd.	49,386	105	5,160	54,651	-	53,887	108,538
POS-India Pune Steel Processing Centre Pvt. Ltd.	12,160	(7,303)	9,239	14,096	2,336	(1,416)	15,016
POSCO-Foshan Steel Processing Centre Pvt. Ltd. (*5)	8,545	648	3,778	12,971	1,063	(1,049)	12,985
Nickel Mining Company SAS	200,622	(37,608)	56,865	219,879	(4,335)	(26,347)	189,197
POSCO-Vietnam Co., Ltd. (*5)	146,421	(8,082)	94,308	232,647	(48,542)	(29,414)	154,691
POSCO-Mexico Co., Ltd.	21,078	(15,634)	98,041	103,485	(40,694)	(210)	62,581
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	-	(1,010)	4,235	3,225	376	(202)	3,399
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd. (*5)	7,128	1,496	3,335	11,959	(96)	(860)	11,003
POSCO Vietnam Processing Center Co., Ltd. (*5)	7,893	(3,417)	1,758	6,234	(415)	5,606	11,425
POSCO (Chongqing) Automotive Processing Center Co., Ltd. (*5)	-	(1,321)	8,939	7,618	1,162	(723)	8,057
BX STEEL POSCO Cold Rolled Sheet Co., Ltd. (*5)	63,238	5,339	23,487	92,064	(23,603)	(4,596)	63,865
POSCO-Malaysia SDN. BHD. (*7)	-	(16,524)	16,524	-	(1,000)	1,000	-
POSCO (Wuhu) Automotive	-	(286)	12,241	11,955	607	(1,029)	11,533
POSCO SAMSUNG Suzhou Steel	-	-	-	-	(1,133)	2,409	1,276
POSCO VST Co., Ltd.	-	-	-	-	(3,999)	75,900	71,901
Others	24,163	(9,091)	9,916	24,988	5,059	(3,060)	26,987
	1,631,706	(158,072)	629,086	2,102,720	(77,848)	155,480	2,180,352
	₩ 4,313,259	₩ (23,348)	₩ 723,824	₩ 5,013,735	₩ 350,029	₩ 269,454	₩ 5,633,218

(*) Other increase (decrease) represents the changes in investment securities primarily due to acquisitions (disposals), dividends received, changes in capital adjustments arising from equity method accounted investments and others. In 2009, the changes in investment securities are primarily due to acquisitions or disposals and dividend received amounted to ₩ 239,946 million and ₩ 30,711 million, respectively.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

- (c) Details of differences between the initial purchase price and the Company's initial proportionate ownership in the book value of the investee for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Won)

Investees	Dec 31, 2007 Balance	Increase (Decrease)	Amortization (Recovery)	Dec 31, 2008 Balance	Increase (Decrease)	Amortization (Recovery)	Dec 31, 2009 Balance
POSMATE Co., Ltd.	₩ (391)	₩ -	₩ (156)	₩ (235)	₩ -	₩ (156)	₩ (79)
Samjung Packing & Aluminum Co., Ltd.	(1,065)	-	(426)	(639)	-	(426)	(213)
POSCO Power Corp.	68,906	-	21,203	47,703	-	21,203	26,500
SNNC Co., Ltd.	188	-	42	146	-	42	104
POSCOAST Co., Ltd. (formerly, Taihan ST Co., Ltd.)	-	-	-	-	(11,468)	(1,360)	(10,108)
POSCO America Corporation Guangdong Pohang Coated Steel Co., Ltd.	95 (3)	- -	95 (3)	- -	- -	- -	- -
PT POSMI Steel Indonesia	9	-	3	6	-	3	3
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	-	243	243	-	-	-	-
POSCO (Chongqing) Automotive Processing Center Co., Ltd.	-	(86)	(86)	-	-	-	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	12,249	-	2,672	9,577	-	2,673	6,904
POSCO Malaysia SDN BHD	-	12,406	2,274	10,132	-	2,481	7,651
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	-	(3)	-	(3)	-	(1)	(2)
POSCO VST Co., Ltd.	-	-	-	-	39,594	2,640	36,954
	₩ 79,988	₩ 12,560	₩ 25,861	₩ 66,687	₩ 28,126	₩ 27,099	₩ 67,714

- (d) Details on changes in unrealized profit from intercompany transactions for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Won)

	2009	2008
Allowance for doubtful accounts	₩ 2,539	3,201
Inventories	147,400	(191,698)
Property, plant and equipment and intangible assets	(64,195)	(50,938)
	₩ 85,744	(239,435)

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

(e) Market values of equity method accounted investments in marketable equity securities as of December 31, 2009 and 2008 are as follows:

(in millions of Won except per share information)

Investees	2009			
	Number of Shares	Share Price	Fair Value	Book Value
POSCO Coated & Color Steel Co., Ltd.	3,412,000	₩ 24,300	₩ 82,912	₩ 108,421
POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)	5,044,072	6,530	32,938	-
POSCO Refractories & Environment Co., Ltd.	3,544,200	50,100	177,564	100,535
Samjung Packing & Aluminum Co., Ltd.	270,000	19,950	5,387	5,989

(in millions of Won except per share information)

Investees	2008			
	Number of Shares	Share Price	Fair Value	Book Value
POSCO Coated & Color Steel Co., Ltd.	3,412,000	₩ 16,600	₩ 56,639	₩ 103,912
POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)	50,440,720	4,450	224,461	39,544
POSCO Refractories & Environment Co., Ltd.	3,544,200	35,900	127,237	74,329
Samjung Packing & Aluminum Co., Ltd.	270,000	13,700	3,699	4,036

(f) A summary of financial information on equity method investees as of and for the year ended December 31, 2009 is as follows:

(in millions of Won)

Investees	Total Assets	Total Liabilities	Net Assets (*)	Sales	Net Income
Domestic					
POSCO E&C Co., Ltd.	₩ 4,437,612	₩ 2,565,975	₩ 1,871,637	₩ 6,678,534	₩ 304,857
Posteel Co., Ltd.	747,422	271,631	475,791	1,626,886	(13,923)
POSCON Co., Ltd.	379,446	194,894	184,552	524,570	21,460
POSCO Coated & Color Steel Co., Ltd.	460,030	209,870	250,160	703,476	(19,245)
POSCO Machinery & Engineering Co., Ltd.	106,758	53,308	53,450	303,644	(3,329)
POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)	300,123	248,382	51,741	378,320	(70,811)
POSCO Research Institute	26,341	2,743	23,598	19,662	226
Seung Kwang Co., Ltd.	77,764	34,629	43,135	15,647	3,190
POSCO Architects & Consultants Co., Ltd.	57,234	15,324	41,910	77,879	4,452
POSCO Specialty Steel Co., Ltd.	979,836	350,793	629,043	1,272,007	64,658
POSTECH Venture Capital Corp.	36,341	783	35,558	1,309	120

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

(in millions of Won)

Investees	Total Assets	Total Liabilities	Net Assets (*)	Sales	Net Income
POSCO Refractories & Environment Co., Ltd.	270,749	88,339	182,410	574,400	32,361
POSCO Terminal Co., Ltd.	53,423	7,008	46,415	54,593	8,763
POSMATE Co., Ltd.	62,284	19,999	42,285	74,824	6,478
Samjung Packing & Aluminum Co., Ltd.	162,166	93,432	68,734	303,350	4,089
POSCO Power Corp.	1,717,131	1,102,033	615,098	508,697	59,517
SNNC Co., Ltd.	506,202	286,251	219,951	368,349	85,702
PNR Corporation	36,742	-	36,742	-	(2,798)
POSCOAST Co., Ltd. (formerly, Taihan ST Co., Ltd.)	207,875	112,506	95,369	215,860	4,696
POSCO E&E Co., Ltd.	17,303	-	17,303	-	(97)
Overseas					
POSCO America Corporation	264,167	120,505	143,662	230,820	(20,470)
POSCO Australia Pty. Ltd.	611,945	283,114	328,831	90,219	46,929
POSCO Asia Co., Ltd.	185,117	153,988	31,129	1,370,147	2,138
Zhangjiagang Pohang Stainless Steel Co., Ltd.	1,330,788	756,569	574,219	1,843,902	(17,921)
Guangdong Pohang Coated. Steel Co., Ltd.	99,195	58,006	41,189	146,556	5,961
POSCO (Thailand) Co., Ltd.	120,768	88,510	32,258	161,197	(4,734)
KOBRASCO	273,311	75,424	197,887	42,415	25,746
POSCO Investment Co., Ltd.	483,727	395,898	87,829	16,385	2,023
Poschrome (Proprietary) Limited	71,241	10,104	61,137	48,411	8,889
POSCO-MKPC SDN.BHD.	96,518	55,717	40,801	106,443	479
PT.Posmi Steel Indonesia	58,908	47,300	11,608	81,089	494
Qingdao Pohang Stainless Steel Co., Ltd.	249,028	138,304	110,724	399,611	(13,778)
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	163,487	102,085	61,402	298,586	10,354
POSCO-China Holding Corp.	276,583	45,430	231,153	130,800	(3,256)
POSCO-Japan Co., Ltd.	606,551	509,613	96,938	885,635	1,695
POSCO-India Private Ltd.	113,336	476	112,860	-	-
POSCO India Pune Steel Processing Centre Pvt. Ltd.	137,615	101,603	36,012	115,912	3,516
POSCO-Foshan Steel Processing Centre Pvt. Ltd.	95,182	61,085	34,097	459,522	3,049
Nickel Mining Company SAS	570,556	125,886	444,670	106,632	(20,761)
POSCO-Vietnam Co., Ltd.	208,784	-	208,784	87,865	(37,728)
POSCO-Mexico Co., Ltd.	372,713	268,949	103,764	82,870	(17,683)
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	48,260	33,636	14,624	69,765	2,824
Zhongyue POSCO (Qinhuangdao) Timplat Industrial Co., Ltd.	122,646	70,155	52,491	130,245	6,259
POSCO Vietnam Processing Center Co., Ltd.	38,255	22,986	15,269	47,746	(21)
POSCO (Chongqing) Automotive Processing Center Co., Ltd.	69,869	59,554	10,315	81,921	1,203
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	948,415	720,570	227,845	1,140,997	(46,709)
POSCO-Malaysia SDN. BHD.	62,502	89,524	(27,022)	77,678	(2,047)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	58,188	38,934	19,254	88,006	2,295
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd.	26,876	21,943	4,933	41,740	398
POSCO VST Co., Ltd.	105,542	64,476	41,066	87,926	(9,640)

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

(*) The effects of the changes in the accounting principles and estimates of equity method investees when applying equity method for the year ended December 31, 2009 are as follows:

(in millions of Won)

Investees	Reasons for Changes	Net Assets before Adjustment	Adjustment Amount	Net Assets after Adjustment
Domestic				
Posteel Co., Ltd.	Capitalized costs and others	₩ 453,456	₩ (11,080)	₩ 442,376
POSCON Co., Ltd.	Depreciation method	162,471	2,054	164,525
POSCO Coated & Color Steel Co., Ltd.	Capitalized costs	142,258	(27,817)	114,441
POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)	Assets revaluation	32,003	(20,400)	11,603
POSCO Refractories & Environment Co., Ltd.	Depreciation method	109,446	3,059	112,505
Samjung Packing & Aluminum Co., Ltd.	Depreciation method	6,186	395	6,581
	Capitalized costs and others	615,098	8,175	623,273
POSCO Power Corp.				
SNNC Co., Ltd.	Capitalized costs	107,776	(1,393)	106,383
Overseas				
POSCO America Corporation	Non-application of equity method	142,868	(11,376)	131,492
POSCO Australia Pty. Ltd.	Non-application of equity method and others	328,831	(97,742)	231,089
POSCO Asia Co., Ltd.	Non-application of equity method and others	31,129	1,115	32,244
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Depreciation method and others	336,493	(44,665)	291,828
POSCO Investment Co., Ltd.	Provision for allowance for doubtful accounts	87,829	(4,597)	83,232
Qingdao Pohang Stainless Steel Co., Ltd.	Depreciation method and others	77,507	(8,937)	68,570
POSCO-China Holding Corp.	Non-application of equity method	231,153	(4,572)	226,581
POSCO-Japan Co., Ltd.	Non-application of equity method	96,939	(14,005)	82,934
POSCO-India Private Ltd.	Organization costs	112,860	(4,322)	108,538
Nickel Mining Company SAS	Organization costs and others	217,889	(24,685)	193,204
POSCO-Vietnam Co., Ltd.	Capitalized costs	177,476	(8,024)	169,452
POSCO-Mexico Co., Ltd.	Capitalized costs	87,858	(13,692)	74,166
Zhongyue POSCO (Qinhuangdau) Tinplate Industrial Co., Ltd.	Government grants	12,598	(1,330)	11,268

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

8. Property, Plant and Equipment

(a) Property, plant and equipment as of December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009	2008
Buildings and structures	₩ 6,634,738	6,334,513
Machinery and equipment	28,119,425	26,125,355
Tools	146,097	140,634
Vehicles	172,312	169,683
Furniture and fixtures	183,807	173,878
Capital lease assets	11,466	11,466
	<u>35,267,845</u>	<u>32,955,529</u>
Less: Accumulated depreciation	<u>(23,425,832)</u>	<u>(22,038,647)</u>
	11,842,013	10,916,882
Construction-in-progress	3,841,712	2,640,730
Land	961,869	908,306
	<u>₩ 16,645,594</u>	<u>14,465,918</u>

(b) Changes in property, plant and equipment for the years ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	Beginning						Ending
	Balance	Acquisition (*1)	Disposal	Depreciation	Others (*2)	Balance	
Land	₩ 908,306	₩ 51,692	₩ -	₩ -	₩ 1,871	₩ 961,869	
Buildings	1,978,609	198,670	(2,330)	(175,507)	(932)	1,998,510	
Structures	1,490,098	103,342	(6,219)	(123,655)	16,354	1,479,920	
Machinery and equipment	7,346,339	2,640,058	(14,812)	(1,684,717)	(16,436)	8,270,432	
Vehicles	20,302	5,396	(15)	(8,886)	6	16,803	
Tools	17,317	9,230	(72)	(9,731)	(7)	16,737	
Furniture and fixtures	54,025	14,177	(20)	(18,130)	5	50,057	
Capital lease assets	10,192	-	-	(637)	-	9,555	
Construction-in-progress	2,640,730	4,228,840	-	-	(3,027,859)	3,841,711	
	<u>₩ 14,465,918</u>	<u>₩ 7,251,405</u>	<u>₩ (23,468)</u>	<u>₩ (2,021,263)</u>	<u>₩ (3,026,998)</u>	<u>₩ 16,645,594</u>	

(*1) Includes acquisition cost transferred from construction-in-progress in relation to the expansion of Pohang transporting plates and others amounting to ₩ 3,022,565 million.

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

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

<i>(in millions of Won)</i>	<u>Beginning</u> <u>Balance</u>	<u>Acquisition (*1)</u>	<u>Disposal</u>	<u>Depreciation</u> <u>(*2)</u>	<u>Others (*3)</u>	<u>Ending</u> <u>Balance</u>
Land	₩ 860,350	₩ 69,379	₩ (21,141)	₩ -	₩ (282)	₩ 908,306
Buildings	2,019,902	138,650	(9,005)	(168,458)	(2,480)	1,978,609
Structures	1,473,696	138,071	(5,069)	(117,827)	1,227	1,490,098
Machinery and equipment	7,508,093	1,370,440	(20,959)	(1,510,333)	(902)	7,346,339
Vehicles	28,729	2,056	(322)	(10,161)	-	20,302
Tools	19,790	9,765	(37)	(12,201)	-	17,317
Furniture and fixtures	38,119	32,768	(80)	(16,711)	(71)	54,025
Capital lease assets	10,829	-	-	(637)	-	10,192
Construction-in-progress	1,242,141	3,172,009	-	-	(1,773,420)	2,640,730
	<u>₩ 13,201,649</u>	<u>₩ 4,933,138</u>	<u>₩ (56,613)</u>	<u>₩ (1,836,328)</u>	<u>₩ (1,775,928)</u>	<u>₩ 14,465,918</u>

(*1) Includes acquisition cost transferred from construction-in-progress amounting to ₩ 1,761,129 million.

(*2) Includes depreciation expense of temporarily idle assets due to routine maintenance.

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

(c) The value of the land based on the posted price issued by the Korean tax authority amounted to ₩ 3,347,426 million and ₩ 3,134,715 million as of December 31, 2009 and 2008, respectively.

(d) In 2007, the Company entered into a capital lease contract with Ilshin Shipping Co., Ltd. acquiring a ro-ro ship for the exclusive use of transporting plates. As of December 31, 2009, future minimum lease payments under such a capital lease are as follows:

<i>(in millions of Won)</i>	<u>Minimum</u> <u>Lease Payments</u>
Less than 1 year	₩ 1,023
1~5 year	4,591
Over 5 year	5,508
	<u>11,122</u>

(e) As of December 31, 2009 and 2008, property, plant and equipment are insured against fire and other casualty losses for up to ₩ 11,617,320 million and ₩ 9,648,958 million, respectively.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

9. Intangible Assets

(a) The changes in the carrying value of intangible assets for the years ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009				
	Beginning Balance	Increase (Decrease)	Amortization	Others	Ending Balance
Intellectual property rights	₩ 2,479	₩ 971	₩ (355)	₩ (67)	₩ 3,028
Port facilities usage rights	116,554	1,680	(18,090)	-	100,144
Other intangible assets	51,062	17,440	(19,840)	(5)	48,657
	<u>₩ 170,095</u>	<u>₩ 20,091</u>	<u>₩ (38,285)</u>	<u>₩ (72)</u>	<u>₩ 151,829</u>

<i>(in millions of Won)</i>	2008				
	Beginning Balance	Increase (Decrease)	Amortization	Others	Ending Balance
Intellectual property rights	₩ 1,514	₩ 1,410	₩ (296)	₩ (149)	₩ 2,479
Port facilities usage rights	130,596	7,562	(21,604)	-	116,554
Other intangible assets	79,865	21,774	(50,577)	-	51,062
	<u>₩ 211,975</u>	<u>₩ 30,746</u>	<u>₩ (72,477)</u>	<u>₩ (149)</u>	<u>₩ 170,095</u>

(b) Amortization of intangible assets is charged to the following accounts:

<i>(in millions of Won)</i>	2009	2008
Manufacturing costs	₩ 22,191	57,729
Selling and administrative expenses	16,094	14,748
Total	<u>₩ 38,285</u>	<u>72,477</u>

(c) Details of significant intangible assets are as follows:

<i>(in millions of Won)</i>	Description	2009	2008	Residual useful lives
Port facilities usage rights	Masan distribution base usage rights	₩ 20,978	₩ 22,860	11 years

(d) Research costs related to development of software and others recorded as other intangible assets are amounted to ₩ 28,030 million and ₩ 17,499 million as of and for the year ended December 31, 2009, respectively. Research and development expenses incurred for the years ended December 31, 2009 and 2008 were ₩ 407,291 million and ₩ 419,105 million, respectively.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

10. Pledged assets

- (a) As of December 31, 2009, government bonds and bonds issued by Seoul Metropolitan Rapid Transit Corp, amounting to ₩ 29,749 million and ₩ 1,926 million, respectively, were provided as collateral to the Gyeongsangbuk-Do Province Office as a guarantee for environmental remediation of POSCO No. 4 disposal site.
- (b) As of December 31, 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 156,472,000 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 December 31, 2009 and 2008 were as follows:

<i>(in millions of Won)</i>	<u>2009</u>		<u>2008</u>	
Korea Development Bank	EUR 3,964,242	₩ <u>6,637</u>	EUR 4,600,591	₩ <u>8,171</u>

- (d) As of December 31, 2009, Seoul Guarantee Insurance Co., Ltd. has provided guarantees amounting to ₩29,855 million for the company’s execution of contracts and others.

11. Other Assets

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

<i>(in millions of Won)</i>	<u>2009</u>		<u>2008</u>	
Other current assets				
Accrued income	₩	49,987		34,396
Advanced payments		11,943		3,729
Prepaid expense		8,465		8,784
Others		-		1,264
	₩	<u>70,395</u>		<u>48,173</u>
Other long-term assets				
Log-term loans receivable	₩	24,554		6,637
Guarantee deposits		1,771		1,412
Other investment assets		62,485		66,067
		<u>88,810</u>		<u>74,116</u>
Less: Allowance for doubtful accounts		(692)		(33)
	₩	<u>88,118</u>		<u>74,083</u>

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

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

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

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>			<u>2009</u>		<u>2008</u>	
Foreign currency borrowings	1.80 ~ 3.27	USD	369,055,984	₩	430,910	271,035,408	340,827

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

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>			<u>2009</u>		<u>2008</u>	
Domestic debentures	4.66	KRW	-	₩	-	200,000	200,000
Foreign currency long-term borrowings	4.60	JPY	-	-	-	192,000,000	2,676
Loans from foreign financial institutions	2.00	EUR	636,350	-	1,065	636,350	1,130
					1,065	203,806	
Less: Discount on debentures issued					-	-	(165)
					₩	1,065	203,641

13. Long-Term Debts

(a) Debentures as of December 31, 2009 and 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	Mar. 28, 2011~ 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	631,410	50,000,000,000	696,945	
Euro Bonds	Aug. 10, 2006	Aug. 10, 2016	5.88	USD	300,000,000	350,280	300,000,000	377,250	
Exchangeable bonds(*1)	Aug. 19, 2008	Aug. 19, 2013	-	JPY	52,795,000,000	666,706	52,795,000,000	735,904	
Yen dominated FRN	Nov. 11, 2008	Nov. 11, 2013	6 Months Tibor+2.60	JPY	20,000,000,000	252,564	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	631,410	50,000,000,000	696,945	
Global Bonds	Mar. 26, 2009	Mar. 26, 2014	8.75	USD	700,000,000	817,320	-	-	
						5,649,690	4,785,822		
Add: Premium on bond redemption						10,067	11,112		
Less: Current portion						-	(200,000)		
Discount on debentures issued						(64,917)	(71,525)		
						₩	5,594,840	4,525,409	

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

(*1) The Company issued exchangeable bonds, which are exchangeable with 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 at issuance date:	JPY 2,867,605,334
Fair value of an exchangeable right as of December 31, 2009:	JPY 168,944,000
ADRs exchangeable as of December 31, 2009:	ADR 18,274,731
Exercise period of exchangeable right:	Commercing 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 are exchangeable with SK Telecom Co., Ltd. ADRs. The underlying assets of above exchangeable bonds are SK Telecom Co., Ltd. ADRs. 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 December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	Annual Interest Rate (%)		2009	2008
Korea Resources Corporation	Representative-Borrowing Rate(*)-2.25	₩	55,114	49,308
Woori Bank	Representative-Borrowing Rate(*)-1.25		20,405	-
		₩	<u>75,519</u>	<u>49,308</u>

(*) The average yield of 3-year government bond which is rounded off to the nearest 0.25% is utilized for the annual interest rate calculation.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

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

<i>(in millions of Won)</i>	Annual Interest Rate (%)		2009		2008	
Korea National Oil Corporation (*)	Representative-Borrowing Rate-2.25	USD	4,549,590	₩ 5,578	2,324,540	2,923
Development Bank of Japan	4.60	JPY	-	-	192,000,000	2,676
				5,578		5,599
Less: Current portion				-		(2,676)
				₩ 5,578		2,923

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

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

<i>(in millions of Won)</i>	Annual Interest Rate (%)		2009		2008	
NATIXIS	2.00	EUR	3,964,241	₩ 6,637	4,600,591	8,171
Less: Current portion		EUR	(636,350)	(1,065)	(636,350)	(1,130)
				₩ 5,572		7,041

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

<i>(in millions of Won)</i>									
Period	Debentures (*)		Borrowings		Foreign Currency Borrowings		Loans from foreign financial institutions		Total
2010	₩	-	₩	-	₩	-	₩	1,065	₩ 1,065
2011		1,683,974		750		-		1,065	1,685,789
2012		500,000		7,571		-		1,065	508,636
2013		1,808,183		8,591		-		1,065	1,817,839
Thereafter		1,667,600		58,607		5,578		2,377	1,734,162
	₩	5,659,757	₩	75,519	₩	5,578	₩	6,637	₩ 5,747,491

(*) The amount includes premium on bond redemption.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

14. Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009	2008
Estimated severance benefits at the beginning of period	₩ 851,391	682,686
Provision for severance benefits	3,320	221,748
Payment	(70,354)	(53,043)
Estimated severance benefits at the end of period	<u>₩ 784,357</u>	<u>851,391</u>
Transferred to National Pension Fund	(82)	(84)
Deposits for severance benefits trust	(599,088)	(590,939)
Net balance at the end of period	<u>₩ 185,187</u>	<u>260,368</u>

As of December 31, 2009 and 2008, the Company has funded approximately 76% and 69% of the total severance benefits through group severance insurance deposits with Samsung Life Insurance Company and others. The beneficiaries of the severance insurance deposits are the Company's employees.

15. Other Current Liabilities

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

<i>(in millions of Won)</i>	2009	2008
Other current liabilities		
Advances received	₩ 25,615	25,162
Unearned revenue	2,012	2,472
Others	6,177	9,454
	<u>₩ 33,804</u>	<u>37,088</u>

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

16. Commitments and Contingencies

(a) As of December 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>		2009		2008	
		Guaranteed	Won Equivalent	Guaranteed	Won Equivalent
Related companies					
	Bank of Tokyo-Mitsubish	-	- ₩	USD 42,000,000	₩ 58,154
		-	-	CNY 29,000,000	
POSCO Investment Co., Ltd.		USD 346,000,000		USD 100,000,000	
	HSBC	MYR 280,000,000	607,184	MYR 180,000,000	190,822
		CNY 630,000,000		-	-
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	329,249	USD 200,000,000	251,500
		JPY 4,806,750,000		-	-
			936,433		751,882
Others					
OCI Company Ltd. (formerly, DC Chemical Co., Ltd.)	EI Co., Ltd.	-	-	KRW 320	320
Zeus (Cayman) Ltd.	Related creditors	JPY 52,795,000,000	666,706	JPY 52,795,000,000	735,904
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Bank of China and others	USD 13,800,000	77,554	USD 15,840,000	97,870
		CNY 359,180,000		CNY 423,440,000	
			744,260		834,094
			₩ 1,680,693		₩ 1,585,976

(b) As of December 31, 2009, the Company has provided five blank promissory notes to Korea Resources Corporation as collateral for long-term domestic borrowings, and has provided six blank promissory notes to KNOC as collateral for long-term foreign currency borrowings.

(c) As of December 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 expenses with respect to these lease agreements amounted to ₩4,877 million for the year ended December 31, 2009. Future lease payments under these lease agreements are as follows:

<i>(in millions of Won)</i>	
Period	Amount
2010	₩ 3,269
2011	1,174
2012	304
	₩ 4,747

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

- (d) The Company is involved in thirteen lawsuits and claims for alleged damages aggregating to ₩ 13,054 million as of December 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 December 31, 2009.
- (e) The Company entered into long-term contracts to purchase iron ore, coal, nickel, chrome 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 December 31, 2009, 364 million tons of iron ore and 59 million tons of coal remained to be purchased under such long-term contracts.
- (f) 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. Purchase price is subject to change, following change of monthly standard oil price (JCC) and also price of ceiling is applicable.
- (g) The Company has a bank overdraft agreement of up to ₩ 310,000 million with Woori Bank and six other banks as of December 31, 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 ₩ 240,000 million.
- (h) As of December 31, 2009, the Company has an agreement with Woori Bank and ten other banks to open letters of credit, documents against acceptance and documents against payment amounting to US\$ 1,420 million and to borrow US\$ 500 million in foreign short-term borrowings.
- (i) The outstanding balance of accounts receivable in foreign currency sold to financial institutions as of December 31, 2009 amounted to US \$ 235 million for which the Company is contingently liable upon the issuers' default.
- (j) 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 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.
- (k) The Company has provided a supplemental funding agreement as the largest shareholder by the requests from the creditors including Korea Development Bank for seamless funding to POSCO Power Corp. under construction of new power plants.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

17. Derivatives

(a) Details of derivatives for the year ended December 31, 2009 are as follows:

Type of Transaction	Purpose of Transaction	Financial Institutions	Description of contract
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 met the criteria of embedded derivatives. Fair values of exchangeable right as of December 31, 2009 and 2008 are ₩ 2,134 million (JPY 168,994,000) and ₩ 9,199 million (JPY 659,937,500), respectively. This exchangeable right is included in other long-term liabilities (note 13).

(b) Details of the gains (losses) on derivatives, net for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Won)

Type of Transaction	Valuation Gain (Loss)		Transaction Gain (Loss)	
	2009	2008	2009	2008
Currency forward (Swaps)	₩ -	-	₩ 14,177	830
Embedded derivative	7,065	17,985	-	-
	<u>₩ 7,065</u>	<u>17,985</u>	<u>₩ 14,177</u>	<u>830</u>

The risk hedge accounting according to KFAS Interpretation 53-70, Accounting for Derivatives, is not applied on the derivative transactions.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

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:

	1 st Grant	2 nd Grant	3 rd Grant	4 th Grant	5 th Grant	6 th Grant	Total
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	134,106 shares	115,064 shares	62,000 shares	821,728 shares
Number of shares outstanding	-	-	-	1,791 shares	99,164 shares	28,000 shares	128,955 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) Expenses (or income) related to stock appreciation rights granted to executives incurred for the year ended December 31, 2009 are as follows:

(in millions of Won)	1 st Grant	2 nd Grant	3 rd Grant	4 th Grant	5 th Grant	6 th Grant	Total
Prior periods	₩ 59,945	₩ 10,801	₩ 4,843	₩ 29,770	₩ 54,680	₩ 25,486	₩ 185,525
Current period	-	(21)	1,228	2,126	26,559	6,208	36,100
	<u>₩ 59,945</u>	<u>₩ 10,780</u>	<u>₩ 6,071</u>	<u>₩ 31,896</u>	<u>₩ 81,239</u>	<u>₩ 31,694</u>	<u>₩ 221,625</u>

(c) As of December 31, 2009 and 2008, liabilities related to stock appreciation rights which are stated as long-term accrued expenses amounted to ₩ 55,141 million and ₩ 42,779 million, respectively.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

19. Capital Stock

Under the Articles of Incorporation, the Company is authorized to issue 200 million shares of capital stock with par value of ₩ 5,000 per share. As of December 31, 2009, exclusive of retired stock, 87,186,835 shares of common stock have been issued.

The Company is authorized, with the Board of Directors' approval, to retire treasury stock in accordance with applicable laws up to the maximum amount of certain undistributed earnings. The 9,293,790 shares of common stock were retired with the Board of Directors' approval.

As of December 31, 2009, ending balance of capital stock amounts to ₩ 482,403 million; however, it is different from par value of issued common stock which amounted to ₩ 435,934 million due to retirement of treasury stock.

As of December 31, 2009, total shares of ADRs are 66,059,024, equivalent to 16,514,756 of common shares.

20. Capital Surplus

(a) In accordance with the Asset Revaluation Law, the Company had revalued three times a substantial portion of its property, plant and equipment since December 31, 1989. The remaining revaluation increments amounting to ₩3,173 billion, net of revaluation tax, were recorded as revaluation surplus, a component of shareholders' equity.

(b) Other capital surplus consists of gain on disposal of treasury stock and capital surplus by equity method.

21. Capital Adjustments

(a) Details of capital adjustments of the Company as of December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009		2008
	Number of shares	Book value	Book value
Treasury stock	7,792,072	₩ 1,662,068	1,760,819
Specified money in trust	2,361,885	741,195	741,195
	<u>10,153,957</u>	<u>₩ 2,403,263</u>	<u>2,502,014</u>

(b) The voting rights of treasury stock are restricted in accordance with the Korean Commercial Code of the Republic of Korea. In addition, the Company sold 462,962 shares of its treasury stock on October 19, 2009, as approved by the Board of Directors on October 16, 2009. The differences between the book values and the proceeds from the sales were recognized as gains on sale of treasury stock (capital surplus).

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

22. Retained Earnings

Retained earnings as of December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009	2008
Appropriated		
Legal reserve	₩ 241,202	241,202
Reserve for technology and human resource development	720,000	1,071,667
Appropriated retained earnings for business rationalization	918,300	918,300
Appropriated retained earnings for business expansion	21,557,500	17,757,500
Appropriated retained earnings for dividends	1,211,223	982,395
	<u>24,648,225</u>	<u>20,971,064</u>
Unappropriated	3,295,033	4,489,059
	<u>₩ 27,943,258</u>	<u>25,460,123</u>

Legal Reserve

The Commercial Code of the Republic of Korea requires the Company to appropriate annually, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid, until such a reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock, or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

23. Dividends

(a) Details of interim and year-end dividends in 2009 and 2008 are as follows:

Interim Cash Dividends

<i>(in millions of Won)</i>	2009		2008	
	Dividend Ratio (%)	Dividend Amount	Dividend Ratio (%)	Dividend Amount
Common shares	30	₩ <u>114,855</u>	50	<u>188,485</u>

Year-end Cash Dividends

<i>(in millions of Won)</i>	2009		2008	
	Dividend Ratio (%)	Dividend Amount	Dividend Ratio (%)	Dividend Amount
Common shares	130	₩ <u>500,714</u>	150	<u>574,274</u>

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

(b) Details of the dividend payout ratio and dividend yield ratio are as follows:

	2009		2008	
	Dividend Ratio (%)	Dividend Amount	Dividend Ratio (%)	Dividend Amount
Common shares	30	₩ 114,855	50	188,485

24. Cost of Goods Sold

Costs of goods sold for the years ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009		2008	
Finished goods, semi-finished goods and by-products				
Beginning balance of inventories	₩	2,749,541		1,359,025
Cost of goods manufactured		20,889,203		24,045,506
Transfer from other accounts		83,486		30,135
Refund of customs		(21,222)		(10,424)
Ending balance of inventories		(1,191,502)		(2,749,541)
		22,509,506		22,674,701
Others		64,798		32,283
Total	₩	22,574,304		22,706,984

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

25. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009	2008
Selling expenses	₩ 626,893	741,683
Fees and charges	112,852	139,095
Salaries and wages	94,600	89,605
Advertising	72,103	80,605
Research and development (note 9)	53,947	60,015
Depreciation	14,704	15,629
Amortization (note 9)	16,094	14,748
Bad debt expenses	8,861	-
Rent	19,821	22,396
Other employ benefits	78,527	100,589
Provision for severance benefits	5,831	32,086
Supplies	4,147	4,490
Travel	12,580	14,674
Training	12,088	17,206
Repairs	10,536	10,346
Communications	7,315	7,937
Vehicle expenses	5,572	5,448
Taxes and dues	4,379	5,283
Entertainment	3,559	4,578
Subscriptions and printing	2,665	2,345
Utilities	455	991
Insurance	11,635	8,744
Stock compensation expense (note 18)	36,100	-
Others	16,378	16,873
	<u>₩ 1,231,642</u>	<u>1,395,366</u>

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

26. Assets and Liabilities Denominated in Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies as of December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009				2008			
	Foreign currency		Won Equivalent		Foreign currency		Won Equivalent	
Assets								
Cash and cash equivalents	USD	266,156	₩	310,764	USD	110,967		139,541
	EUR	188		314	EUR	174		310
	Others	-		140	Others	-		116
Trade accounts and notes receivable	USD	327,506		382,396	USD	233,283		293,353
	JPY	3,541,836		44,727	JPY	3,610,125		50,321
	EUR	17,147		28,709	EUR	6,437		11,433
Other accounts receivable	USD	6,662		7,779	USD	4,564		5,740
	JPY	8,879		112	JPY	8,879		124
	Others	-		-	Others	-		38
Guarantee deposits	USD	45		53	USD	106		134
	EUR	135		226	EUR	129		229
	Others	-		95	Others	-		36
			₩	<u>775,315</u>				<u>501,375</u>
Liabilities								
Trade accounts payable	USD	277,543	₩	324,059	USD	386,859		486,475
	JPY	1,140,474		14,402	JPY	1,401,536		19,536
	EUR	871		1,458	EUR	18		32
Other accounts payable	USD	7,484		8,739	USD	10,265		12,908
	JPY	366,221		4,625	JPY	2,424,724		33,798
	EUR	3,183		5,329	EUR	6,965		12,372
Debentures	AUD	58		61	AUD	-		-
	USD	1,000,000		1,167,600	USD	300,000		377,250
	JPY	173,592,205		2,192,157	JPY	173,592,205		2,419,684
Foreign currency short-term borrowings	USD	369,056		430,910	USD	271,035		340,827
Foreign currency long-term borrowings	JPY	-		-	JPY	192,000		2,676
	USD	4,550		5,578	USD	2,325		2,923
Loans from foreign financial institutions	EUR	3,964		6,637	EUR	4,601		8,172
			₩	<u>4,161,555</u>				<u>3,716,653</u>

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

27. Income Taxes

(a) Income tax expense for the years ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Current income taxes (*)	₩ 581,548	1,638,902
Deferred income tax due to temporary differences	(12,639)	(527,582)
Items charged directly to shareholders' equity	(158,648)	271,277
	<u>₩ 410,261</u>	<u>1,382,597</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 years ended December 31, 2009 and 2008:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Net income before income tax expense	₩ 3,582,525	5,829,530
Income tax expense computed at statutory rate	866,947	1,603,090
Adjustments:		
Tax credit	(349,190)	(182,374)
Tax returns (*)	(140,442)	-
Others, net	32,946	(38,119)
Income tax expense	<u>₩ 410,261</u>	<u>1,382,597</u>
Effective rate (%)	<u>11.5%</u>	<u>23.7%</u>

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

(c) The Company recognizes deferred income taxes for anticipated future tax consequences resulting from temporary differences between amounts reported for financial reporting and income tax purposes. Deferred tax assets and liabilities are computed on such temporary differences by applying enacted statutory tax rates applicable to the years when such differences are expected to be reversed. The deferred income tax effect of tax amendment amounting to ₩ 23,667 million were recorded in income tax expense.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

(d) Changes in temporary differences and deferred income taxes for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Won)

	Accumulated temporary differences			Deferred income tax		
	Dec. 31, 2008	Inc. (dec.) (*1)	Dec. 31, 2009	Dec. 31, 2008	Inc. (dec.)	Dec. 31, 2009
Reserve for special repairs	₩ (281,824)	₩ 107,834	₩ (173,990)	₩ (62,423)	₩ 22,923	₩ (39,500)
Reserve for technology developments	(720,000)	(80,000)	(800,000)	(167,016)	(8,984)	(176,000)
Dividend income from related companies	430,688	30,711	461,399	94,751	6,757	101,508
Depreciation expense	(267,736)	(89,328)	(357,064)	(58,569)	(19,876)	(78,445)
Valuation of equity method accounted investments (*2)	(1,778,197)	(368,990)	(2,147,187)	(299,121)	(81,125)	(380,246)
Prepaid expenses	68,751	4,624	73,375	16,182	1,574	17,756
Impairment loss on property, plant and equipment	42,461	(6,765)	35,696	9,374	(1,376)	7,998
Gain on foreign currency translateion	622,855	(431,902)	190,953	137,581	(97,798)	39,783
Gain on valuation of available-for-sale securities	(393,580)	(441,631)	(835,211)	(86,587)	(97,159)	(183,746)
Loss on valuation of available-for-sale securities	973,348	(105,189)	868,159	214,137	(23,142)	190,995
Tax credit	-	-	-	-	286,556	286,556
Others	362,567	111,472	474,039	74,851	24,289	99,140
	<u>(940,667)</u>	<u>(1,269,164)</u>	<u>(2,209,831)</u>	<u>(126,840)</u>	<u>12,639</u>	<u>(114,201)</u>

(in millions of Won)

	Accumulated temporary differences			Deferred income tax		
	Dec. 31, 2007	Inc. (dec.) (*1)	Dec. 31, 2008	Dec. 31, 2007	Inc. (dec.)	Dec. 31, 2008
Reserve for special repairs	₩ (301,751)	₩ 19,927	₩ (281,824)	₩ (82,982)	₩ 20,559	₩ (62,423)
Allowances for doubtful accounts	19,484	(19,484)	-	5,358	(5,358)	-
Reserve for technology developments	(1,071,667)	351,667	(720,000)	(294,708)	127,692	(167,016)
Dividend income from related companies	366,233	64,455	430,688	100,714	(5,963)	94,751
Depreciation expense	(151,035)	(116,701)	(267,736)	(41,534)	(17,035)	(58,569)
Valuation of equity method accounted investments	(1,423,440)	(354,757)	(1,778,197)	(309,186)	10,065	(299,121)
Prepaid expenses	34,422	34,329	68,751	9,465	6,717	16,182
Impairment loss on property, plant and equipment	374,053	(331,592)	42,461	102,865	(93,490)	9,375
Gain on foreign currency translateion	-	622,855	622,855	-	137,581	137,581
Gain on valuation of available-for-sale securities	(1,228,045)	834,465	(393,580)	(337,712)	251,125	(86,587)
Loss on valuation of available-for-sale securities	278,548	694,800	973,348	76,601	137,536	214,137
Others	443,132	(80,565)	362,567	116,697	(41,847)	74,850
	<u>₩ (2,660,066)</u>	<u>₩ 1,719,399</u>	<u>₩ (940,667)</u>	<u>₩ (654,422)</u>	<u>₩ 527,582</u>	<u>₩ (126,840)</u>

(*1) The adjustments reflect the effect of the finalized tax assessment for the year ended December 31, 2008 and as a result, the deferred income tax balances as of December 31, 2008 have been adjusted.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

(*2) As the Company is unlikely to dispose of its investee shares within five years, the income tax effect of ₩ 476,169 million in 2009 is not recognized as it is more likely than not that the deferred tax asset will not be realized.

(e) Changes in deferred income tax and others which are directly recognized in equity due to changes in valuation of available-for-sale securities for the years ended December 31, 2009 and 2008 amounted to ₩ 158,648 million and ₩ (271,277) million, respectively.

(f) A summary of deferred tax assets and liabilities as of December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009		2008	
	Current	Non-current	Current	Non-current
Deferred tax assets	₩ 307,865	₩ 747,057	₩ 35,138	₩ 770,457
Deferred tax liabilities	(21,790)	(1,147,333)	(125,445)	(806,990)
Net deferred tax assets (liabilities)	<u>₩ 286,075</u>	<u>₩ (400,276)</u>	<u>₩ (90,307)</u>	<u>₩ (36,533)</u>

28. Comprehensive Income

For the years ended December 31, 2009 and 2008, comprehensive incomes are as follows:

<i>(in millions of Won)</i>	2009	2008
Net income	₩ 3,172,264	4,446,933
Gain (loss) on valuation of available-for-sale securities	546,820	(1,529,608)
Less: tax effect	(120,301)	388,661
Changes in capital adjustments arising from equity method accounted investments	42,192	419,394
Less: tax effect	4,323	(66,384)
Other comprehensive income	<u>473,034</u>	<u>(787,937)</u>
Comprehensive income	<u>₩ 3,645,298</u>	<u>3,658,996</u>

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

29. Earnings Per Share

(a) Basic earnings per share for the years ended December 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	₩ 3,172,264	4,446,933
Weighted-average number of common shares outstanding (*)	<u>76,661,240</u>	<u>75,493,523</u>
Basic earnings per share	<u>₩ 41,380</u>	<u>58,905</u>

(*) Basic earnings per share are computed by dividing net income allocated to common stock, by the weighted-average number of common shares outstanding for the year ended December 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>(10,525,595)</u>	<u>(11,693,312)</u>
Weighted-average number of common shares outstanding	<u>76,661,240</u>	<u>75,493,523</u>

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

30. Related Party Transactions

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

Domestic (30)	POSCO E&C Co., Ltd., Posteel Co., Ltd., POSCON Co., Ltd., POSCO Coated & Color Steel Co., Ltd., POSCO Machinery & Engineering Co., Ltd., POSCOICT CO., Ltd.(formerly, 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., PHP Co., Ltd., PNR Co., Ltd., Megaasset Co., Ltd., Daewoo engineering Company, Metapolis Co., Ltd., POSCORE Co., Ltd., Pohang feul cell co., POSCOAST CO., LTD., DAIMYUNG TMS.CO.LTD., POS-HiMETAL CO., Ltd., POSCO E&E Co., Ltd., Universal Studio Resort Development Co., Ltd.
Foreign (50)	POSCO America Corporation, POSCO Australia Pty. Ltd., POSCO Canada Limited, POSCAN Elkview Coal Ltd., POSCO Asia Co., Ltd., VSC POSCO Steel Corp., Dalian POSCO-CFM Coated Steel Co., Ltd., POSCO-CTPC, POSCO-JKPC Co., Ltd., International Business Center Corporation, POSLILAMA E&C Co., Ltd., Zhangjiagang Pohang Stainless Steel Co., Ltd., Guangdong Pohang Coated Steel Co., Ltd., POSCO (Thailand) Co., Ltd., Myanmar POSCO Steel Co., Ltd., Zhangjiagang Posha Steel Port Co., Ltd., POSCO-JOPC Co., Ltd., POSCO Investment Co., Ltd., POSCO-MKPC SDN BHD., Qingdao Pohang Stainless Steel Co., Ltd., POSCO (Suzhou) Automotive Processing Center Co.,Ltd., POSEC-Hawaii Inc., POS-Qingdao Coil Center Co., Ltd., POS-ORE Pty. Ltd., POSCO-China Holding Corp., POSCO-Japan Co., Ltd., POSCO E&C (Zhangjiagang) Engineering &Construction Co., Ltd., POS-CD Pty. Ltd, POS-GC Pty. Ltd, POSCO-India Private. Ltd., POS-India Pune Steel Processing Centre Pvt. Ltd., POSCO-JNPC Co., Ltd., POSCO-Foshan Steel Processing Centre Pvt. Ltd., POSCO E&C (Beijing) Co., Ltd., POSCO-MPC S.A. de C.V., Zhanjiagang Pohang Port Co., Ltd., POSCO-Vietnam Co., Ltd., POSCO Mexico Co., Ltd., POSCO-India Delhi Steel Processing Centre Pvt. Ltd., POSCO (Chongqing) Automotive Processing Center Co., Ltd., POS-NP Pty. Ltd., POSCO Vietnam Processing Center Co., Ltd., Suzhou pos-core Technology Co., Ltd., POSCO-JYPC Co., Ltd., POSCO-Malaysia SDN. BHD., POS-Minerals Corporation, POSCO (Wuhu) Automotive Processing Center Co., Ltd., &TV Communications, POSCO-Phillippine Manila Processing Center INC., POSCO VST Co., Ltd.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

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

<i>(in millions of Won)</i>	Sales and others (*1)		Purchase and others (*1)		Receivables (*2)		Payables (*2)	
	2009	2008	2009	2008	2009	2008	2009	2008
Subsidiaries								
POSCO E&C Co., Ltd.	₩ 4,548	₩ 13,626	₩ 2,247,673	₩ 1,121,335	₩ 480	₩ 814	₩ 437,818	₩ 249,792
Posteel Co., Ltd.	1,167,949	1,455,354	159,216	244,908	114,783	220,713	3,484	21,651
POSCON Co., Ltd.	106	105	251,144	226,827	12	5	41,085	62,957
Pohang Coated & Color Steel Co., Ltd.	494,938	609,377	1,477	1,916	109,615	48,785	199	71
POSCO Machinery & Engineering Co., Ltd.	1,509	4,309	176,378	158,275	9	2,665	22,839	25,387
POSCOICT Co., Ltd. (formerly, POSDATA Co., Ltd.)	1,015	1,685	184,757	187,186	1	1	32,086	20,311
POSCO Machinery Co., Ltd.	8,843	15,302	80,451	89,248	2	2,188	12,719	28,517
POSCO Refractories & Environment Company Co., Ltd.	86,927	57,189	473,402	350,153	6,880	19,137	66,008	57,791
POSCO Terminal Co., LTD.	14,965	11,716	638	801	1,809	1,394	193	263
Samjung Packing & Aluminum Co., Ltd. (*3)	18,945	25,115	206,918	268,044	1,472	2,578	24,942	17,422
POSCORE CO., LTD.	130,964	131,497	483	176	11,678	20,330	24	-
POSCOAST Co., Ltd.	83,245	-	21,489	-	17,492	-	7,572	-
POSCO America Corporation	169,274	168,553	-	93	531	25	-	405
POSCO Canada Limited	-	40	84,404	289,015	-	21	-	-
POSCO Asia Co., Ltd.	1,093,589	951,867	79,844	203,923	40,548	28,301	1,170	2,978
POSCO Thailand								
BangKok Processing Center Co., Ltd.	70,129	91,077	5	-	1,768	-	-	-
POSCO-MKPC SDN BHD	54,766	27,170	-	-	-	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	185,002	93,232	-	-	2,353	4,804	-	-
POSCO (Suzhou)								
Automotive Processing Center Co., Ltd.	113,392	24,930	-	-	-	-	-	-
POSCO-Japan Co., Ltd.	690,289	1,191,222	75,973	23,233	25,972	21,700	6,701	1,104
POS-India Pune Processing Centre Pvt. Ltd.	110,901	66,931	-	-	-	4,019	1	-
POSCO-Foshan Steel Processing Centre Pvt. Ltd.	58,413	23,940	-	-	-	54	-	-
POSCO-MPC S.A. de C.V.	98,476	61,279	-	-	-	-	-	-
POSCO-Vietnam Co., Ltd.	117,296	1,026	-	-	1,934	1,024	-	-
POSCO-Mexico Co., Ltd	125,057	-	-	-	-	-	-	-

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

<i>(in millions of Won)</i>	Sales and others (*1)		Purchase and others (*1)		Receivables (*2)		Payables (*2)	
	2009	2008	2009	2008	2009	2008	2009	2008
POSCO-India Delhi								
Steel Processing								
Centre Pvt. Ltd.	76,997	20,844	498	318	-	605	-	-
POSCO (Chongqing)								
Automotive Processing								
Center Co., Ltd.	43,401	4,686	-	-	-	-	-	-
POSCO Malaysia SDN. BHD.	51,191	43,072	-	-	-	-	-	-
POSCO (Wuhu)								
Automotive Processing								
Center Co., Ltd.	83,526	-	-	-	-	-	-	-
Others	147,216	127,497	121,447	125,548	3,622	6,352	14,503	19,305
	<u>5,302,869</u>	<u>5,222,641</u>	<u>4,166,197</u>	<u>3,290,999</u>	<u>340,961</u>	<u>385,515</u>	<u>671,344</u>	<u>507,954</u>
Equity method investees								
eNtoB Corporation	-	-	223,075	288,604	-	-	6,561	6,016
SNNC Co., Ltd.	1,437	2,245	368,261	33,867	1,974	19	26,963	1,926
KOBRASCO	-	4,115	2,857	63,968	-	4,115	-	-
Poschrome (Proprietary)								
Limited	-	98	48,822	91,467	176	-	-	-
POSVINA Co., Ltd.	5,973	12,550	-	-	-	-	-	-
USS-POSCO Industries	241,921	428,092	56	-	18,310	-	-	-
Guangdong Xingpu Steel								
Center Co., Ltd.	10,801	10,011	-	-	820	1,825	-	-
Others	-	-	181	-	-	-	78	-
	<u>260,132</u>	<u>457,111</u>	<u>643,252</u>	<u>477,906</u>	<u>21,280</u>	<u>5,959</u>	<u>33,602</u>	<u>7,942</u>
	<u>₩ 5,563,001</u>	<u>₩ 5,679,752</u>	<u>₩ 4,809,449</u>	<u>₩ 3,768,905</u>	<u>₩ 362,241</u>	<u>₩ 391,474</u>	<u>₩ 704,946</u>	<u>₩ 515,896</u>

(*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, other accounts receivable and others; payables include trade accounts payable, other accounts payable and others.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

(c) For the years ended December 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	₩ 11,716	11,900
Severance benefits	5,490	4,093
Management achievement awards and others	14,196	17,525
Total	<u>₩ 31,402</u>	<u>33,518</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 plans, operations and controls. 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 ₩ 36,100 million, and decreased by ₩ 55,155 million for the year ended December 30, 2009 and 2008, respectively (note 18).

31. Segment Information

(a) The Company has plants in Pohang and in Gwangyang in the Republic of Korea. General information of the plants as of December 31, 2009 is as follows:

	<u>Pohang Mill</u>	<u>Gwangyang Mill</u>
Major Products		
Hot Roll	HR coil	HR coil
Cold Roll	CR coil, CR Sheet	CR coil, CR Sheet
Plate	Plate	-
Electric iron	Electric iron coil	-
Stainless	STS HR coil and others	-
Semi-finished goods	Slab, Bloom, Billet	Slab
Major Facilities		
Furnaces	1~4 furnaces, F furnace, 1~2 Finex	1~5 furnaces
Others	Steel manufacturing continuous, HR, CR and others	Steel manufacturing continuous, HR, CR and others

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

(b) Operating results and long-lived assets as of and for the years ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009			
	Pohang	Gwangyang	Others	Total
Sales (*1)	₩ 15,250,852	₩ 11,611,576	₩ 91,517	₩ 26,953,945
Property, plant and equipment (*2)	₩ 8,686,156	₩ 7,959,438	-	₩ 16,645,594
Intangible assets (*2)	117,781	34,048	-	151,829
	₩ 8,803,937	₩ 7,993,486	-	₩ 16,797,423
Depreciation and amortization	₩ 1,192,497	₩ 867,051	-	₩ 2,059,548

<i>(in millions of Won)</i>	2008			
	Pohang	Gwangyang	Others	Total
Sales (*1)	₩ 16,537,730	₩ 14,031,930	₩ 72,749	₩ 30,642,409
Property, plant and equipment (*2)	₩ 8,338,775	₩ 6,127,143	-	₩ 14,465,918
Intangible assets (*2)	126,018	44,077	-	170,095
	₩ 8,464,793	₩ 6,171,220	-	₩ 14,636,013
Depreciation and amortization	₩ 1,138,197	₩ 770,608	-	₩ 1,908,805

(*1) No inter-plant sales transactions between the two plants.

(*2) Presented at net book value.

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

32. Value Added Information

Details of accounts included in the computation of value added for the years ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009	2008
Salaries and wages	₩ 812,217	848,239
Provision for severance benefits	3,219	244,132
Other employ benefit	471,186	684,026
Rent	45,446	44,483
Depreciation and amortization (*)	2,057,668	1,908,805
Taxes and dues	59,737	66,570
	<u>₩ 3,449,473</u>	<u>3,796,255</u>

(*) Includes amortization and depreciation expense both for assets in use and assets not in use.

33. Operating Results for the Final Interim Period (Unaudited)

Significant operating results of the Company for the three-month periods ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won except per share information)</i>	Q4 2009	Q4 2008
Sales	₩ 7,288,132	8,305,291
Operating income	1,586,780	1,397,605
Net income	1,275,327	721,437
Basic earnings per share (in Won)	16,577	9,522

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

34. 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 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 Task Force Team reported the results of its operation to the audit committee and management group periodically.

(a) Details of action plans and current status for the preparation of K-IFRS as of December 31, 2009 are as follows:

<u>Major activities</u>	<u>Preparation plans</u>	<u>Current status as of December 31, 2009</u>
Analysis of the impact on adption of K-IFRS and managing the separate Task Force Team for the adoption of K-IFRS	Preparation in adopting K-IFRS by managing the separate Task Force Team for the adoption of K-IFRS	1) Established separate Task Force Team 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	Obtaing essential technical knowledge for the adoption of K-IFRS by the end of 2009	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	Modifying the stand-alone financial closing system as of December 31, 2009

POSCO
Notes to Non-Consolidated Financial Statements
December 31, 2009

- (b) The significant differences expected by making the Company's financial statements applying K-IFRS available as of December 31, 2009 are as follows. These results are not exhaustive, as in the future other unforeseen differences may appear as a result of future analysis. In addition, practical effect of some of the significant differences listed below may not be obtainable.

Classification	K-IFRS	Current policy
Employee Benefits	Defined benefit obligations represent the present value of projected benefit obligation using the Projected Unit Credit Method and actuarial assumptions.	Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment at the end of reporting period.
A method of accounting for an investment presented by separate financial statements	Cost method or applying K-IFRS 1039	Equity method accounting
Deemed cost at the date of transition (PP&E / investment property)	Measure the individual item of PP&E or investment property at fair value and use this value as deemed cost at the date of transition.	-
Derecognition of financial assets	Derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the transferer transfers the contractual rights to receive the cash flows of the financial asset and transfers substantially all the risks and rewards of ownership of the financial asset or the entity neither transfers nor retains all the risks and rewards of ownership.	Derecognise a financial asset when the transferer cannot exercise its rights and efficient control and the transferee has the practical ability to sell the asset.
Borrowing Costs	Borrowing costs that are directly attribute to the acquisition, construction or production of a qualifying asset form part of the cost of that asset.	Recognised as an expense.

Independent Accountants' Review Report on Internal Accounting Control System

English translation of a Report Originally Issued in Korean

To the President of
POSCO:

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ("IACS") of POSCO (the "Company") as of December 31, 2009. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of IACS, the Company's management stated: "Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2009, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that Report on the Operations of Internal Accounting Control System as of December 31, 2009 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2009. We did not review the Company's IACS subsequent to December 31, 2009. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

Seoul, Korea

February 8, 2010

Notice to Readers

This report is annexed in relation to the audit of the non-consolidated financial statements as of December 31, 2009 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Report on the Operations of Internal Accounting Control System

To the Board of Directors and Audit Committee of
POSCO:

I, as the Internal Accounting Control Officer ("IACO") of POSCO (the "Company"), have assessed the status of the design and operations of the Company's internal accounting control system ("IACS") as of December 31, 2009.

The Company's management, including IACO, is responsible for the design and operations of its IACS. I, as the IACO, have assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial statement preparation and presentation for external uses. I, as the IACO, applied the IACS Standards established by the IACS Operations Committee for the assessment of design and operations of the IACS.

Based on the assessment of the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2009, in all material respects, in accordance with the IACS Standards issued by the IACS Operations Committee.

January 14, 2010

Lee Dong Hee, Internal Accounting Control Officer



Chung Joon Yang, Chief Executive Officer

