

**POSCO**  
**and Subsidiaries**  
**Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**(With Independent Auditors' Report Thereon)**

## Table of Contents

	<b>Page</b>
<b>Independent Auditors' Report</b> .....	1
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Income .....	5
Consolidated Statements of Changes in Equity .....	6
Consolidated Statements of Cash Flows .....	8
Notes to Consolidated Financial Statements.....	10

## **Independent Auditors' Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholders

POSCO:

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

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

In our opinion, the 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, 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 consolidated financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying 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 consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Seoul, Korea

March 12, 2010

This report is effective as of March 12, 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 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 and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2009 and 2008**

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Cash and cash equivalents, net of government grants (note 3)	₩ 2,196,731	2,490,264
Short-term financial instruments (note 3)	5,820,447	1,827,450
Trading securities (note 4)	505,811	1,238,261
Current portion of investment securities, net (note 7)	56,463	51,501
Trade accounts and notes receivable, net of allowance for doubtful accounts and present value discount (note 5)	5,145,022	5,894,093
Other accounts and notes receivable, net of allowance for doubtful accounts and present value discount (note 5)	447,693	538,510
Advance payments	588,354	1,033,513
Inventories (notes 6 and 30)	5,152,839	8,661,721
Deferred income tax assets (note 25)	404,401	109,578
Other current assets, net of allowance for doubtful accounts (note 11)	316,389	352,742
<b>Total current assets</b>	<u>20,634,150</u>	<u>22,197,633</u>
Property, plant and equipment (notes 8 and 30)	47,506,269	42,230,169
Less accumulated depreciation	<u>(25,666,484)</u>	<u>(24,161,070)</u>
Property, plant and equipment, net	21,839,785	18,069,099
Investment securities, net (note 7)	6,211,966	5,177,482
Intangible assets, net (notes 9 and 30)	629,969	723,767
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts and present value discount (note 5)	15,685	23,264
Long-term loans receivable, net of allowance for doubtful accounts and present value discount (note 5)	103,607	80,287
Deferred income tax assets (note 25)	294,441	317,023
Guarantee deposits	51,269	65,540
Long-term financial instruments (note 3)	18,634	16,462
Other long-term assets, net of allowance for doubtful accounts and present value discount (note 11)	512,242	290,725
<b>Total non-current assets</b>	<u>29,677,598</u>	<u>24,763,649</u>
<b>Total assets</b>	<u>₩ 50,311,748</u>	<u>46,961,282</u>

*See accompanying notes to consolidated financial statements.*

**POSCO and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2009 and 2008**

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
<b>Liabilities</b>		
Trade accounts and notes payable	₩ 2,734,900	3,070,436
Short-term borrowings (note 12)	3,225,801	3,254,355
Current portion of long-term debts, net of discount on debentures issued (note 12)	786,887	770,142
Accrued expenses	344,274	237,917
Other accounts and notes payable	642,446	579,853
Withholdings	200,894	126,538
Income tax payable	393,719	2,083,472
Advances received	811,644	597,514
Deferred income tax liabilities (note 25)	71	-
Other current liabilities (note 15)	134,182	289,165
<b>Total current liabilities</b>	<u>9,274,818</u>	<u>11,009,392</u>
Long-term debts, net of current portion and discount on debentures issued (note 13)	8,229,781	6,895,862
Accrued severance benefits, net (note 14)	300,421	383,718
Deferred income tax liabilities (note 25)	531,927	70,363
Other long-term liabilities (note 15)	310,487	257,742
<b>Total non-current liabilities</b>	<u>9,372,616</u>	<u>7,607,685</u>
<b>Total liabilities</b>	<u>18,647,434</u>	<u>18,617,077</u>
<b>Parent shareholders' equity</b>		
Capital stock (notes 1 and 17)	482,403	482,403
Capital surplus (note 18)	4,446,032	4,319,083
Capital adjustments, net (note 21)	(2,410,668)	(2,509,081)
Accumulated other comprehensive income (loss)	455,471	(21,986)
Retained earnings (note 19)	27,935,726	25,393,246
	<u>30,908,964</u>	<u>27,663,665</u>
<b>Minority interest</b>	<u>755,350</u>	<u>680,540</u>
<b>Total shareholders' equity</b>	<u>31,664,314</u>	<u>28,344,205</u>
<b>Total liabilities and shareholders' equity</b>	<u>₩ 50,311,748</u>	<u>46,961,282</u>

*See accompanying notes to consolidated financial statements.*

**POSCO and Subsidiaries**  
**Consolidated Statements of Income**  
**For the years ended December 31, 2009 and 2008**

*(in millions of Won, except per share information)*

	<b>2009</b>	<b>2008</b>
<b>Sales</b> (note 30)	₩ 36,855,001	41,742,636
<b>Cost of goods sold</b> (note 30)	31,037,425	32,562,339
Gross profit	5,817,576	9,180,297
<b>Selling and administrative expenses</b> (notes 24 and 30)	1,949,414	2,006,368
Operating income	3,868,162	7,173,929
<b>Non-operating income</b> (note 30)		
Interest and dividend income	351,553	362,309
Gain on disposal of trading securities	21,298	55,056
Gain on valuation of trading securities	5,811	16,535
Gain on foreign currency transaction	814,758	1,078,243
Gain on foreign currency translation	541,007	122,287
Gain on derivative transaction	77,879	41,575
Gain on valuation of derivatives	51,101	346,932
Gain on disposal of property, plant and equipment	82,000	14,392
Equity in earnings of equity method accounted investees	75,250	32,931
Gain on recovery of allowance for doubtful accounts	7,736	19,116
Reversal of stock compensation expense	-	55,155
Others	334,000	225,345
	2,362,393	2,369,876
<b>Non-operating expenses</b> (note 30)		
Interest expense	532,090	344,686
Other bad debt expense	11,253	23,269
Loss on disposal of trading securities	1,164	1,243
Loss on valuation of trading securities	21	3,870
Loss on foreign currency transaction	884,347	1,207,257
Loss on foreign currency translation	105,219	933,086
Loss on derivative transaction	67,697	103,739
Loss on valuation of derivatives	94,346	288,655
Donations	128,925	142,570
Loss on impairment of investments	285,961	120,840
Loss on disposal of property, plant and equipment	54,992	53,823
Loss on impairment of intangible assets	50,493	45,890
Equity in losses of equity method accounted investees	82,130	56,795
Others	192,642	122,443
	2,491,280	3,448,166
Net income before income tax expense and net income (loss) of consolidated subsidiaries before acquisition	3,739,275	6,095,639
<b>Income tax expense</b> (notes 25 and 30)	535,996	1,733,983
<b>Net loss (income) of consolidated subsidiaries before acquisition</b> (note 30)	39,032	(11,552)
<b>Net income</b>	₩ 3,242,311	4,350,104
Net income attribute to controlling interest	₩ 3,218,425	4,378,751
Net income (loss) attributable to minority interest (note 30)	₩ 23,886	(28,647)
Basic and diluted earnings per share (note 26)	₩ 41,982	58,002

*See accompanying notes to consolidated financial statements.*

**POSCO and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2009 and 2008**

<i>(in millions of Won)</i>	<u>Capital Stock</u>	<u>Capital Surplus</u>	<u>Capital Adjustments</u>	<u>Accumulated Other Comprehensive (Loss) Income</u>	<u>Retained Earnings</u>	<u>Minority Interest</u>	<u>Total</u>
<b>Balance as of January 1, 2008</b>	₩ 482,403	4,176,592	(2,727,147)	784,933	21,767,302	633,657	25,117,740
Net income	-	-	-	-	4,378,751	(28,647)	4,350,104
Effect of changes in scope of consolidation	-	-	-	-	-	31,518	31,518
Effect of changes in percentage of ownership of investees	-	20,194	-	-	-	-	20,194
Dividends	-	-	-	-	(755,037)	-	(755,037)
Changes in treasury stock	-	121,938	213,951	-	-	-	335,889
Unrealized loss on available-for-sale securities, net	-	-	-	(1,276,043)	-	-	(1,276,043)
Changes in capital adjustments of equity method accounted investees	-	-	-	37,575	-	-	37,575
Foreign currency translation adjustments	-	-	-	438,314	-	-	438,314
Loss on valuation of derivatives	-	-	-	(6,765)	-	-	(6,765)
Effect of changes in percentage of minority interest	-	-	-	-	-	39,726	39,726
Others	-	359	4,115	-	2,230	4,286	10,990
<b>Balance as of December 31, 2008</b>	<u>₩ 482,403</u>	<u>4,319,083</u>	<u>(2,509,081)</u>	<u>(21,986)</u>	<u>25,393,246</u>	<u>680,540</u>	<u>28,344,205</u>

*See accompanying notes to consolidated financial statements.*

**POSCO and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2009 and 2008**

<i>(in millions of Won)</i>	<u>Capital Stock</u>	<u>Capital Surplus</u>	<u>Capital Adjustments</u>	<u>Accumulated Other Comprehensive (Loss) Income</u>	<u>Retained Earnings</u>	<u>Minority Interest</u>	<u>Total</u>
<b>Balance as of January 1, 2009</b>	₩ 482,403	4,319,083	(2,509,081)	(21,986)	25,393,246	680,540	28,344,205
Net income	-	-	-	-	3,218,425	23,886	3,242,311
Effect of changes in scope of consolidation	-	-	-	-	-	25,437	25,437
Effect of changes in percentage of ownership of investees	-	9,607	-	-	-	-	9,607
Dividends	-	-	-	-	(689,129)	-	(689,129)
Changes in treasury stock	-	117,291	98,751	-	-	-	216,042
Unrealized gain on available-for-sale securities, net	-	-	-	583,012	-	-	583,012
Changes in capital adjustments of equity method accounted investees	-	-	-	10,002	-	-	10,002
Foreign currency translation adjustments	-	-	-	(126,357)	-	-	(126,357)
Loss on valuation of derivatives	-	-	-	10,800	-	-	10,800
Effect of changes in percentage of minority interest	-	-	-	-	-	30,704	30,704
Others	-	51	(338)	-	13,184	(5,217)	7,680
<b>Balance as of December 31, 2009</b>	<u>₩ 482,403</u>	<u>4,446,032</u>	<u>(2,410,668)</u>	<u>455,471</u>	<u>27,935,726</u>	<u>755,350</u>	<u>31,664,314</u>

*See accompanying notes to consolidated financial statements.*

**POSCO and Subsidiaries**  
**Consolidated Statements of Cash flows**  
**For the years Ended December 31, 2009 and 2008**

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>		
Net income	₩ 3,242,311	4,350,104
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,552,777	2,379,291
Accrual of severance benefits	79,186	314,156
Provision for doubtful accounts, net	45,537	28,186
Loss on impairment of intangible assets	50,493	45,890
Loss (gain) on valuation of derivatives, net	43,245	(58,277)
Loss on impairment of investments	285,961	120,840
Loss (gain) on derivatives transaction, net	(10,182)	62,165
Gain (loss) on disposal of property, plant and equipment	(27,008)	39,431
Gain (loss) on foreign currency translation, net	(462,724)	750,464
Gain on disposal of trading securities, net	(20,134)	(53,813)
Gain on valuation of trading securities, net	(5,790)	(12,665)
Equity in losses of equity method accounted investees, net	6,880	23,864
Other employee benefit	6,822	71,070
Net income (loss) of consolidated subsidiaries before acquisition	(39,032)	11,552
Stock compensation expense, net	36,100	(55,155)
Others, net	(62,605)	64,615
	<u>2,479,526</u>	<u>3,731,614</u>
Changes in operating assets and liabilities		
Trade accounts and notes receivable	713,418	(1,538,854)
Inventories	3,344,506	(3,393,710)
Other accounts and notes receivable	97,462	(222,706)
Accrued income	(5,092)	(11,914)
Advance payments	426,459	(586,601)
Prepaid expenses	32,837	(11,468)
Trade accounts and notes payable	(296,400)	609,200
Other accounts and notes payable	55,564	7,829
Advances received	247,127	215,491
Accrued expenses	110,736	94,716
Income tax payable	(1,677,482)	1,146,204
Deferred income tax	(23,475)	(432,528)
Payment of severance benefits	(144,007)	(125,374)
Group severance insurance deposits	(19,913)	(141,807)
Other current liabilities	(107,223)	28,816
Others, net	156,500	(31,997)
	<u>2,911,017</u>	<u>(4,394,703)</u>
Net cash provided by operating activities	<u>8,632,854</u>	<u>3,687,015</u>

*See accompanying notes to consolidated financial statements.*

**POSCO and Subsidiaries**  
**Consolidated Statements of Cash flows**  
**For the years Ended December 31, 2009 and 2008**

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
<b>Cash flows from investing activities</b>		
Acquisition of trading securities	₩ (2,061,180)	(7,058,161)
Acquisition of short-term financial instruments	(11,946,832)	(5,098,326)
Acquisition of available-for-sale securities	(553,486)	(1,357,622)
Acquisition of property, plant and equipment	(6,406,503)	(4,093,313)
Acquisition of intangible assets	(101,202)	(131,107)
Acquisition of other long-term assets	(95,821)	(122,700)
Short-term loans provided	(94,042)	(79,876)
Long-term loans provided	(32,239)	(285,654)
Payment for business acquisition, net of cash acquired	(80,380)	(279,031)
Disposal of interest in subsidiaries	244,785	-
Disposal of trading securities	2,823,359	7,008,770
Disposal of short-term financial instruments	7,934,977	5,045,613
Disposal of available-for-sale securities	201,395	26,752
Disposal of long-term financial instruments	1,824	279,610
Disposal of property, plant and equipment	378,978	53,773
Collection of short-term loans	29,655	191,251
Others	39,783	97,252
Net cash used in investing activities	<u>(9,716,929)</u>	<u>(5,802,769)</u>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	5,828,483	10,233,819
Proceeds from long-term debt	2,695,932	3,454,625
Proceeds from other long-term liabilities	96,279	49,851
Disposal of treasury stock	249,124	364,753
Repayment of current portion of long-term debt	(763,504)	(491,635)
Repayment of short-term borrowings	(5,836,058)	(9,042,662)
Repayment of long-term debt	(585,629)	(369,348)
Payment of cash dividends	(689,129)	(755,037)
Acquisition of treasury stock	-	(36,832)
Repayment of other long-term liabilities	(60,651)	(38,145)
Others	(72,749)	(252,807)
Net cash provided by financing activities	<u>862,098</u>	<u>3,116,582</u>
Effect of changes in exchange rate on cash and cash equivalents	(40,865)	141,536
Net increase in cash and cash equivalents from changes in consolidated subsidiaries	<u>(28,699)</u>	<u>55,519</u>
Net increase (decrease) in cash and cash equivalents	(291,541)	1,197,883
<b>Cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the year	<u>2,490,711</u>	<u>1,292,828</u>
Cash and cash equivalents at end of the year (note 3)	<u>₩ 2,199,170</u>	<u>2,490,711</u>

*See accompanying notes to consolidated financial statements.*

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

**1. Consolidated Companies**

General descriptions of POSCO, the controlling company, and its controlled subsidiaries (Collectively the “Company”), which consist of 30 domestic subsidiaries including POSCO Engineering & Construction Co., Ltd. and 50 foreign subsidiaries, whose accounts are included in the consolidated financial statements, and 35 equity-method investees, which are excluded from the consolidation, are as follows:

**The Controlling Company**

POSCO, the controlling company, is the largest steel producer in Korea which was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea, to manufacture and distribute steel rolled products and plates in the domestic and overseas markets. The shares of POSCO have been listed on the Korea Exchange since 1988. POSCO operates two plants (Pohang mill and Gwangyang mill) and one office in Korea, and seven overseas liaison offices.

As of December 31, 2009, POSCO’s shareholders are as follows:

	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
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 and 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 POSCO are listed on the Korea Exchange, while its depository receipts are listed on the New York, London and Tokyo Stock Exchanges.

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2009 and 2008

#### Consolidated Subsidiaries

The consolidated financial statements include the accounts of POSCO and its controlled subsidiaries. The following table sets forth certain information with regard to consolidated subsidiaries as of December 31, 2009:

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
<b>Domestic</b>								
POSCO E & C Co., Ltd.	Engineering and construction	30,473,000	27,281,080	-	27,281,080	89.53	-	Pohang
Posteel Co., Ltd.	Steel sales and service	18,000,000	17,155,000	-	17,155,000	95.31	-	Seoul
POSCON Co., Ltd.	Electronic control devices manufacturing	3,519,740	3,098,610	-	3,098,610	88.04	-	Pohang
POSCO Coated & Color Steel Co., Ltd.	Coated steel manufacturing	6,000,000	3,412,000	-	3,412,000	56.87	-	Pohang
POSCO Plant Engineering Co., Ltd. (formerly, POSCO Machinery & Engineering Co., Ltd.)	Steel work maintenance and machinery installation	1,700,000	1,700,000	-	1,700,000	100.00	-	Pohang
POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)	Computer hardware and software distribution	81,551,600	50,440,720	-	50,440,720	61.85	-	Sungnam
POSCO Research Institute	Economic research and consulting	3,800,000	3,800,000	-	3,800,000	100.00	-	Seoul
Seung Kwang Co., Ltd.	Athletic facilities operation	3,945,000	2,737,000	1,208,000	3,945,000	100.00	POSCO E & C (30.62)	Suncheon
POSCO Architects Consultants Co., Ltd.	Architecture and consulting	300,000	300,000	-	300,000	100.00	-	Seoul
POSCO Specialty Steel Co., Ltd.	Specialty steel manufacturing	26,000,000	26,000,000	-	26,000,000	100.00	-	Changwon
POSCO Machinery Co., Ltd.	Steel work maintenance and machinery installation	1,000,000	1,000,000	-	1,000,000	100.00	-	Gwangyang
POSTECH Venture Capital Corp.	Investment in venture companies	6,000,000	5,700,000	-	5,700,000	95.00	-	Pohang
POSCO Refractories & Environment Co., Ltd. (POSRECE)	Manufacturing and sellings	5,907,000	3,544,200	-	3,544,200	60.00	-	Pohang
POSCO Terminal Co., Ltd.	Transporting and warehousing	5,000,000	2,550,000	-	2,550,000	51.00	-	Gwangyang
Metapolis Co., Ltd.	Construction	10,560,000	-	4,229,280	4,229,280	40.05	POSCO E & C (40.05)	Seoul
POSMATE Co., Ltd. (*1)	Facilities management	714,286	214,286	-	214,286	30.00	-	Seoul
Samjung Packing & Aluminum Co., Ltd.	Packing materials manufacturing	3,000,000	270,000	831,756	1,101,756	36.73	Posmate Co., Ltd. (27.73)	Pohang
POSCO Power Corp.	Generation of Electricity	40,000,000	40,000,000	-	40,000,000	100.00	-	Seoul
Postech 2006 Energy Fund (*1)	Investment in new technology	570	-	126	126	22.11	POSTECH Venture Capital Corp(10.53) POSCO Power(11.58)	Seoul
POSCORE Co., Ltd.	Components manufacturing and sales	3,907,151	-	1,992,647	1,992,647	51.00	Posteel (51.00)	Cheonan
PHP Co., Ltd.	Rental houses construction and managemet	400,000	-	400,000	400,000	100.00	POSCO E & C (100.00)	Incheon

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2009 and 2008

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
PNR Co., Ltd.	Steel by-products processing and sales	7,810,980	5,467,686	-	5,467,686	70.00	-	Pohang
Megaasset Co., Ltd.	Real estate rental and sales	2,000,000	-	2,000,000	2,000,000	100.00	POSCO E&C (100.00)	Cheonan
Daewoo Engineering Company	Construction and engineering service	5,000,000	-	4,612,947	4,612,947	92.26	POSCO E&C (92.26)	Sungnam
Universal Studio Resort Development Co., Ltd.	Resort development	1,482,000	-	462,000	462,000	31.17	POSCO E&C (24.42) POSCO ICT (6.75)	Hwaseong
PoHang Feul Cell Co. Ltd. (*2)	Generation of electricity	800,000	-	800,000	800,000	100.00	POSCO E&C (25.00) POSCON (25.00) POSCO Power (50.00)	Pohang
POSCOAST Co., Ltd. (*2) (formerly, Taihan ST Co., Ltd.)	Production of diverse stainless steel	4,000,000	3,400,000	-	3,400,000	85.00	-	Ansan
DaiMyung TMS Co., Ltd. (*2)	Cold-rolling of stainless steel, nickel alloy	250,080	-	250,080	250,080	100.00	POSCOAST (100.00)	Siheung
POS-HiMetal Co., Ltd. (*2)	Ferromanganese manufacturing	2,000,000	1,300,000	-	1,300,000	65.00	-	Gwangyang
POSCO E&E (*2)	Generation of electricity	3,480,000	3,480,000	-	3,480,000	100.00	-	Seoul
<b>Foreign</b>								
POSCO America Corporation (POSAM)	Steel trading	369,614	367,572	2,042	369,614	100.00	POSCAN (0.55)	USA
POSCO Australia Pty. Ltd. (POSA)	Steel sellings and mine development	761,775	761,775	-	761,775	100.00	-	Australia
POSCO Canada Ltd. (POSCAN)	Coal trading	1,099,885	-	1,099,885	1,099,885	100.00	Posteel (100.00)	Canada
POSCAN Elkview Coal Ltd.	Mine development	304,061	-	304,061	304,061	100.00	POSCAN (100.00)	Canada
POSCO Asia Co., Ltd. (POA)	Steel intermediate trading	9,360,000	9,360,000	-	9,360,000	100.00	-	China
VSC POSCO Steel Corporation (VPS) (*3)	Steel manufacturing	-	-	-	-	50.00	Posteel(5.00) POSCO Specialty Steel (10.00)	Vietnam
Dalian POSCO – CFM Coated Steel Co., Ltd. (*3)	Coated steel manufacturing	-	-	-	-	85.00	Posteel (15.00) POSCO-China (40.00)	China
POSCO-CTPC Co., Ltd. (*3)	Steel service center	-	-	-	-	94.00	Posteel (84.00)	China
POSCO-JKPC Co., Ltd.	Steel service center	9,800	-	9,310	9,310	95.00	POSCO-Japan (95.00)	Japan
IBC Corporation (*3)	Real estate rental	-	-	-	-	60.00	-	Vietnam
POSLILAMA Steel Structure Co., Ltd. (*3)	Steel structure fabrication and sales	-	-	-	-	70.00	POSCO E&C (60.00) Posteel (10.00)	Vietnam
Zhangjiagang Pohang Stainless Steel Co., Ltd. (ZPSS) (*3)	Stainless steel manufacturing	-	-	-	-	82.48	POSCO-China (23.88)	China
Guangdong Pohang Coated Steel Co., Ltd. (*3)	Coated steel manufacturing	-	-	-	-	97.09	POSCO-China (10.04)	China
POSCO (Thailand) Co., Ltd.	Steel service center	14,857,921	12,721,734	2,136,187	14,857,921	100.00	Posteel (14.38)	Thailand

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2009 and 2008

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
Myanmar-POSCO Steel Co., Ltd.	Specialty steel manufacturing and sales	19,200	13,440	-	13,440	70.00	-	Myanmar
Zhangjiagang POSHA Steel Port Co., Ltd. (*3)	Stainless steel manufacturing	-	-	-	-	90.00	POSCO E&C (25.00) ZPSS (65.00)	China
POSCO-JOPC Co., Ltd.	Steel processing and sellings	4,900	-	2,785	2,785	56.84	POSCO-Japan (56.84)	Japan
POSCO Investment Co., Ltd.	Finance	5,000,000	5,000,000	-	5,000,000	100.00	-	China
POSCO-MKPC SDN. BHD.	Steel service center	56,550,200	25,269,900	14,315,238	39,585,138	70.00	Posteel (25.31)	Malaysia
Qingdao Pohang Stainless Steel Co., Ltd. (*3)	Stainless steel manufacturing	-	-	-	-	100.00	ZPSS (20.00) POSCO-China (10.00)	China
POSCO (Suzhou) Automotive Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	POSCO-China (10.00)	China
POSEC-Hawaii Inc.	Construction and sales	18,400	-	18,400	18,400	100.00	POSCO E&C (100.00)	USA
POS-Qingdao Coil Center Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	Posteel (100.00)	China
POS-Ore Pty. Ltd.	Iron ore mining and trading	17,500,001	-	17,500,001	17,500,001	100.00	POSA (100.00)	Australia
POSCO-China Holding Corp. (*3)	Holding company	-	-	-	-	100.00	-	China
POSCO-Japan Co., Ltd.	Steel trading	90,438	90,438	-	90,438	100.00	-	Japan
POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd. (*3)	Facilities manufacturing	-	-	-	-	100.00	POSCO E&C (100.00)	China
POS-CD Pty. Ltd.	Coal trading	12,550,000	-	12,550,000	12,550,000	100.00	POSA (100.00)	Australia
POS-GC Pty. Ltd.	Coal trading	11,050,000	-	11,050,000	11,050,000	100.00	POSA (100.00)	Australia
POSCO-India Private Ltd.	Coal trading	450,000,000	450,000,000	-	450,000,000	100.00	-	India
POS-India Pune Steel Processing Centre Pvt. Ltd.	Steel service center	115,062,471	74,787,138	-	74,787,138	65.00	-	India
POSCO-JNPC Co., Ltd.	Steel service center	99,000	-	89,100	89,100	90.00	POSCO-Japan (90.00)	Japan
POSCO-Foshan Steel Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	POA (24.20) POSCO-China (36.20)	China
POSCO E&C (Beijing) Co., Ltd. (*3)	Construction and engineering	-	-	-	-	100.00	POSCO E&C (100.00)	China
POS-MPC S.A. de C.V. (*3)	Steel service center	-	-	-	-	61.00	POSAM (61.00)	Mexico
Zhangjiagang Pohang Port Co., Ltd. (*3)	Raw material and steel depot service	-	-	-	-	100.00	ZPSS (75.11) POSCO-China (24.89)	China
POSCO-Vietnam Co., Ltd. (*3)	Cold-rolled steel manufacturing and sales	-	-	-	-	85.00	-	Vietnam
POSCO-Mexico Co., Ltd.	Cold-rolled steel manufacturing and sales	1,541,191,740	1,304,955,672	236,236,068	1,541,191,740	100.00	POSCAN (15.33)	Mexico
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	Steel service center	55,673,970	42,532,980	-	42,532,980	76.40	-	India

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
POS-NP Pty. Ltd.	Coal trading	35,000,000	-	35,000,000	35,000,000	100.00	POSA (100.00)	Australia
POSCO-Vietnam Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	86.86	-	Vietnam
POSCO (Chongqing) Automotive Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	POSCO-China (10.00)	China
Suzhou pos-core Technology Co., Ltd. (*3)	Components manufacturing and sales	-	-	-	-	100.00	Posteel(15.15) POA(15.15) POSCORE (69.70)	China
POSCO-JYPC Co., Ltd.	Steel service center	99,000	-	81,550	81,550	82.37	POSCO-Japan (82.37)	Japan
POSCO-Malaysia SDN. BHD.	Steel service center	27,000,000	16,200,000	-	16,200,000	60.00	-	Malaysia
POS-Minerals Corporation	Mine development and operation	100	-	100	100	100.00	POSCAN (85.00) Samjung P&A (15.00)	USA
POSCO (Wuhu) Automotive Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	POSCO-China (31.43)	China
&TV Communications (*2)	IPTV broadcasting & optional service	1,000,847	-	582,000	582,000	58.15	POSCO ICT (58.15)	USA
POSCO-Philippine Manila Processing Center Inc. (*2,3)	Steel service center	-	-	-	-	100.00	Posteel(100.00)	Philippines
POSCO VST Co., Ltd. (*2,3)	Stainless cold steel manufacturing	-	64,000,000	-	64,000,000	90.00	-	Vietnam

(\*1) These subsidiaries are included in the consolidated financial statements as the controlling company has control over them in consideration of board of directors and others.

(\*2) These subsidiaries are newly included in the consolidation.

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

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Summary of financial information of consolidated subsidiaries as of and for the year ended December 31, 2009 is as follows:

Subsidiaries	Summary of Financial Information (in millions of Won) (*)				
	Total Assets	Total liabilities	Net Assets	Sales	Net Income (loss)
<b>Domestic</b>					
POSCO E & C Co., Ltd.	4,431,218	2,559,531	1,871,687	6,675,711	304,908
Posteel Co., Ltd.	744,723	268,921	475,802	1,626,916	(13,912)
POSCON Co., Ltd.	375,418	189,700	185,718	524,583	23,690
POSCO Coated Steel Co., Ltd.	460,084	209,865	250,219	703,476	(19,244)
POSCO Plant Engineering Co., Ltd. (formerly, POSCO Machinery & Engineering Co., Ltd.)	106,193	52,846	53,347	303,650	(3,432)
POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)	280,747	229,075	51,672	378,320	(71,203)
POSCO Research Institute	26,309	2,698	23,611	19,662	239
Seung Kwang Co., Ltd.	77,629	34,604	43,025	15,642	3,080
POSCO Architects Consultants Co., Ltd.	57,089	14,886	42,203	77,879	4,749
POSCO Specialty Steel Co., Ltd.	972,260	342,882	629,378	1,271,037	64,994
POSCO Machinery Co., Ltd.	35,860	13,860	22,000	127,980	(5,803)
POSTECH Venture Capital Corp.	36,342	783	35,559	1,309	121
POSCO Refractories & Environment Co., Ltd. (POSREC)	257,455	74,373	183,082	574,401	33,089
POSCO Terminal Co., Ltd.	53,181	6,373	46,808	54,593	9,156
Metapolis Co., Ltd.	482,199	364,155	118,044	254,205	14,158
POSMATE Co., Ltd.	59,804	17,096	42,708	82,199	6,265
Samjung Packing & Aluminum Co., Ltd.	165,141	96,525	68,616	303,350	3,933
POSCO Power Corp.	1,716,277	1,101,263	615,014	508,641	59,346
Postech 2006 Energy Fund	27,011	97	26,914	527	(2,475)
POSCORE Co., Ltd.	98,122	45,017	53,105	186,705	11,030
PHP Co., Ltd.	614,085	619,863	(5,778)	-	(7,020)
PNR Co., Ltd.	169,890	133,000	36,890	358	(2,650)
Megaasset Co., Ltd.	144,307	140,298	4,009	12,611	(4,075)
Daewoo Engineering Company	275,259	154,713	120,546	614,117	37,796
Universal Studio Resort Development Co., Ltd.	11,445	-	11,445	-	(3,302)
PoHang Feul Cell Co. Ltd.	14,161	10,131	4,030	3,766	(217)
POSCOAST Co., Ltd.	207,082	112,059	95,023	215,860	4,350
DaiMyung TMS Co., Ltd.	27,877	45,218	(17,341)	28,375	(3,648)

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**Summary of Financial Information**  
**(in millions of Won) (\*)**

<b>Subsidiaries</b>	<b>Total Assets</b>	<b>Total liabilities</b>	<b>Net Assets</b>	<b>Sales</b>	<b>Net Income (loss)</b>
POS-HiMetal Co., Ltd.	9,445	419	9,026	-	(974)
POSCO E&E	17,303	-	17,303	-	(97)
<b>Foreign</b>					
POSCO America Corporation (POSAM)	268,510	119,900	148,610	235,859	(21,852)
POSCO Australia Pty. Ltd. (POSA)	618,989	288,428	330,561	90,233	48,423
POSCO Canada Ltd. (POSCAN)	264,137	32,947	231,190	72,999	7,563
POSCAN Elkview Coal Ltd.	54,064	660	53,404	11,301	6,770
POSCO Asia Co., Ltd. (POA)	185,217	153,494	31,723	1,370,147	2,786
VSC POSCO Steel Corporation (VSC)	47,178	26,690	20,488	176,415	5,071
Dalian POSCO – CFM Coated Steel Co., Ltd.	50,919	45,868	5,051	21,042	(9,185)
POSCO-CTPC Co., Ltd.	62,981	48,372	14,609	146,527	755
POSCO-JKPC Co., Ltd.	86,759	73,894	12,865	52,573	(450)
IBC Corporation	95,810	58,024	37,786	30,914	16,320
POSLILAMA Steel Structure Co., Ltd.	41,562	61,706	(20,144)	29,703	(3,280)
Zhangjiagang Pohang Stainless Steel Co., Ltd. (ZPSS)	1,330,457	756,569	573,888	1,843,902	(18,282)
Guangdong Pohang Coated Steel Co., Ltd.	99,195	58,006	41,189	146,556	5,961
POSCO (Thailand) Co., Ltd.	120,628	88,664	31,964	161,197	(5,046)
Myanmar-POSCO Steel Co., Ltd.	18,088	10,001	8,087	25,728	3,384
Zhangjiagang POSHA Steel Port Co., Ltd. (ZPSP)	14,884	4,938	9,946	1,627	(82)
POSCO-JOPC Co., Ltd.	51,753	49,088	2,665	35,832	(3,922)
POSCO Investment Co., Ltd.	484,194	395,898	88,296	16,385	2,533
POSCO-MKPC SDN. BHD.	96,157	55,365	40,792	106,443	470
Qingdao Pohang Stainless Steel Co., Ltd.	247,181	138,111	109,070	397,802	(15,585)
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	163,487	102,085	61,402	298,586	10,354
POSEC-Hawaii Inc.	12,383	670	11,713	32,644	(1,287)
POS-Qingdao Coil Center Co., Ltd.	48,470	34,875	13,595	142,277	118
POS-Ore Pty. Ltd.	66,611	7,197	59,414	72,294	32,514
POSCO-China Holding Corp.	276,502	45,501	231,001	130,691	(3,424)
POSCO-Japan Co., Ltd.	616,423	519,210	97,213	887,165	1,749
POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd.	2,124	12	2,112	96	32

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**Summary of Financial Information**  
**(in millions of Won) (\*)**

<b>Subsidiaries</b>	<b>Total Assets</b>	<b>Total liabilities</b>	<b>Net Assets</b>	<b>Sales</b>	<b>Net Income (loss)</b>
POS-CD Pty. Ltd.	53,195	47,895	5,300	6,080	(4,025)
POS-GC Pty. Ltd.	27,106	4,665	22,441	16,625	3,261
POSCO-India Private Ltd.	113,568	708	112,860	-	-
POS-India Pune Steel Processing Centre Pvt. Ltd.	136,494	101,552	34,942	115,912	2,389
POSCO-JNPC Co., Ltd.	126,800	116,226	10,574	132,763	(1,249)
POSCO-Foshan Steel Processing Center Co., Ltd.	95,182	61,085	34,097	459,522	3,049
POSCO E&C (Beijing) Co., Ltd.	50,662	31,132	19,530	96,149	(1,263)
POS-MPC S.A. de C.V.	146,599	120,752	25,847	139,555	833
Zhangjigang Pohang Port Co., Ltd.	29,245	14,480	14,765	4,685	299
POSCO-Vietnam Co., Ltd.	712,055	498,221	213,834	87,865	(31,992)
POSCO-Mexico Co., Ltd.	372,578	268,949	103,629	82,870	(17,683)
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	64,718	53,185	11,533	79,976	3,770
POS-NP Pty. Ltd.	51,848	17,131	34,717	34,112	3,408
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
Suzhou pos-core Technology Co., Ltd.	38,756	16,633	22,123	47,368	(2,481)
POSCO-JYPC Co., Ltd.	55,359	51,563	3,796	39,633	(5,674)
POSCO-Malaysia SDN. BHD.	62,546	89,667	(27,121)	77,678	(2,152)
POS-Minerals Corporation	117,165	11	117,154	-	(243)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	58,354	39,495	18,859	88,006	1,863
&TV Communications	6,102	501	5,601	472	(7,943)
POSCO-Phillippine Manila Processing Center Inc.	25,138	17,152	7,986	20,298	31
POSCO VST Co., Ltd.	105,542	64,476	41,066	87,926	(9,640)

(\*) Total assets, total liabilities and net assets of the Company's foreign subsidiaries are translated at the exchange rate at the end of the reporting period, and sales and net income (loss) are translated at the average exchange rate of the reporting period.

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2009 and 2008

#### Equity-Method Investees

The following table sets forth certain information with regard to equity-method investees as of December 31, 2009:

Investees	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
<b>Domestic</b>								
eNtoB Corporation	E-business	3,200,000	560,000	350,000	910,000	28.44	POSCO E&C (3.75) and Others	Seoul
MIDAS Information Technology Co., Ltd.	Engineering	3,402,000	-	866,190	866,190	25.46	POSCO E&C (25.46)	Seoul
Songdo New City Development Inc.	Real estate	4,456,000	-	1,332,344	1,332,344	29.90	POSCO E&C (29.90)	Seoul
Gail International Korea Ltd.	Real estate	285,304	-	85,306	85,306	29.90	POSCO E&C (29.90)	Seoul
SNNC Co., Ltd. (*1)	Material manufacturing	37,000,000	18,130,000	-	18,130,000	49.00	-	Gwangyang
Chungju Enterprise City	Construction	8,000,000	-	2,008,000	2,008,000	25.10	POSCO E&C (22.00) POADATA (3.10)	Chungju
Taegisan Wind Power Corporation (*1)	Wind power plant construction and management	5,000,000	-	2,500,000	2,500,000	50.00	POSCO E&C (50.00)	Hoengseong
KOREASOLARPARK Co., Ltd. (*1)	Solar power plant construction and management	2,400,000	-	900,000	900,000	37.50	POSCO E&C (7.50) Postech 2006 Energy Fund (30.00)	Youngam
Cheongna IBT Co., Ltd. (*2)	Multiplex development	6,200,000	-	388,740	388,740	6.27	POSCO E&C (6.27)	Incheon
Garolim Tidal Power Plant Co., Ltd. (*1)	Generation of electricity	7,230,000	-	2,322,999	2,322,999	32.13	POSCO E&C (32.13)	Seosan
PSIB Co., Ltd. (*1)	Non-resident building lease	200,000	-	98,000	98,000	49.00	POSCO E&C (49.00)	Seoul
<b>Foreign</b>								
KOBRASCO (*1)	Facilities lease	4,021,438,370	2,010,719,185	-	2,010,719,185	50.00	-	Brazil
USS - POSCO Industries (UPI) (*1,3)	Steel processing	-	-	-	-	50.00	POSAM (50.00)	USA
Poschrome (Proprietary) Limited	Material manufacturing	86,700	21,675	-	21,675	25.00	-	Republic of South Africa
POS-Hyundai Steel Manufacturing India Private Limited	Steel processing	23,455,600	2,345,558	4,573,842	6,919,400	29.50	Posteel (19.50)	India
POSVINA Co., Ltd. (*1,3)	Steel manufacturing	-	-	-	-	50.00	-	Vietnam
PT POSMI Steel Indonesia (POSMI) (*1)	Steel service center	12,600	1,193	3,579	4,772	37.87	Posteel (28.40)	Indonesia
POSCO Bioventures L.P. (*3,4)	Investment in companies in the bio-tech industry	-	-	-	-	100.00	POSAM(100.00)	USA
CAML Resources Pty. Ltd. (*1)	Material processing	9,715	-	3,239	3,239	33.34	POSA(33.34)	Australia
Nickel Mining Company SAS (*1)	Material processing	6,601,426	3,234,698	-	3,234,698	49.00	-	New Caledonia
Liaoning Rongyuan Posco Refractories Co., Ltd. (*1,3)	Manufacturing and sellings	-	-	-	-	35.00	POSREC (35.00)	China

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2009 and 2008

Investees	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
POSK (PingHu) Steel Processing Center Co., Ltd. (*3)	Steel processing	-	-	-	-	20.00	-	China
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd. (*3)	Material processing	-	-	-	-	30.00	POSCO-China (30.00)	China
POSCO Poland Wroclaw Steel Processing Center Co., Ltd.	Steel processing	100,000	30,000	-	30,000	30.00	-	Poland
Ah khanh New City Development (*1,3)	Construction	-	-	-	-	50.00	POSCO E&C (50.00)	Vietnam
Henan Tsingpu Ferro Alloy Co., Ltd. (*1,3)	Material processing	-	-	-	-	49.00	Zhangjiagang STS (49.00)	China
United Spiral Pipe, LLC. (USP) (*1,3)	Steel pipe manufacturing and sales	-	-	-	-	35.00	POSAM (35.00)	USA
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd. (*1,3)	Specialty steel manufacturing	-	-	-	-	34.00	POSCO-China (10.00)	China
BX Steel POSCO Cold Rolled sheet Co., Ltd. (*3)	Steel manufacturing	-	-	-	-	25.00	-	China
POSS-SLPC s.r.o. (*3)	Steel processing	-	-	-	-	30.00	-	Slovakia
Eureka Moly LLC. (*3)	Material processing	-	-	-	-	20.00	POS-Mineral (20.00)	USA
POS UTEK Development (*3)	Construction	-	-	-	-	25.00	POSCO E&C (25.00)	Russia
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd. (*3)	Steel processing	-	-	-	-	30.00	-	China
POSCO SeAH Steel Wire (Nantong) Co., Ltd. (*3)	Steel processing	-	-	-	-	25.00	POSCO-China (25.00)	China
POS-JK LLC.	Steel processing	10,300	-	2,574	2,574	24.99	POSCO E&C (4.9) Posteel (20.08)	UAE

(\*1) Although the Company owns over 30% equity interest in these investees, the Company is not their largest shareholder, excluding them from consolidation.

(\*2) This investment is accounted for using equity method although the controlling company's percentage of ownership is below 20%, because it has 40% of voting rights of the investee and therefore is able to exercise significant influence on the investee.

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

(\*4) Subsidiaries are not included in the consolidated financial statements as the controlling company has no control over these subsidiaries, although it is holding 100% of company's interest.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**Subsidiaries or Investees Excluded from the Consolidated Financial Statements**

<b>Location</b>	<b>Investees</b>	<b>Country</b>	<b>Reason</b>	
Domestic	Dakos Co. Ltd.	Korea	Small company	
	POSBRO Co., Ltd.	Korea	Small company	
	POSWITH Co., Ltd.	Korea	Small company	
	POSFINE	Korea	Small company	
	POMIC	Korea	Small company	
	Pohang SFC Co., Ltd.	Korea	Small company	
	HJ photovoltaics, Inc.	Korea	Small company	
	Daewoo national car Gwangju selling Co., Ltd.	Korea	Small company	
	Mapo high broad parking	Korea	Small company	
	BASYS INDUSTRY CO., LTD.	Korea	Small company	
	Pajoo & Viro	Korea	Small company	
	Uitrans Co. Ltd.	Korea	Small company	
	Universal Studios Resort Asset Management Coporation	Korea	Small company	
	POSTECH BD Newundertaking fund	Korea	Small company	
	AROMA POSTECH RENEWABLE ENERGY, CO., LTD.	Korea	Non-majority control	
	Suwon Green Environment.Co., Ltd.	Korea	Non-majority control	
	AsiaUnion Co.,Ltd.	Korea	Non-majority control	
	Innovalloy Co., Ltd.	Korea	Non-majority control	
	Busan-Gimhae Light Rail Transit Co., Ltd.	Korea	Non-majority control	
	Applied Science Corp.	Korea	Non-majority control	
	SENTECH KOREA CORP.	Korea	Non-majority control	
	Incheon-Gimpo Highway	Korea	Non-majority control	
	Green Jangryang Co., Ltd.	Korea	Non-majority control	
	Green Cheonan Co., Ltd.	Korea	Non-majority control	
	Green Tongyeong Co., Ltd.	Korea	Non-majority control	
	Foreign	DWEMEX,S.A.DE C.V.	Mexico	Small company
		POS MPC Servicios de C.V.	Mexico	Small company
POSCO E&C SMART		Mexico	Small company	
POSCO MEXICO HUMAN TECH		Mexico	Small company	
POSCO MEXICO Logistics				
S.A. DE C.V. (POSCO-MESDC)		Mexico	Small company	
POSCO Engineering and Construction Venezuela C.A		Venezuela	Small company	
POSCO-Vietnam Hanoi Processing Centre LLC. (POSCO-VNPC)		Vietnam	Small company	
Europe Steel Distribution Center (POS-ESDC, Logistics, Trading and Investment d.o.o)		Slovenia	Small company	
POSCO South East Asia Pte. Ltd.		Singapore	Small company	
POSCO Gulf Logistics LLC.		UAE	Small company	
Vectus Limited		UK	Small company	
EUROTALY S.A.		Uruguay	Small company	
POSCO E&C India Private Ltd.		India	Small company	
POSCO India Chennai Steel Processing Centre Pvt. Ltd. (POSCO-ICPC)		India	Small company	
POSCO Maharashtra Steel Private Limited		India	Small company	
POSCO CORE India PVT. LTD.		India	Small company	
Dalian Poscon Dongbang Automatic Co., Ltd.		China	Small company	
San Pu Trading Co., Ltd.		China	Small company	
Zhangjiagang BLZ Pohang International Trading Co., Ltd.		China	Small company	

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

<b>Location</b>	<b>Investees</b>	<b>Country</b>	<b>Reason</b>
	Zhangjiagang Pohang Refractories Co., Ltd.	China	Small company
	Qingdao Posco Steel Processing Co., Ltd.	China	Small company
	POSDATA-CHINA	China	Small company
	POSCO (Liaoning) Automotive Processing Center Co., Ltd. (POSCO-CLPC)	China	Small company
	DAEWOO TECH THAILAND	Thailand	Small company
	POSCO-TNPC Celik Sanayi ve Ticaret A.S. (POSCO-TNPC)	Turkey	Small company
	POSA Cayman GP	Australia	Small company
	PT. MRI (PT. Motta Resources Indonesia)	Indonesia	Small company
	Yingkou Posrec Refractories Co., Ltd.	China	Non-majority control
	Miller Pohang Coal Company Pty Ltd. (MPCC)	Australia	Non-majority control
	PT.POSNESIA	Indonesia	Under liquidation

The above investees are accounted for using cost method in the consolidated financial statement.

**Changes in Scope of Consolidation in 2009**

<b>Investees</b>	<b>Location</b>	<b>Reason</b>
POSCOAST Co., Ltd.	Ansan	The Company's ownership exceeded 50% through additional increase in paid in capital in 2009.
DaiMyung TMS Co., Ltd.	Siheung	The Company newly acquired more than 50% of interest related to this investment in 2009.
POS-HiMetal Co., Ltd.	Gwangyang	The Company made investments to establish.
POSCO E&E	Seoul	The Company made investments to establish.
Pohang Fuel Cell Co., Ltd.	Pohang	The Company made investments to establish.
&TV Communications Inc.	USA	Total assets exceeded ₩10,000 million as of December 31, 2008.
POSCO Phillippine Manila Processing Center Inc.	Philippines	Total assets exceeded ₩10,000 million as of December 31, 2008.
POSCO VST CO., LTD.	Vietnam	The Company newly acquired more than 50% of interest related to this investment in 2009.

The total assets, shareholders' equity, sales, and net income of the consolidated financial statements as of and for the year ended December 31, 2009, increased by ₩428,428 million, ₩174,367 million, ₩356,697 million, and ₩37,271 million, respectively due to the changes in scope of consolidation.

**Subsidiaries Excluded from the Consolidated Financial Statements in 2009**

<b>Investees</b>	<b>Location</b>	<b>Reason</b>
Shanghai Real Estate Development Co., Ltd.	China	Disposal of 100 % shares

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**The Effect from Adjustment of Accounting Policy in Consolidated Subsidiaries**

The effects to the financial statements of consolidated subsidiaries resulting from the application of accounting principles and estimates of the controlling company to its subsidiaries for the years ended December 31, 2009 and 2008 are as follows:

*(in millions of Won)*

Investees	2009		
	Net Assets Value before Adjustment	Adjustment Amount	Net Assets Value after Adjustment
Posteel Co., Ltd.	₩ 475,802	₩ (576)	₩ 475,226
POSCON Co., Ltd.	185,718	2,333	188,051
POSCO Coated Steel Co., Ltd.	250,219	(48,974)	201,245
POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)	51,672	(32,970)	18,702
POSCO Refractories & Environment Co., Ltd. (POSREC)	183,082	5,098	188,180
Samjung Packing & Aluminum Co., Ltd.	68,616	4,598	73,214
POSCO Power Corp.	615,014	(19,147)	595,867
PHP Co., Ltd.	(5,778)	(27,081)	(32,859)
POSCO Asia Co., Ltd.	31,723	(1,453)	30,270
Zhangjiagang Pohang Stainless Steel Co., Ltd.	573,888	(76,220)	497,668
POSCO Investment Co., Ltd.	88,296	(4,601)	83,695
Qingdao Pohang Stainless Steel Co., Ltd.	109,070	(12,441)	96,629
POSCO-Japan Co., Ltd.	97,213	(4,099)	93,114
POS-Qingdao Coil Center Co., Ltd.	13,595	(59)	13,536
POSCO-Vietnam Co., Ltd.	213,834	(9,440)	204,394
POSCO-Mexico Co., Ltd.	103,629	(16,172)	87,457

*(in millions of Won)*

Investees	2008		
	Net Assets Value before Adjustment	Adjustment Amount	Net Assets Value after Adjustment
Posteel Co., Ltd.	451,564	(601)	450,963
POSCON Co., Ltd.	159,835	1,329	161,164
POSCO Coated Steel Co., Ltd.	216,853	(4,107)	212,746
POSCO Refractories & Environment Co., Ltd. (POSREC)	154,729	5,544	160,273
Samjung Packing & Aluminum Co., Ltd.	56,808	3,775	60,583
POSCO Power Corp.	552,569	(7,910)	544,659
POSCO Asia Co., Ltd.	31,420	(352)	31,068
Zhangjiagang Pohang Stainless Steel Co., Ltd.	635,615	(71,419)	564,196
POSCO Investment Co., Ltd.	92,599	(3,915)	88,684
Qingdao Pohang Stainless Steel Co., Ltd.	132,733	(21,682)	111,051
POSCO-Japan Co., Ltd.	107,306	(1,097)	106,209
POS-Qingdao Coil Center Co., Ltd.	14,515	(34)	14,481
POSCO E&C (Beijing) Co., Ltd.	22,244	(275)	21,969

# **POSCO and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **December 31, 2009 and 2008**

---

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

The Company prepares the consolidated financial statements in accordance with generally accepted accounting principles in the Republic of Korea and applied the same accounting policies that were adopted in the previous year's consolidated financial statements.

The significant accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements are summarized below:

##### **Basis of consolidated financial statements presentation**

POSCO and its domestic subsidiaries maintain their accounting records in Korean Won and prepare statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been derived and translated into English from the Korean language consolidated financial statements. Certain information attached to the Korean language consolidated financial statement, but not required for a fair presentation of POSCO and its subsidiaries' financial position, results of operations or cash flows, is not presented on the accompanying consolidated financial statements.

##### **Cash and Cash Equivalents**

Management considers short-term deposits with maturities of three months or less on the acquisition date to be cash equivalents. Government grants received before the grants are used for specific purposes from third parties are presented as a reduction of cash and cash equivalents.

##### **Revenue recognition**

The Company's revenue categories consist of goods sold, services rendered, construction contracts 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 Company involvement with the goods.

Revenue from services provided is recognized by applying the percentage of completion method when the amount of revenue, the costs incurred, the costs to complete and stage of completion at the end of reporting period can be reliably measured, and it is probable that future economic benefits will flow into the Company.

## **POSCO and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2009 and 2008**

---

Revenue from construction contracts are recognized when the outcome of the contract can be reliably measured. The percentage of completion is assessed by reference to costs incurred for work performed to date to the estimated total contract costs or surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in the consolidated statement of income.

Other income is recognized when the revenue recognition process is completed, the amount of revenue is reliably measured and it is probable that future economic benefits will flow into the Company.

#### **Allowance for doubtful accounts**

Allowance for doubtful accounts is estimated based on an 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 while materials-in-transit are determined using the specific identification method. Amounts of inventory are written down to net realizable value due to losses occurring in the normal course of business and the allowance is reported as a contra inventory account, while the related charge is recognized in cost of goods sold. Gains and losses pertaining to physical inventory adjustments are also included in cost of goods sold.

#### **Investments in Securities**

Upon acquisition, the Company classifies debt and equity securities (excluding investments in investees 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 which the Company has the intent and ability to hold to maturity are classified as held-to-maturity securities. 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.

## **POSCO and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2009 and 2008**

---

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 consolidated 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 consolidated statement of income in the period in which they arise. Available-for-sale securities are subsequently carried at fair value.

Cumulative unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized as accumulated other comprehensive income (loss), net of tax, directly in equity. Held-to-maturity investments are carried at amortized cost with interest income and expense recognized in the consolidated statement of income using the effective interest method.

Management 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 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.

#### **Equity method investments**

Investments in equity securities of companies, over which the Company has the ability to exercise a significant influence, are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership in the book value of the investee in current operations, as capital adjustments, as adjustments to retained earnings or adjustments to equity in earnings or losses of equity method accounted investees, depending on the nature of the underlying change in the book value of the investee. When the Company's share of losses in an investee equals or exceeds its interest in the investee, including preferred stock or other long term loans and receivables issued by the investees, the Company does not recognize further losses, unless it has obligations or made payments on behalf of the investees. Gains and losses on transactions between the Company and its investees are eliminated to the extent of the Company's interest in each investee.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

The excess of the acquisition cost of an investment in an investee over the Company's share of the fair value of the identifiable net assets acquired is amortized using the straight-line method over its estimated useful life, not exceeding 20 years. When acquisition cost of investments in an investee is less than the Company's interest on the fair value of the identifiable net assets acquired, such difference is recognized using the straight-line method as a gain over the weighted average period of useful lives of the depreciable and amortizable non-monetary assets. The remainder over the fair value of identifiable non-monetary assets is recognized as a gain in the period of acquisition. Also, the Company's interest on the difference between fair value and carrying value of identifiable assets and liabilities of a investee, at the time of acquisition, is depreciated or reversed in accordance with accounting policies of related assets or liabilities of an investee.

Foreign currency financial statements of equity method investees are translated into Korean won using the exchange rates in effect as of the end of the reporting period for assets and liabilities (the exchange rates on the acquisition date for capital accounts), and annual average exchange rates for income and expenses. Cumulated translation gains or losses are included in accumulated other comprehensive income, a component of shareholders' equity.

The Company's proportionate unrealized profit arising from sales by the Company to equity method investees, sales by the equity method investees to the Company or sales between equity method investees are eliminated to the extent of the Controlling Company's ownership.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost except for certain assets subject to upward revaluations in accordance with the Asset Revaluation Law. Assets acquired by investment in kind or gift are stated at its fair value.

Depreciation is computed using the straight-line method or declining-balance method over the estimated useful lives of the assets, as follows:

	<u><b>Estimated Useful Lives</b></u>
Buildings and structures	5-60 years
Machinery and equipment	3-25 years
Vehicles	3-10 years
Tools	4-10 years
Furniture and fixtures	3-10 years
Capital lease asset (*)	3-18 years

(\*) Capital lease asset is depreciated over the shorter of the lease term or the estimated useful lives of the asset.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

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.

Management 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. However, if the recoverable amount of a tangible asset, for which impairment loss was recognized in prior periods, exceeds its carrying amount in subsequent periods, the amount of impairment loss recognized shall be reversed to the extent of an increased carrying amount of the asset that does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss was recognized in prior periods.

**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.

**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 and others over the estimated useful lives as described below.

	<u>Estimated Useful Lives</u>
Goodwill	5-20 years
Negative goodwill	5-10 years
Intellectual property rights	5-10 years
Research and development cost (*1)	3-10 years
Port facilities usage rights (*2)	1-75 years
Long-term electricity supply contract rights (*3)	9-15 years
Other intangible assets	2-25 years

## **POSCO and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2009 and 2008**

---

- (\*1) The costs incurred in relation to the development of new products and new technologies, including the development cost of internally used software and related costs, are recognized as development costs only if it is probable that future economic benefits that are attributable to the asset will flow into the entity and the cost of the asset can be measured reliably. The useful life of development costs is based on its estimated useful life, not to exceed 20 years from the date when the asset is available for use.
- (\*2) As of December 31, 2009, port facilities usage rights are related to the quay and inventory yard donated by POSCO in April 1987 to the local bureaus of the Maritime Affairs and Fisheries in Kwangyang, Pohang, Pyoungtaek and Masan.
- (\*3) The Company recognized the electricity supply contract initially at fair value as an identifiable intangible asset when the Company acquired POSCO Power Corp. The electricity supply contract which was related to existing agreement of supplying electric power to Korea Electric Power Corporation met the criteria of recognizing identifiable intangible assets at acquisition date.

Management assesses the potential impairment of intangible assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. The carrying value of the intangible asset is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations.

#### **Discounts on debentures**

Discounts on debentures are amortized over the term of the debenture using the effective interest rate method. Amortization of the discount is recorded as 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, 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 as of the end of the reporting period. POSCO and its domestic subsidiaries have 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. The Company made deposits to the National Pension Service in accordance with the National Pension Act of the Republic of Korea. Accordingly, accrued severance benefits in the accompanying consolidated statement of financial position are presented net of this deposit.

# **POSCO and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **December 31, 2009 and 2008**

---

#### **Restructuring of receivables**

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 transactions and translation**

Monetary assets and liabilities denominated in foreign currencies are re-measured into Korean Won at the exchange rates in effect at the end of the reporting period, and resulting translation gains and losses are recognized in the statement of income.

#### **Derivative financial instruments**

All derivative financial instruments are accounted for at their fair value according to the rights and obligations associated with the contracts. The resulting changes in fair value of derivative financial instruments are recognized either in the statement of income or shareholders' equity, depending on whether the derivative financial instruments qualify as a cash flow hedge. The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in shareholders' equity as accumulated other comprehensive income (loss).

Fair value hedge accounting is applied to a derivative financial 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. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

An embedded derivative financial instrument is separated from the host contract and accounted for as a derivative financial instrument when the economic characteristics and risks of the embedded derivative financial instrument are not clearly and closely related to the economic characteristics and risks of the host contract.

# **POSCO and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **December 31, 2009 and 2008**

---

#### **Provisions and contingent liabilities**

A provision is a liability of uncertain timing or amount and shall be recognized when all of the following conditions are met:

- 1) An entity has a present obligation (legal or constructive) as a result of a past event;
- 2) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- 3) A reliable estimate can be made of the amount of the obligation

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 consolidated financial statements.

#### **Treasury stock**

In accordance with the cost method, the acquisition cost of the Company's treasury stock is 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 gain on disposal of treasury stock recorded in other capital surplus, with the remainder as a capital adjustment 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 of notes receivable to financial institutions and accounts for these transactions as a sale of the receivables 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 income tax is the expected tax payable on the taxable income for the year, using the enacted tax rates.

Deferred income tax is provided using the asset and liability method and is recognized for the future tax consequences attributable to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The amount of deferred income 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 reporting period.

## **POSCO and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2009 and 2008**

---

A deferred income 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 income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **Use of estimates**

Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include useful lives, salvage values and recovery of property, plant and equipment; recoverability of goodwill and intangible assets; valuation allowances for receivables, inventories and realization of deferred income tax assets and fair values of derivatives. Actual results could differ materially from the estimates and assumptions used.

#### **Elimination of the investments of investing company and the stockholders' equity of the investees**

In eliminating the investment of the investing company and the stockholders' equity of the investee, the portion of the investee's stockholders' equity that belongs to minority interest is separately presented. The elimination of the investments of the investing company and the stockholders' equity of the investees are recorded as of the date of acquisition of controlling interest. The nearest closing date from acquisition of controlling interest is deemed to be acquisition date when acquisition date of interest of subsidiaries is different from closing date of subsidiaries.

#### **Elimination of inter-company transactions**

Inter-company transactions of the company are eliminated and related unrealized inter-company gains and losses are treated as follows:

##### **(a) Calculation of unrealized gains and losses**

Unrealized gains or losses to be eliminated with respect to Company's inventory, fixed assets and intangible assets are computed based upon average gross profit ratio of the concerned transaction. When the actual gross profit ratio is deemed materially different from the average gross profit ratio, the actual gross profit ratio of the concerned transaction is used.

##### **(b) Elimination of unrealized gains and losses**

Unrealized gains or losses arising from downstream intercompany transactions are fully eliminated and it is attributed to the Company's investment. Unrealized gains or losses arising from upstream transactions are fully eliminated and it is attributed to the Company's investment proportionately to the equity interest of the company and minority interest.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

**Translation of Foreign Subsidiary's Financial Statements**

In translation of subsidiary's financial statements denominated in foreign currencies, the statement of financial position items are translated at the exchange rates in effect at the end of the reporting period (but, historical exchange rates should be used for the equity items) and the profit and loss items are translated at the current year's average exchange rates. Differences arising in translation should be treated as translation gain or loss from foreign operation and it is proportionately attributed to the company's equity interest, recorded in accumulated other comprehensive income (loss), and minority interest by equity interest owned. For the cash flow statement items, the beginning cash balances are translated at the exchange rates in effect at the end of the reporting period in prior year, the ending cash balances are translated at the end of the reporting period in current year and the other items are translated at the current year's average exchange rates. Differences arising when translating the cash flow items are presented as effect of changes in exchange rate on cash and cash equivalents in the face of the consolidated statements of cash flows in translation should be treated as gain or loss on foreign currency translation.

**Reclassification**

Certain reclassifications have been made to the 2008 consolidated financial statements to conform to the 2009 presentation.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**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>
<b>Cash and cash equivalents</b>			
Cash on hand and bank deposits	0.00 ~ 3.00	₩ 165,307	74,657
Checking accounts	0.00 ~ 2.00	7,427	3,160
Corporate bank deposits	0.00 ~ 6.20	417,390	459,024
Time deposits	0.36 ~ 5.00	529,564	598,000
Time deposits in foreign currency and others	0.00 ~ 3.00	382,904	517,561
Maintained by overseas affiliates	0.00 ~ 12.00	696,578	838,309
		2,199,170	2,490,711
Less : Government grants		(2,439)	(447)
		<u>₩ 2,196,731</u>	<u>2,490,264</u>
<b>Short-term financial instruments</b>			
Time deposits	1.60 ~ 5.00	₩ 2,962,298	1,049,535
Specified money in trust	-	71,193	80,455
Certificates of deposit	1.60 ~ 7.20	2,405,500	529,000
Commercial papers	-	-	20,000
Others	0.10 ~ 5.30	342,643	93,351
Maintained by overseas affiliates	0.01 ~ 10.49	38,813	55,109
		<u>₩ 5,820,447</u>	<u>1,827,450</u>
<b>Long-term financial instruments</b>			
Installment accounts	0.00 ~ 10.00	₩ 18,522	16,355
Guarantee deposits for opening accounts	0.00 ~ 1.00	112	107
		<u>₩ 18,634</u>	<u>16,462</u>

The financial assets pledged as collateral include short-term financial instruments amounting to ₩22,343 million and ₩21,940 million as of December 31, 2009 and 2008, respectively, in relation to performance guarantee deposits, short-term borrowings, long-term debts and others; short-term financial instruments amounting to ₩10,667 million and ₩5,887 million as of December 31, 2009 and 2008, respectively, in relation to government-appropriated projects; and long-term financial instruments amounting to ₩112 million and ₩107 million as of December 31, 2009 and 2008, respectively, in relation to maintaining deposits for opening checking accounts.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**4. Trading Securities**

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

<i>(in millions of Won)</i>	2009		2008
	Acquisition Cost	Fair Value	Book Value
Beneficiary certificates and others	₩ 500,000	505,811	505,811
			1,238,261

**5. Accounts and Notes Receivable, and Others**

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

<i>(in millions of Won)</i>	2009	2008
Trade accounts and notes receivable	₩ 5,344,442	6,158,066
Less: Allowance for doubtful accounts	(199,318)	(263,802)
Less: Present value discount	(102)	(171)
	₩ 5,145,022	5,894,093
Other accounts and notes receivable	₩ 470,701	555,902
Less: Allowance for doubtful accounts	(23,008)	(17,153)
Less: Present value discount	-	(239)
	₩ 447,693	538,510
Long-term trade accounts and notes receivable	₩ 23,142	29,623
Less: Allowance for doubtful accounts	(6,250)	(4,528)
Less: Present value discount	(1,207)	(1,831)
	₩ 15,685	23,264
Long-term loans receivable	₩ 125,029	97,793
Less: Allowance for doubtful accounts	(21,395)	(17,448)
Less: Present value discount	(27)	(58)
	₩ 103,607	80,287

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

(b) Accounts stated at present value under long-term deferred payment term and others as of December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<b>Face Value</b>	<b>Present Value Discount</b>	<b>Book Value</b>	<b>Maturity</b>	<b>Discount Rate (%)</b>
Long-term loans receivable					
Riviera C.C	372	27	345	2011	3.7
	₩ 372	27	345		
Long-term trade accounts and notes receivable					
BNG Steel Co., Ltd. (*)	₩ 4,680	72	4,608	2010	8.6
DK Dongsin Co., Ltd. (*)	6,609	208	6,401	2011	4.7
Others	21,968	1,308	20,660	2011~2016	4.7-6.5
	₩ 33,257	1,588	31,669		

(\*) Discount at present value incurred from restructured receivables under work-out plans is presented as allowance for doubtful accounts.

**6. Inventories**

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

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
Finished goods	₩ 877,850	2,003,646
By-products	28,756	41,841
Semi-finished goods	1,585,425	2,389,245
Raw materials	1,124,060	2,077,569
Fuel and materials	566,344	563,136
Materials-in-transit	1,036,108	1,698,042
Others	11,186	8,251
	5,229,729	8,781,730
Less: Provision for valuation loss	(76,890)	(120,009)
	₩ 5,152,839	8,661,721

Loss on valuation of inventories for the years ended December 31, 2009 and 2008 amounted to ₩76,890 million and ₩120,009 million, respectively.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

**7. Investment Securities**

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

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
Available-for-sale securities	₩ 5,292,591	4,257,625
Held-to-maturity securities	91,792	87,321
Equity-method investments	827,583	832,536
	<u>₩ 6,211,966</u>	<u>5,177,482</u>

**Available-for-Sale Securities**

(a) Available for sale securities as of December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
Current portion of available-for-sale securities		
Investments in bonds	₩ 35,746	30,888
Available-for-sale securities		
Marketable equity securities	3,973,531	2,917,595
Non-marketable equity securities	1,174,866	1,306,739
Investments in bonds	120,048	8,467
Equity investments	24,146	24,824
	<u>5,292,591</u>	<u>4,257,625</u>
	<u>₩ 5,328,337</u>	<u>4,288,513</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

(b) Investments in 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	Fair Value	Book Value(*1)	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 Co., Ltd.	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
HI Steel Co., Ltd.	135,357	9.95	1,609	1,895	1,895	1,766
Munbae 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 Corp.	-	-	-	-	-	14,347
Shinhan Financial Group Inc.	4,369,881	0.92	228,778	188,779	188,779	113,326
SeAH Steel Corp.	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)	6,300,000	4.70	246,000	36,793	36,793	39,000
DC Chemical Co., Ltd.	3,404	-	149	744	744	749
Korea Semiconductor System Co., Ltd.	328,857	6.13	617	671	671	401
Aromasoft Corp Co., Ltd.	150,000	2.21	143	603	603	877
i-Components Co., Ltd.	39,500	0.82	119	277	277	290
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
Murchison Metals Ltd.	50,567,000	12.25	27,146	132,139	132,139	27,737
Cockatoo Coal Ltd.	73,595,835	19.99	31,352	33,389	33,389	21,129
Sandfire Resources NL	19,033,666	18.20	6,897	73,598	73,598	1,292
Jupiter Mines Limited	48,000,000	13.00	8,159	9,531	9,531	-
Silicon Motion Technology Corp.	136,925	0.42	3,052	545	545	394
FuelCell Energy, INC.	10,786,418	12.80	57,156	47,354	47,354	18,651
Others	-	-	14,049	9,460	9,460	11,968
			₩ 4,050,077	₩ 3,973,531	₩ 3,973,531	₩ 2,917,595

(\*1) Certain portion of those investments have been pledged as collateral. (note 10)

(\*2) In October 2009, LG Powercom & LG TeleCom announced their decision to exchange shares in 2010. By December 31, 2009, the Company recorded an impairment loss because the estimated recoverable amount of the investment in LG Powercom is less than the carrying value.

(\*3) In 2008, the Company recognized 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 and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

(c) 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
Busan Gimhae Light Rail Transit Co., Ltd. (*1,2)	9,160,000	25.00	₩ 45,800	₩ 76,294	₩ 45,800
Seoul Metro Line9 Corporation	4,090,985	12.25	20,455	30,444	20,455
Sinbundang Railroad Co., Ltd. (*1)	2,061,000	5.00	10,305	17,500	11,114
U-Space Co., Ltd.	2,800,000	10.00	14,000	14,000	14,000
Dream Hub Project Financial Investment Co., Ltd.	2,400,000	1.20	12,000	12,000	12,000
Enk Co., Ltd.	500,000	9.70	10,000	10,000	10,000
POSCOAST Co., Ltd. (*3) (formerly, Taihan ST Co., Ltd.)	-	-	-	-	13,930
Airport Railroad Co., Ltd.	-	-	-	-	179,026
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 (*4)	1,138,500	100.00	63,872	63,872	-
Elkview mine (*5)	-	2.50	32,723	32,723	30,692
POSCO-Turkey Nilufer Processing Center Co., Ltd. (*4,5)	-	100.00	19,983	19,983	-
POSCO (Liaoning) Automotive Processing Center Co., Ltd. (*4,5)	-	90.00	16,952	16,952	-
POSCO India Chennai Steel Processing Centre Pvt. Ltd. (*4,5)	-	100.00	14,925	14,925	-
Pallinghurst Kalahari (Mauritius) Limited	175,715	7.58	12,558	12,558	-
Others	-	-	249,691	253,123	243,531
			₩ 1,226,558	₩ 1,174,866	₩ 1,306,739

(\*1) The fair values of those investments were based on the valuation report of a public rating services company. Other non-marketable investments are recorded at cost since fair value is not readily determinable.

(\*2) This investment was not accounted for using the equity method even though the Company owns equity interest of more than 20% since it is established pursuant to Private Finance Law related to social infrastructure capital and the Company does not have ability to exercise significant influence on the investee.

(\*3) This investment was reclassified to consolidated subsidiaries from available-for-sale securities since its total assets are greater than ₩10 billion as of December 31, 2008 through additional increase in paid in capital.

(\*4) Those investments were not accounted for using the equity method as either they are under liquidation proceedings as of December 31, 2009 or their total assets are less than ₩ 10 billion as of December 31, 2008.

(\*5) No shares have been issued in accordance with the local laws or regulations.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

(d) Available-for-sale securities are stated at fair value, and the difference between the acquisition cost and fair value is accounted for in the accumulated other comprehensive income. The movements of such differences for the years ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009			2008		
	Beginning Balance	Increase (Decrease)	Ending Balance	Beginning Balance	Increase (Decrease)	Ending Balance
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 Co., Ltd.	(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 Corp.	4,898	(4,898)	-	20,155	(15,257)	4,898
Shinhan Financial Group Inc.	(82,790)	51,591	(31,199)	(11,114)	(71,676)	(82,790)
SeAH Steel Corp.	3,664	(1,119)	2,545	5,246	(1,582)	3,664
Union Steel Co., Ltd.	(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	(161,460)	161,460	-	(92,314)	(69,146)	(161,460)
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)
The Siam United Steel	18,493	5,278	23,771	-	18,493	18,493
Nacional Minerios S.A. (formerly, Big Jump Energy Participacoes S.A)	-	(103,957)	(103,957)	-	-	-
Others	17,374	96,027	113,401	112,181	(94,807)	17,374
	<u>₩ (495,559)</u>	<u>₩ 583,012</u>	<u>₩ 87,453</u>	<u>₩ 780,484</u>	<u>₩ (1,276,043)</u>	<u>₩ (495,559)</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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

(in millions of Won)

	Maturity	2009		2008	
		Acquisition Cost	Book Value	Book Value	
Government bonds	Less than 1 year	₩ 568	₩ 568	₩ 494	
	1-5 years	4,936	4,414	97	
Corporate debt securities	Less than 1 year	35,112	35,178	30,394	
	1-5 years	116,333	115,634	8,370	
		156,949	155,794	39,355	
Less: Current portion		(35,680)	(35,746)	(30,888)	
		₩ 121,269	₩ 120,048	₩ 8,467	

(f) Equity investments as of December 31, 2009 and 2008 are as follows:

(in millions of Won)

	2009		2008	
	Acquisition Cost	Book Value	Book Value	
Constructor financial fund	₩ 15,029	₩ 17,876	₩ 17,676	
Others	5,974	6,270	7,148	
	₩ 21,003	₩ 24,146	₩ 24,824	

**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	
Current portion of held-to-maturity securities					
Government bonds	Less than 1 year	₩ 20,717	₩ 20,717	₩ 20,613	
Held-to-maturity securities					
Government bonds (*)	1-5years	101,031	91,792	86,756	
	5-10 years	-	-	565	
		101,031	91,792	87,321	
		₩ 121,748	₩ 112,509	₩ 107,934	

(\*) Certain portion of the government bonds has been pledged as collateral for the consolidated subsidiaries. (note 10)

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**Equity-Method Investments**

(a) Equity-method 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	Book Value	
SNNC Co., Ltd. (*2)	18,130,000	49.00	₩ 90,650	₩ 107,768	₩ 93,263	₩ 59,020		
Garolim Tidal Power Plant Co.,Ltd. (*2)	2,322,999	32.13	11,615	11,041	11,041	-		
Taegisan Wind Power Corporation (*2)	2,500,000	50.00	12,500	9,038	10,955	5,273		
Midas IT Co.,Ltd.	866,190	25.46	433	8,328	8,304	6,926		
Gale International Korea Inc.	85,306	29.90	427	7,966	7,917	6,983		
eNtoB Corporation	910,000	28.44	5,550	7,827	7,696	7,519		
Chungju Enterprise City	2,008,000	25.10	10,040	5,377	5,383	7,686		
Chungla International Business Town Co., Ltd. (*3)	388,740	6.27	3,910	2,146	2,159	3,354		
PSIB Co., Ltd. (*2,4)	98,000	49.00	490	(91)	-	-		
Songdo Cosmopolitan City Development Inc. (*4)	1,332,344	29.90	6,674	(70,615)	-	-		
Nickel Mining Company SAS (*2)	3,234,698	49.00	157,585	220,735	190,149	220,553		
Eureka Moly LLC. (*5)	-	20.00	121,209	32,822	113,105	121,209		
KOBRASCO (*2)	2,010,719,185	50.00	32,950	98,944	98,943	57,656		
BX STEEL POSCO Cold Rolled Sheet Co., Ltd. (*5)	-	25.00	61,961	56,763	63,667	90,776		
USS-POSCO Industries (UPI) (*2,5)	-	50.00	254,649	52,433	45,961	51,330		
POSCO Bio Ventures L.P. (*5,6)	-	100.00	47,874	30,439	30,439	39,584		
CAML Resources Pty. Ltd. (*2)	3,239	33.34	40,388	28,250	30,237	31,959		
United Spiral Pipe, LLC. (USP) (*2,5)	-	35.00	29,354	23,997	23,984	32,260		
Zhongyue POSCO (Qinhuangdau) Tinsplate Industrial Co., Ltd. (*2,5)	-	34.00	9,517	17,847	15,592	16,944		
Poschrome (Proprietary) Limited	21,675	25.00	4,859	13,768	13,481	5,004		
An Khanh New City Development Joint-Ventured Company Ltd. (*2,5)	-	50.00	20,429	12,644	12,643	21,184		
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd. (*5)	-	30.00	3,236	9,734	9,899	10,552		
Henan Tsingpu Ferro Alloy Co., Ltd. (*2,5)	-	49.00	8,846	4,664	4,664	5,084		
POS-JK LLC. (*4)	2,574	24.99	1,990	(293)	-	-		
Others			26,984	30,575	28,101	31,680		
			₩ 964,120	₩ 722,107	₩ 827,583	₩ 832,536		

(\*1) Due to the difference in the closing schedule of December 31, 2009, the equity method of accounting is applied based on the most recent available financial information, which has not been audited or reviewed.

(\*2) Although the Company owns over 30% equity interest in these subsidiaries, the Company is not their largest shareholder, excluding them from consolidation.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

- (\*3) This investment was reclassified to equity-method investments since the Company has ability to exercise a significant influence on this investment through additional increase in paid in capital.
- (\*4) The equity method of accounting has been suspended for investment in Songdo New City Development Inc., PSIB Co., Ltd. and POS-JK LLC. as the Company's net investments have been reduced to zero. Unrecorded changes in equity interests in these investments in 2009 amounted to ₩4,627 million and the accumulated unrecorded changes in equity interest prior to 2009 amounted to ₩71,114 million.
- (\*5) No shares have been issued in accordance with the local laws or regulations.
- (\*6) POSCO Bioventures L.P. was not included in the consolidated financial statements as it is not controlled by the controlling company even though the Company holds 100% of equity interest.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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

(in millions of Won)

Investees	Dec. 31 2007 Balance	Equity method Profits (Losses)	Other Increase (Decrease) (*)	Dec. 31 2008 Balance	Equity method Profits (Losses)	Other Increase (Decrease) (*)	Dec. 31 2009 Balance
SNNC Co., Ltd.	₩ 87,762	₩ (28,742)	₩ -	₩ 59,020	₩ 34,244	₩ (1)	₩ 93,263
Garolim Tidal Power Plant Co.,Ltd.	-	-	-	-	(208)	11,249	11,041
Taegisan Wind Power Corporation	-	2,413	2,860	5,273	(3,722)	9,404	10,955
Midas IT Co.,Ltd.	5,321	1,788	(183)	6,926	1,229	149	8,304
Gale International Korea Inc.	11,385	3,308	(7,710)	6,983	5,038	(4,104)	7,917
eNtoB Corporation	6,149	748	622	7,519	418	(241)	7,696
Chungju Enterprise City	9,576	(1,847)	(43)	7,686	(2,303)	-	5,383
Chungla International Business Town Co., Ltd.	-	(539)	3,893	3,354	(1,212)	17	2,159
Nickel Mining Company SAS	200,622	(35,918)	55,849	220,553	(3,634)	(26,770)	190,149
Eureka Moly LLC.	-	-	121,209	121,209	(305)	(7,799)	113,105
KOBRASCO	41,143	35,385	(18,872)	57,656	25,611	15,676	98,943
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	66,782	3,261	20,733	90,776	(23,086)	(4,023)	63,667
USS-POSCO Industries(UPI)	59,771	308	(8,749)	51,330	(18,530)	13,161	45,961
POSCO Bio Ventures L.P.	35,190	(8,288)	12,682	39,584	(5,037)	(4,108)	30,439
CAML Resources Pty. Ltd.	28,155	3,617	187	31,959	(6,561)	4,839	30,237
United Spiral Pipe, LLC. (USP)	-	(1,393)	33,653	32,260	(5,523)	(2,753)	23,984
Zhongyue POSCO(Qinhuangdao) Tinplate Industrial Co., Ltd.	10,043	2,361	4,540	16,944	(159)	(1,193)	15,592
Poschrome (Proprietary) Limited	5,165	3,288	(3,449)	5,004	6,237	2,240	13,481
An Khanh New City Development Joint-Ventured Company Ltd.	10,893	(2,697)	12,988	21,184	(6,509)	(2,032)	12,643
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd.	4,385	4,000	2,167	10,552	122	(775)	9,899
Henan Tsingpu Ferro Alloy Co., Ltd.	8,470	(5,043)	1,657	5,084	(40)	(380)	4,664
POS-JK	-	-	-	-	(1,931)	1,931	-
Others	13,800	126	17,754	31,680	(1,019)	(2,560)	28,101
	₩ 604,612	₩ (23,864)	₩ 251,788	₩ 832,536	₩ (6,880)	₩ 1,927	₩ 827,583

(\*) Other increase or decrease represents the changes in investment securities due to acquisitions (disposals), dividends received, changes in capital adjustments arising from translations of financial statements of foreign investees and others.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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

<i>(in millions of Won)</i>	Dec. 31 2007			Dec. 31 2008			Dec. 31 2009
Investee	Balance	Increase (Decrease)	Amortization	Balance	Increase (Decrease)	Amortization	Balance
SNNC Co., Ltd.	₩ 188	₩ -	₩ (42)	₩ 146	₩ -	₩ (42)	₩ 104
eNtoB Corporation	590	244	(138)	696	-	(183)	513
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	12,249	-	(2,672)	9,577	-	(2,673)	6,904
CAML Resources Pty. Ltd.	13,515	-	(5,764)	7,751	-	(5,764)	1,987
POS-JK	-	-	-	-	1,015	(1,015)	-
Others	34	1,733	(629)	1,138	667	(956)	849
	<u>₩ 26,576</u>	<u>₩ 1,977</u>	<u>₩ (9,245)</u>	<u>₩ 19,308</u>	<u>₩ 1,682</u>	<u>₩ (10,633)</u>	<u>₩ 10,357</u>

(d) Details on the elimination of unrealized gain or loss from inter-company transactions for the years ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	2009			2008		
	Inventories	Property, Plant and Equipment, and Intangible Assets	Total	Inventories	Property, Plant and Equipment, and Intangible Assets	Total
SNNC Co., Ltd.	₩ (11,686)	₩ 1,195	₩ (10,491)	₩ 3,094	₩ (5,938)	₩ (2,844)
eNtoB Corporation	368	4	372	123	10	133
Midas IT Co., Ltd.	-	(8)	(8)	-	(2)	(2)
Nickel Mining Company SAS	4,935	-	4,935	(10,508)	-	(10,508)
KOBRASCO	14,090	-	14,090	(12,450)	-	(12,450)
USS-POSCO Industries	2,368	-	2,368	(6,268)	-	(6,268)
United Spiral Pipe, LLC.	(14)	-	(14)	-	-	-
Zhongyue POSCO(Qinhuangdao) Tinplate Industrial Co., Ltd.	(210)	-	(210)	(168)	-	(168)
Poscrome (Proprietary) Limited	9,279	-	9,279	(7,674)	-	(7,674)
Henan Tsingpu Ferro Alloy Co., Ltd.	(154)	-	(154)	27	-	27
Others	(1,047)	3	(1,044)	(703)	(65)	(768)
	<u>₩ 17,929</u>	<u>₩ 1,194</u>	<u>₩ 19,123</u>	<u>₩ (34,527)</u>	<u>₩ (5,995)</u>	<u>₩ (40,522)</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

(e) 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)

Investee	Total Assets		Total Liabilities		Sales		Net Income (Loss)	
SNNC Co., Ltd.	₩	505,055	₩	285,120	₩	368,349	₩	85,686
Garolim Tidal Power Plant Co., Ltd.		34,850		486		-		(706)
Taegisan Wind Power Corporation		86,572		68,496		7,918		(6,304)
Midas IT Co., Ltd.		53,801		21,091		34,089		5,077
Gale International Korea Inc.		45,797		19,156		39,735		17,087
eNtoB Corporation		72,238		44,716		567,871		1,213
Chungju Enterprise City Chungla International Business Town Co., Ltd.		141,210		119,786		-		(8,575)
PSIB Co., Ltd.		327,997		293,771		-		(19,485)
Songdo Cosmopolitan City Development Inc.		299,718		299,903		-		(995)
Nickel Mining Company SAS		2,312,822		2,548,993		939,184		101,256
Eureka Moly LLC.		552,707		102,228		106,005		(14,604)
KOBRASCO		168,767		4,659		-		(1,523)
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.		273,311		75,424		42,415		25,746
USS-POSCO Industries		1,018,978		791,925		1,135,803		(47,575)
POSCO Bio Ventures L.P.		443,184		338,318		809,752		(41,795)
CAML Resources Pty. Ltd.		30,439		-		-		(5,037)
United Spiral Pipe, LLC.		137,046		52,313		146,220		(1,886)
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.		168,096		99,532		-		(16,749)
Poschrome (Proprietary) Limited		122,646		70,155		130,245		6,259
An Khanh New City Development Joint-Ventured Company Ltd.		64,564		9,494		48,411		3,026
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd.		175,362		150,075		-		(6,937)
Henan Tsingpu Ferro Alloy Co., Ltd.		56,046		23,600		41,582		405
POS-JK LLC.		27,855		18,336		9,280		155
Others		16,915		18,089		3,188		(5,124)
		341,044		241,149		433,161		3,857

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**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>	<u>2009</u>	<u>2008</u>
Buildings and structures	₩ 8,511,720	7,629,084
Machinery and equipment	31,538,967	28,854,834
Vehicles	228,082	205,973
Tools	419,818	467,142
Furniture and fixtures	314,052	302,801
Capital lease assets	31,830	11,900
	<u>41,044,469</u>	<u>37,471,734</u>
Less: Accumulated depreciation	(25,664,723)	(24,156,260)
Less: Accumulated impairment loss	(156)	(2,810)
Less: Government grants	(1,605)	(2,000)
	<u>15,377,985</u>	<u>13,310,664</u>
Land	2,142,621	1,861,451
Construction-in-progress	4,319,179	2,896,984
	<u>₩ 21,839,785</u>	<u>18,069,099</u>

The value of land based on the posted price issued by the Korean tax authority amounted to ₩4,358,124 million and ₩4,107,522 million as of December 31, 2009 and 2008, respectively.

As of December 31, 2009 and 2008, property, plant and equipment are insured against fire and other casualty losses for up to ₩16,946,755 million and ₩12,140,982 million, respectively. In addition, the Company carries general insurance for vehicles and accident compensation insurance for its employees.

In accordance with the Asset Revaluation Law, POSCO and certain subsidiaries revalued a substantial portion of their property, plant and equipment, and increased the related amount of assets by ₩3,942 billion as of December 31, 2000, the latest revaluation date. The revaluation surplus amounting to ₩3,225 billion, net of related tax and transfers to capital stock, was credited to capital surplus, a component of shareholders' equity.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

(b) The changes in the carrying value of property, plant and equipment for the year ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Won)</i>	<b>Beginning</b>		<b>Acquisition (*1)</b>	<b>Disposal</b>	<b>Depreciation (*2)</b>	<b>Others (*3)</b>	<b>Elimination of Intercompany transactions</b>	<b>Ending Balance</b>
	<b>Balance</b>							
Land	₩ 1,861,451	₩	153,118	₩ (26,083)	₩ -	₩ 160,305	₩ (6,170)	₩ 2,142,621
Buildings	2,855,902		876,087	(43,536)	(245,517)	155,786	(169,204)	3,429,518
Structures	1,590,231		196,500	(10,773)	(150,340)	99,480	(76,988)	1,648,110
Machinery and equipment	8,635,599		3,332,801	(165,204)	(2,005,954)	813,289	(539,183)	10,071,348
Vehicles	33,923		56,976	(23,383)	(17,294)	1,323	(480)	51,065
Tools	94,396		38,580	(2,180)	(33,519)	(28,490)	(432)	68,355
Furniture and fixtures	90,034		36,342	(2,305)	(37,445)	3,682	(4,284)	86,024
Financial Lease assets	10,579		3,410	(10)	(6,840)	16,426	-	23,565
Construction-in-progress	2,896,984		5,587,395	(32,049)	-	(3,788,448)	(344,703)	4,319,179
	<u>₩ 18,069,099</u>	<u>₩</u>	<u>10,281,209</u>	<u>₩ (305,523)</u>	<u>₩ (2,496,909)</u>	<u>₩ (2,566,647)</u>	<u>₩ (1,141,444)</u>	<u>₩ 21,839,785</u>

(\*1) Includes asset transferred from construction-in-progress.

(\*2) Includes depreciation expense of idle property.

(\*3) Includes foreign currency translation adjustments, asset transfers and adjustments resulting from the effect of changes in the scope of consolidation, etc.

<i>(in millions of Won)</i>	<b>Beginning</b>		<b>Acquisition</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others</b>	<b>Elimination of Intercompany transactions</b>	<b>Ending Balance</b>
	<b>Balance</b>							
Land	₩ 1,509,189	₩	119,753	₩ (26,404)	₩ -	₩ 260,018	₩ (1,105)	₩ 1,861,451
Buildings	2,623,024		231,885	(11,123)	(216,416)	405,973	(177,441)	2,855,902
Structures	1,546,816		152,673	(5,687)	(130,600)	104,876	(77,847)	1,590,231
Machinery and equipment	8,526,549		1,479,351	(29,270)	(1,795,165)	978,965	(524,831)	8,635,599
Vehicles	36,946		10,928	(2,064)	(15,040)	4,038	(885)	33,923
Tools	75,383		54,086	(548)	(43,896)	10,306	(935)	94,396
Furniture and fixtures	69,152		48,066	(733)	(34,838)	13,859	(5,472)	90,034
Financial Lease assets	10,829		403	-	(687)	34	-	10,579
Construction-in-progress	1,183,877		4,014,374	(33,483)	-	(2,018,206)	(249,578)	2,896,984
	<u>₩ 15,581,765</u>	<u>₩</u>	<u>6,111,519</u>	<u>₩ (109,312)</u>	<u>₩ (2,236,642)</u>	<u>₩ (240,137)</u>	<u>₩ (1,038,094)</u>	<u>₩ 18,069,099</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

(c) The Company entered into a capital lease contract with Ilshin Shipping Co., Ltd. for a Ro-Ro (roll-on roll-off) ship for the exclusive use of transporting plates and others. As of December 31, 2009, future minimum lease payments under such a capital lease are as follows:

<i>(in millions of Won)</i>	<b>Minimum lease payments</b>	
Less 1 year	₩	6,813
1 ~5 years		11,566
Over 5 years		5,508
	₩	<u>23,887</u>

**9. Intangible Assets**

(a) Intangible assets, net of accumulated amortization, as of December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
Goodwill	₩ 272,092	270,842
Negative goodwill	(10,352)	(575)
Intellectual property rights	51,994	18,266
Research and development costs, net of government grants	48,496	82,221
Port facilities usage rights	99,552	116,078
Long-term electricity supply contract rights	48,483	55,170
Others	119,704	181,765
	₩ <u>629,969</u>	<u>723,767</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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

		<b>For the year ended December 31, 2009</b>						
<i>(in millions of Won)</i>	<b>Beginning</b>						<b>Elimination of</b>	<b>Ending</b>
	<b>Balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Recovery</b>	<b>Others (*1)</b>	<b>Intercompany</b>	<b>Transactions</b>	<b>Balance</b>
				<b>(Amortization)</b>				
Goodwill	₩ 270,842	₩ 39,527	₩ -	₩ (38,353)	₩ 76	₩ -	₩ -	₩ 272,092
Negative goodwill	(575)	(11,468)	-	1,766	(75)	-	-	(10,352)
Intellectual property rights	18,266	40,917	(2,420)	(5,340)	571	-	-	51,994
Research and development costs, net of government grants (*2)	82,221	37,013	(8,535)	(14,302)	(47,689)	(212)	-	48,496
Port facilities usage rights	116,078	1,680	-	(18,090)	-	(116)	-	99,552
Long-term electricity supply contract rights	55,170	-	-	(6,687)	-	-	-	48,483
Others (*3)	181,765	29,113	(1,518)	(70,661)	(14,436)	(4,559)	-	119,704
	<u>₩ 723,767</u>	<u>₩ 136,782</u>	<u>₩ (12,473)</u>	<u>₩ (151,667)</u>	<u>₩ (61,553)</u>	<u>₩ (4,887)</u>	<u>₩ -</u>	<u>₩ 629,969</u>

(\*1) Includes transfers of an asset, adjustments arising from foreign currency translations and changes in consolidation scope, and others.

(\*2) The Company recognized impairment loss on development cost amounting to ₩50,493 million including ₩45,378 million of impairment loss recognized by POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.) as it is assumed that the future economic benefits will not flow into the Company.

(\*3) The Company has recorded expenses related to the ERP system and production innovation as other intangible assets.

		<b>For the year ended December 31, 2008</b>						
<i>(in millions of Won)</i>	<b>Beginning</b>						<b>Elimination of</b>	<b>Ending</b>
	<b>Balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Recovery</b>	<b>Others</b>	<b>Intercompany</b>	<b>Transactions</b>	<b>Balance</b>
				<b>(Amortization)</b>				
Goodwill	₩ 75,556	₩ 230,489	₩ -	₩ (33,327)	₩ (1,876)	₩ -	₩ -	₩ 270,842
Negative goodwill	(1,243)	-	-	406	262	-	-	(575)
Intellectual property rights	1,811	2,625	(360)	(1,237)	15,427	-	-	18,266
Research and development costs, net of government grants	91,965	40,066	(2,037)	(18,071)	(29,214)	(488)	-	82,221
Port facilities usage rights	130,234	7,562	-	(21,604)	362	(476)	-	116,078
Long-term electricity supply contract rights	61,857	-	-	(6,687)	-	-	-	55,170
Others	210,599	72,532	(8,795)	(66,896)	(22,700)	(2,975)	-	181,765
	<u>₩ 570,779</u>	<u>₩ 353,274</u>	<u>₩ (11,192)</u>	<u>₩ (147,416)</u>	<u>₩ (37,739)</u>	<u>₩ (3,939)</u>	<u>₩ -</u>	<u>₩ 723,767</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

(c) The amortization expenses for the years ended December 31, 2009 and 2008 were classified under the following:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Cost of goods sold	₩ 72,028	75,826
Selling and administrative expenses	79,639	71,590
	<u>₩ 151,667</u>	<u>147,416</u>

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

<i>(in millions of Won)</i>	<u>Description</u>	<u>2009</u>	<u>2008</u>	<u>Remaining useful life</u>
Goodwill	Excess investment amount over fair value in POSCO Power Corp.	₩ 26,471	₩ 47,682	1 years
	Excess investment amount over fair value in Daewoo Engineering Company	198,580	209,461	18 years
	Excess investment amount over fair value in POSCO VST Co., Ltd.	36,955	-	5 years

(e) Research and development costs incurred for the years ended December 31, 2009 and 2008 were ₩452,589 million and ₩455,912 million, respectively. Research and development costs amounting to ₩368,207 million and ₩361,341 million were classified to cost of goods sold, while ₩84,382 million and ₩94,571 million were classified to selling and administrative expenses for the years ended December 31, 2009 and 2008, respectively.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**10. Pledged assets**

(a) Details of assets pledged as collateral for short-term borrowings and long-term debts, as well as for performance guarantee, as of December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	<b>Beneficiaries</b>	<b>2009</b>	<b>2008</b>
Land	Mizuho Bank and others	₩ 220,732	225,628
Buildings and structures (note 8)	Korea Development Bank and others	105,465	172,159
Machinery and equipment (note 8)	Kookmin Bank and others	387,828	431,626
Short-term financial instruments (note 3)	Korea Development Bank and others	2,000	3,000
Trade accounts and notes receivable (note 5)	Mizuho Bank and others	53,898	84,557
Available-for-sale securities (*1) (note 7)	Exchangeable bond holder and others	1,233,523	2,033,862
Held-to-maturity securities (*2) (note 7)	Gyeongsangbuk-do provincial office	31,675	31,553
Equity investments (note 7)	Related creditors	15,793	7,196
		<u>₩ 2,050,914</u>	<u>2,989,581</u>

(\*1) 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.

(\*2) 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 guarantee for environmental remediation of POSCO No. 4 disposal site.

(b) Details of loans from foreign financial institutions guaranteed by Korea Development Bank as of December 31, 2009 and 2008 are as follows:

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

(c) As of December 31, 2009, POSCO and its subsidiaries were provided with guarantees amounting to ₩1,695,156 million from Korea Exchange Bank and others for their contract commitments.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**11. Other Assets**

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

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
<b>Other current assets</b>		
Short-term loans receivable	₩ 163,932	95,918
Accrued income	64,370	58,003
Prepaid expenses	45,140	82,891
Others	76,233	150,016
	<u>349,675</u>	<u>386,828</u>
Less: Allowance for doubtful accounts	(33,286)	(34,086)
	<u>₩ 316,389</u>	<u>352,742</u>
<b>Other long-term assets</b>		
Other investment assets	₩ 513,878	294,033
Less: Allowance for doubtful accounts	(1,636)	(3,308)
Less: Present value discount	-	-
	<u>₩ 512,242</u>	<u>290,725</u>

**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>	<b>Annual Interest Rate (%)</b>		<b>2009</b>		<b>2008</b>
<b>Won currency borrowings</b>					
The Export-Import Bank of Korea and others	2.61 ~ 9.80	KRW	733,867	₩ 733,867	509,129
					<u>509,129</u>
<b>Foreign currency borrowings</b>					
Bank of America	0.50 ~ 1.80	USD	87,641,601	104,833	125,196,920
		CNY	14,629,409		-
Shinhan Bank and others	0.71 ~ 17.00	USD	1,192,237,238	2,387,101	1,039,133,496
		JPY	40,030,261,210		40,950,068,039
		CNY	1,876,379,123		2,890,648,137
		MYR	171,400,734		203,334,260
		VND	252,735,770,675		393,895,525,000
		AUD	50,000,000		60,000,000
		THB	1,170,000,000		507,400,000
		MMK	1,184,424,000		1,346,619,061
		NTD	40,000,000		-
		INR	-		250,000,000
				<u>2,491,934</u>	<u>2,745,226</u>
				<u>₩ 3,225,801</u>	<u>3,254,355</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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

(in millions of Won)

Financial Institutions	Annual Interest Rate (%)		2009		2008	
<b>Debentures</b>						
Domestic and foreign debentures	5.26 ~ 6.55	KRW	212,000	₩ 317,084	332,102	332,102
		USD	90,000,000		-	
Less: Discount on debentures issued				(219)		(205)
				<u>316,865</u>		<u>331,897</u>
<b>Won currency borrowings</b>						
National Agricultural Cooperative Federation and others	1.00 ~ 7.36	KRW	226,622	226,622	9,475	9,475
<b>Foreign currency borrowings</b>						
The Export-Import Bank of Korea and others	0.55 ~ 13.2	USD	138,000,000	242,335	309,624,451	427,640
		JPY	10,401,835,976		2,267,000,000	
		VND	2,443,430,595		-	
		MYR	9,680,526		-	
		CNY	-		29,000,000	
				<u>468,957</u>		<u>437,115</u>
<b>Loans from foreign financial institutions</b>						
NATIXIS	2.00	EUR	636,350	<u>1,065</u>	636,350	<u>1,130</u>
				<u>₩ 786,887</u>		<u>770,142</u>

**13. Long-Term Debts**

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

(in millions of Won)	Issue date	Maturity	Annual Interest Rate (%)	2009		2008		
Domestic Debentures	10/21/2004 ~ 11/24/2009	08/18/2009 ~ 08/27/2019	4.02 ~ 6.80	KRW	3,372,050	₩ 3,882,688	2,584,102	3,137,102
				USD	340,000,000		340,000,000	
				JPY	9,000,000,000		9,000,000,000	
9th Samurai Bonds(Public)	06/28/2006	06/28/2013	2.05	JPY	50,000,000,000	631,410	50,000,000,000	696,945
1st Samurai Bonds(Private)	12/29/2008	12/29/2011	Tibor +1.6	JPY	50,000,000,000	631,410	50,000,000,000	696,945
1th FRN	11/11/2008	11/11/2013	Tibor +2.6	JPY	20,000,000,000	252,564	20,000,000,000	278,778
1st Euro Bonds	08/10/2006	08/10/2016	5.88	USD	300,000,000	350,280	300,000,000	377,250
Exchangeable Bonds (*)	08/19/2008	08/19/2013	-	JPY	52,795,000,000	666,706	52,795,000,000	735,904
Global Bonds	03/26/2009	03/26/2014	8.75	USD	700,000,000	817,320	-	-
						<u>7,232,378</u>		<u>5,922,924</u>
Add: Premium on bond redemption						10,067		11,112
Less: Current portion						(317,084)		(332,102)
Less: Discount on debentures issued						(70,449)		(74,990)
						<u>₩ 6,854,912</u>		<u>5,526,944</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

(\*)The Company issued exchangeable bonds, which is exchangeable with 18,274,731 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:	JPY 2,867,605,334
Fair value of an exchangeable right as of December 31,2009:	JPY 168,944,000
Exercise period of exchangeable right:	Commencing ten business days following the issuance date until ten business days prior to maturity date
Exercise date of put by bondholders:	August 19, 2011

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

(in millions of Won)

<b>Financial Institutions</b>	<b>Annual Interest Rate (%)</b>		<b>2009</b>		<b>2008</b>	
<b>Won currency borrowings</b>						
	Representative Borrowing					
The Korea Resources Corporation	Rate (*1) - 2.25	KRW	55,114	₩ 55,114	49,308	49,308
	Representative Borrowing					
Woori Bank	Rate (*1) - 1.25	KRW	20,405	20,405	-	-
The Korea Development Bank and	1.00 ~ 7.36	KRW	537,418	537,418	595,037	595,037
Less: Current portion				(226,622)		(9,475)
				<u>386,315</u>		<u>634,870</u>
<b>Foreign currency borrowings (*2)</b>						
The Korea Development Bank and others	Representative Borrowing Rate (*1) - 2.25					
		CNY	1,307,960,156	1,225,317	29,000,000	1,154,647
		JPY	18,409,435,976		12,099,500,000	
		MYR	149,680,526		140,000,000	
		USD	622,927,180		745,808,410	
		VND	2,443,430,595		-	
Less: Current portion				(242,335)		(427,640)
				<u>982,982</u>		<u>727,007</u>
<b>Loans from foreign financial institutions</b>						
NATIXIS	2.00	EUR	3,964,241	6,637	4,600,591	8,171
Less: Current portion				(1,065)		(1,130)
				<u>5,572</u>		<u>7,041</u>
				<u>₩ 1,374,869</u>		<u>1,368,918</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

(\*1) The average yield of 3-year government bond is utilized for the annual interest rate calculation. The average yield of 3-year government bond is rounded off to the nearest 0.25%.

(\*2) Foreign currency borrowings include long-term borrowing amounting to ₩ 5,578 million, the repayment of which depends on the result of the oil exploration in the Aral Sea in Uzbekistan with Korea National Oil Corporation (“KNOC”). (note 16)

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

(in millions of Won)

<b>Period</b>	<b>Debtures (*)</b>	<b>Borrowings</b>	<b>Foreign Currency Borrowings</b>	<b>Loans from Foreign Financial Institutions</b>	<b>Total</b>
2010	₩ 317,084	₩ 226,622	₩ 242,335	₩ 1,065	₩ 787,106
2011	2,196,964	186,836	332,230	1,065	2,717,095
2012	640,050	73,361	263,892	1,065	978,368
2013	2,060,747	26,047	354,689	1,065	2,442,548
Thereafter	2,027,600	100,071	32,171	2,377	2,162,219
	<u>₩ 7,242,445</u>	<u>₩ 612,937</u>	<u>₩ 1,225,317</u>	<u>₩ 6,637</u>	<u>₩ 9,087,336</u>

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

#### 14. Accrued Severance Benefits

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

(in millions of Won)

	<b>2009</b>	<b>2008</b>
<b>Estimated severance benefits at the beginning of period</b>	₩ 1,176,070	986,956
Provision for severance benefits	79,186	314,156
Payment	(144,007)	(125,374)
Others (*)	1,714	332
<b>Estimated severance benefits at the end of period</b>	<u>₩ 1,112,963</u>	<u>1,176,070</u>
Transfer to National Pension Fund	(1,751)	(1,959)
Deposit for severance benefits trust	(810,791)	(790,393)
<b>Net balance at the end of period</b>	<u>₩ 300,421</u>	<u>383,718</u>

(\*) Includes foreign currency adjustments, changes in consolidation scope and others.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**15. Other Liabilities**

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

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
<b>Other current liabilities</b>		
Unearned revenue	₩ 2,355	2,292
Derivatives liabilities	35,678	225,137
Others	96,149	61,736
	<u>₩ 134,182</u>	<u>289,165</u>
<b>Other long-term liabilities</b>		
Reserve for allowance	₩ 40,718	35,558
Derivatives liabilities	8,831	52,896
Liability related to stock appreciation rights	54,272	38,147
Deposit received	152,386	70,274
Others	54,280	60,867
	<u>₩ 310,487</u>	<u>257,742</u>

**16. Commitments and Contingencies**

(a) As of December 31, 2009, contingent liabilities on outstanding guarantees provided for the repayment of loans of affiliated companies are as follows:

<i>(in millions of Won)</i>								
<b>Grantors</b>	<b>Entity Being Guaranteed</b>	<b>Financial Institution</b>	<b>Amount</b>		<b>Won Equivalent</b>			
POSCO	POSCO Investment Co., Ltd.	HSBC	CNY	630,000,000	₩	107,767		
			MYR	280,000,000		95,427		
			USD	346,000,000		403,990		
	POSCO Vietnam Co., Ltd.	The Export-Import Bank of Korea and others	JPY	4,806,750,000		60,701		
			USD	230,000,000		268,548		
			CNY	359,180,000		61,441		
			USD	13,800,000		16,113		
POSCO E&C Co., Ltd.	Taegisan Wind Power Corporation	Korea Development Bank	KRW	7,500		7,500		
			IBC Corporation	The Export-Import Bank of Korea	USD	20,000,000		23,352
					USD	47,522,000		55,487
Posteel Co., Ltd.	POSCO Canada Ltd.	Hana Bank	USD	12,484,500		14,577		
			POSCO ICT Co., Ltd.	Chungju Enterprise City	KRW	2,530		2,530
POSCO Investment Co., Ltd.	POSCO-MPC S.A. de C.V.	BOTM	USD		50,600,000		59,081	
			POSCO-Malaysia SDN BHD	HSBC and others	USD	81,751,820		95,453
POSCO-Mexico Co., Ltd.	HSBC	USD	130,000,000			151,788		
POSCO Poland Wroclaw Steel Processing Center Co., Ltd.	HSBC	EUR	8,600,000		14,399			
Qingdao Pohang Stainless Steel Co., Ltd.	Standard Chartered	USD	42,000,000		49,039			
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Bank of China and others	CNY	630,000,000		107,768			
Zhongyue POSCO (Qinhuangdao)	Bank of China and others	USD	280,000,000		326,928			
Tinplate Industrial Co., Ltd.		CNY	5,100,000		872			

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

(in millions of Won)

<b>Grantors</b>	<b>Entity Being Guaranteed</b>	<b>Financial Institution</b>	<b>Amount</b>	<b>Won Equivalent</b>
POSCO-Japan Co., Ltd.	POSCO ICT Co., Ltd.	Mizuho Bank	JPY 100,000,000	1,263
	POSCO-JKPC Co., Ltd.	Mizuho Bank and others	JPY 2,990,000,000	37,758
	POSCO-JNPC Co., Ltd.	Mizuho Bank and others	JPY 3,300,000,000	41,673
	POSCO-JOPC Co., Ltd.	Mizuho Bank and others	JPY 2,827,500,000	35,706
	POSCO-JYPC Co., Ltd.	Mizuho Bank and others	JPY 2,506,250,000	31,649
POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd.	POSCO E&C(Beijing) Co., Ltd.	Korea Exchange Bank	CNY 8,000,000	1,368
POSCOAST Co., Ltd.	DaiMyung TMS Co., Ltd.	Korea Development Bank	JPY 285,685,976	3,608
			KRW 27,500	27,500
				₩ 2,103,286

As of December 31, 2008, contingent liabilities on outstanding guarantees provided for the repayment of loans of affiliated companies amounted to ₩1,933,521 million.

(b) As of December 31, 2009, contingent liabilities on outstanding guarantees provided to non-affiliated companies for the repayment of loans are as follows:

(in millions of Won)

<b>Grantors</b>	<b>Entity Being Guaranteed</b>	<b>Financial Institution</b>	<b>Amount Guaranteed</b>	<b>Won Equivalent</b>
POSCO	Zeus (Cayman) Ltd.	Related creditors	JPY 52,795,000,000	₩ 666,706
POSCO E&C Co., Ltd.	The first district of Minrak, Busan	Kookmin Bank	KRW 38,680	38,680
	Association of the first district of Mokdong,	Woori Bank	KRW 5,060	5,060
Posteel Co., Ltd.	GIPI	Qatar National Bank and others	USD 12,000,000	14,011
	Asia Speciality Steel Co., Ltd.	Yamaguchi Bank and others	JPY 2,700,000,000	34,096
POSCON Co., Ltd.	Dalian Poscon Dongbang Automatic Co., Ltd.	STX Construction(dalian) Co., Ltd. and others	KRW 1,725	1,725
POSCO ICT Co., Ltd.	Innovalley	Industrial Bank of Korea and others	KRW 115,336	115,336
POSCO Plant Engineering Co., Ltd.	Changhwan Dep. Co., Ltd.	Hana Bank	KRW 6,300	6,300
	Jaesan Energy Co., Ltd.	Hana Bank	KRW 6,693	6,693
Samjung Packing & Aluminum Co., Ltd.	Halla Precision Eng.	Shinhan Bank	KRW 5,275	5,275
	Pyungsan Si Co., Ltd.	Seoul Guarantee Insurance Company	KRW 571	571
Daewoo Engineering Company	Sen Structural Engineers Co., Ltd.	Youngdong Construction Co., Ltd. and others	KRW 142	142
	Kocen Co., Ltd.	Korea Power Engineering Co., Inc. and others	KRW 7,270	7,270
	Hyundai ENG Co., Ltd.	Samsung C&T Corporation and	KRW 75,960	75,960
	DAEWOO TECH	Korea Exchange Bank	THB 178,124,800	6,238
	THILAND			
				₩ 984,063

As of December 31, 2008, the Company had outstanding payment guarantees for non-affiliated companies and others amounting to ₩942,368 million.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

(c) As of December 31, 2009, the Company and certain subsidiaries acquired certain tools and equipment under operating lease agreements with Macquarie Capital Korea Co., Ltd. and others. The Company's lease expenses, with respect to the above lease agreements, amounted to ₩8,091 million for the year ended December 31, 2009. Future lease payments under the above lease agreements are as follows:

*(in millions of Won)*

Period	Amount
2010	₩ 6,070
2011	3,120
2012	1,484
2013	302
2014	297
Thereafter	1
	₩ 11,274

(d) As of December 31, 2009, the Company and certain subsidiaries are defendants in legal actions arising from the normal course of business. Details are as follows:

*(in millions of Won)*

Company	Plaintiff	Amount	Description
POSCO	Songdo Construction Co.,Ltd. and others	13,054	13 lawsuits including claim for operation damages due to loss of the sands at beach
POSCO E&C Co., Ltd.	Korea Development Financing Corporation and others	35,539	44 lawsuits including claim for surety obligations of Korea Development Financing Corporation
Poosteel Co., Ltd.	Samjin Line Co.,Ltd.	1,155	2 lawsuits including claims for damages related import and export business
POSCON Co., Ltd.	Hyosung FMC	280	Litigation on subcontract service fees
POSCO ICT Co., Ltd.	Military Mutual Aid Association and others	1,191	2 lawsuits for receivables
POS-AC Co., Ltd.	Sungjee Construction Co.,Ltd. and others	186	Litigation on consulting fee payables related the construction contract
Daewoo Engineering Company	Korea Environment Corporation and others	1,592	5 lawsuits on claims for damages
POSCO E&C (Beijing) Co., Ltd.	Beijing lantian jianzhu gongcheng youxiangongsi and others	850	2 lawsuits including claims of payables related the construction contract

The Company believes that although the outcome of these matters is uncertain, they would not result in a material loss for the Company.

(e) POSCO entered into long-term contracts to purchase iron ore, coal, nickel, chrome and stainless steel scrap. 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.

## **POSCO and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2009 and 2008**

---

(f) On July 1, 2005, POSCO 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. Purchase price is subject to change, following change of monthly standard oil price (JCC) and also price of ceiling is applicable.

(g) POSCO entered into commitments of foreign currency long-term borrowings which are limited up to the amount of USD6.86 million and USD3.54 million. The borrowings are related to the exploration of gas hydrates in Aral Sea, Uzbekistan and the exploration of gas hydrates in Namangan-Chust, respectively. The repayment of borrowings depends on the success of the project. POSCO is not liable for the repayment of full or part of money borrowed if the project fails and also POSCO has agreed to pay certain portion of its profits under certain conditions as defined by borrowing agreements.

(h) POSCO Power Corp. provides its whole capacity to Korea Electric Power Corp. in accordance with a long term contract. The price of electric power provided by POSCO Power Corp. is decided using the method of compensating fixed payments and expenses for the cost of production and the investment on electric power production equipment based on the contract. In addition, the Company has been provided with payment guarantee of ₩36,160 million from Seoul Guarantee Insurance as electric power supply collateral to Korea Electric Power Corp.

(i) As of December 31, 2009, commitments and other contingencies provided to non-affiliated companies are as follows:

- 1) As of December 31, 2009, POSCO has bank overdraft agreements of up to ₩310,000 million with Woori Bank and six other banks. In addition, POSCO 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. POSCO has an agreement with Woori Bank and others to open letters of credit, documents against acceptance and documents against payment amounting to USD1,420 million and to borrow USD500 million in foreign short-term borrowings. The accounts receivables in foreign currency sold to financial institutions and outstanding as of December 31, 2009, amount to USD235 million for which POSCO is contingently liable upon the issuers' default.
- 2) As of December 31, 2009, POSCO E&C Co., Ltd. has provided 17 blank promissory notes, six blank checks and six other notes, approximately amounting to ₩61,704 million, to Korea Housing Guarantee Co., Ltd. and other financial institutions as collateral for agreements and outstanding loans. In addition, POSCO E&C Co., Ltd. has entered into a contract to guarantee the borrowings of subcontractors amounting to ₩1,188,693 million and USD22 million with financial institutions and also has entered into contracts to guarantee borrowings related to redevelopment project costs amounting to ₩38,608 million.

## **POSCO and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2009 and 2008**

---

- 3) POSCO E&C Co., Ltd. has provided the completion guarantees for Samsung Corporation and Namkwang Engineering & Construction Co., Ltd. amounting to ₩2,678,631 million while Samsung Corporation and SK Engineering & Construction Co., Ltd. provides the completion guarantees and payment guarantees on customers' borrowings on behalf of POSCO E&C Co., Ltd. amounting to ₩1,937,279 million as of December 31, 2009. Also, POSCO E&C Co., Ltd. has loan agreements of up to ₩723,200 million and to open letters of credit of up to USD1,808 million with Woori Bank and others.
- 4) As of December 31, 2009, Posteel Co., Ltd. has entered into local and foreign credit agreements, of up to ₩671,872 million with Hana Bank and other banks of which ₩3,940,446 million remains unused.
- 5) As of December 31, 2009, POSCON Co., Ltd. has a loan agreement of up to ₩145,070 million and USD30 million of which ₩32,413 million and USD20 million remain unused with Shinhan Bank and others.
- 6) As of December 31, 2009, Pohang Coated Steel Co., Ltd. has local credit loan agreements, credit purchase loan agreements and letters of credit in relation to trade of up to ₩140,329 million and USD0.5 million with Shinhan Bank and other banks of which ₩78,475 million and USD0.5 million remains unused.
- 7) As of December 31, 2009, POSCO Plant Engineering Co., Ltd. (formerly, POSCO Machinery & Engineering Co., Ltd.) has entered into a local credit loan agreements, credit purchase loan agreements and foreign credit loan agreement of up to ₩44,000 million with Shinhan Bank and ₩36,612 million remains unused. In addition, POSCO Plant Engineering Co., Ltd. has entered into an agreement with Shinhan Bank of up to NTD500 million and NTD460 million remain unused.
- 8) As of December 31, 2009, Seoul Guarantee Insurance Company and Korea Software Financial Cooperative have issued guarantees of up to ₩102,624 million and ₩235 million, respectively, for POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)'s contractual performance related to certain system integration services.
- 9) As of December 31, 2009, POSCO Specialty Steel Co., Ltd. has a loan agreement, secured by trade accounts receivable, of up to ₩150,000 million with Woori Bank and others. POSCO Specialty Steel Co., Ltd. has used ₩100,955 million of this loan agreement. In addition, POSCO Specialty Steel Co., Ltd. has agreements with Woori Bank and seven other banks for opening letters of credit of up to USD55 million, and for a loan of up to ₩165,000 million and POSCO Specialty Steel Co., Ltd. has used USD0.9 million, JPY210 million and EUR88 thousand.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

- 10) As of December 31, 2009, Samjung Packing & Aluminum Co., Ltd. has a credit purchase loan of up to ₩39,000 million with Woori Bank and four other banks and has entered into loan on bills agreement of up to USD20 million with Export and Import Bank of Korea related to investment to mine of Molybden. Samjung Packing & Aluminum Co., Ltd. has entered into an agreement with Woori Bank and an other bank for usance transaction in relation to trade of up to USD40 million.
- 11) As of December 31, 2009, POSCO Power Corp. has a loan agreement up to ₩108,000 million and USD70 million with Kookmin Bank and three other banks and has used USD10 million.
- 12) As of December 31, 2009, Daewoo Engineering Company has a loan agreement and credit purchase loan agreement of up to ₩150,000 million and USD22 million with Korea Exchange Bank and foreign guarantees provided of up to USD22 million with City bank.
- 13) As of December 31, 2009, POSCO America Corporation has loan agreements of up to USD120 million with Bank of America and others and has used USD92 million.
- 14) As of December 31, 2009, POSCO Asia Co., Ltd. has loan agreements of up to USD247 million with Bank of America and others and has used USD112 million.
- 15) As of December 31, 2009, Zhangjiagang Pohang Stainless Steel Co., Ltd. has loan agreements of up to CNY6,596 million and USD280 million with Bank of China and others.
- 16) As of December 31, 2009, Qingdao Pohang Stainless Steel Co., Ltd. has loan agreements of up to CNY991 million with Bank of China and others, and has used CNY395 million.
- 17) As of December 31, 2009, POSCO (Suzhou) Automotive Processing center Co., Ltd. has loan agreements of up to USD70.6 million with China Agriculture Bank and has used USD23.7 million.
- 18) As of December 31, 2009, POSCO-Japan Co., Ltd. has bank overdraft agreements for working capital of up to JPY53,800 million with MIZUHO bank and others and has used JPY37,000 million.
- 19) As of December 31, 2009, POSCO-Foshan steel processing center Co., Ltd. has a loan agreement of up to USD170 million and has used USD32 million.
- 20) As of December 31, 2009, POS-MPC S.A. de C.V. has a loan agreement of up to USD80.6 million with Standard Chartered and others and has used USD49.8 million.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

**17. Capital Stock**

Under the Articles of Incorporation, the Company is authorized to issue 200 million shares of capital stock with a 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 is amounted to ₩ 482,403 million; however, it is different from par value amounted to ₩ 435,934 million due to retirement of treasury stock.

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

**18. Capital Surplus**

Capital surplus as of December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
Additional paid-in capital	₩ 463,825	463,825
Revaluation surplus	3,224,770	3,224,770
Others	757,437	630,488
	<u>₩ 4,446,032</u>	<u>4,319,083</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**19. Retained Earnings**

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

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Appropriated		
Legal reserve	₩ 241,202	241,202
Appropriated retained earnings for business rationalization	918,300	918,300
Reserve under Korean Tax Law	720,000	1,071,667
Voluntary reserve	<u>22,768,724</u>	<u>18,739,895</u>
	24,648,226	20,971,064
Unappropriated	<u>3,287,500</u>	<u>4,422,182</u>
	<u>₩ 27,935,726</u>	<u>25,393,246</u>

**20. Dividends**

(a) Details of interim and year-end dividends for the years ended December 31, 2009, and 2008 are as follows:

**Interim Dividends**

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

**Year-end Cash Dividends**

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

(b) Details of the dividend payout ratios and dividend yield ratios for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Dividend payout Ratio (%)</u>	<u>Dividend yield Ratio (%)</u>	<u>Dividend payout Ratio (%)</u>	<u>Dividend yield Ratio (%)</u>
Common shares	19.13	1.29	17.42	2.63

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

**21. Capital Adjustments**

(a) Capital adjustments as of December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	<u>2009</u>	<u>2008</u>
Treasury stock	₩ (2,403,263)	(2,502,014)
Others	(7,405)	(7,067)
	<u>₩ (2,410,668)</u>	<u>(2,509,081)</u>

(b) Treasury stocks which are maintained for stabilization of stock price in accordance with decision made by board of directors as of December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	<u>2009</u>		<u>2008</u>
	<u>Number of shares</u>	<u>Book value</u>	<u>Book value</u>
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>

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 on October 19, 2009, as approved by the Board of Directors on October 16, 2009, and the difference between the carrying value and the proceeds from the sale, net of tax was recognized as gains on disposal of treasury stock in capital surplus in equity.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**22. 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 <sup>st</sup> Grant	2 <sup>nd</sup> Grant	3 <sup>rd</sup> Grant	4 <sup>th</sup> Grant	5 <sup>th</sup> Grant	6 <sup>th</sup> Grant	Total
<b>Before the modifications (*)</b>							
Number of shares	498,000 shares	60,000 shares	22,000 shares	141,500 shares	218,600 shares	90,000 shares	1,030,100 shares
Exercise price	₩ 98,400 per share	₩ 135,800 per share	₩ 115,600 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
<b>After the modifications (*)</b>							
Grant date	July 23, 2001	April 27, 2002	September 18, 2002	April 26, 2003	July 23, 2004	April 28, 2005	
Exercise price	₩ 98,900 per share	₩ 136,400 per share	₩ 116,100 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
Number of shares granted	453,576 shares	55,896 shares	20,495 shares	135,897 shares	214,228 shares	90,000 shares	970,092 shares
Number of shares cancelled	19,409 shares	-	-	-	-	-	19,409 shares
Number of shares exercised	434,167 shares	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 (1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup>), in accordance with the resolutions of the Board of Directors on April 26, 2003, October 17, 2003 and October 22, 2004.

(b) Expenses (or income) related to stock appreciation rights granted to executives incurred for the year ended December 31, 2009 are as follows:

<i>(in millions of Won)</i>	1 <sup>st</sup> Grant	2 <sup>nd</sup> Grant	3 <sup>rd</sup> Grant	4 <sup>th</sup> Grant	5 <sup>th</sup> Grant	6 <sup>th</sup> 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
	₩ 59,945	₩ 10,780	₩ 6,071	₩ 31,896	₩ 81,239	₩ 31,694	₩ 221,625

(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 and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**23. Derivative Financial Instruments**

The Company has entered into cross currency swap agreements to reduce interest rates and currency risks and currency forward contracts with financial institutions to hedge the fluctuation risk of future cash flows. The gains and losses on currency swap and currency forward contracts for the years ended December 31, 2009 and 2008 and related contracts outstanding as of December 31, 2009 and 2008 are as follows:

(in millions of Won) Company	Type of Transaction	Purpose of Transaction	Financial Institutions	Valuation Gain/Loss				Transaction Gain/Loss	
				Income Statement		Comprehensive Income		Income Statement	
				2009	2008	2009	2008	2009	2008
POSCO	Currency forward	Trading	Woori Bank and others	₩ -	₩ -	₩ -	₩ -	₩ 14,177	₩ 830
	Embedded	Exchangeable Bonds	Related creditors						
	derivative (*)			7,065	17,985	-	-	-	-
POSCO E&C Co., Ltd.	Currency forward	Fair value hedge	HSBC and others	10,659	(124,870)	-	-	12,527	(53,070)
	Interest Swap	Cash flow hedge	Calyon Bank and others	(28,045)	72,182	-	(4,634)	(4,322)	1,718
	Valuation of Fixed contract	Fair market value hedge	-	(34,328)	177,940	-	-	-	-
Posteel Co., Ltd.	Currency forward	Trading	SC Korea First Bank	23	-	-	-	(41)	2,659
Pohang Coated Steel Co., Ltd.	Currency forward	Trading	Shinhan Bank	-	-	-	-	-	(3,325)
	Currency Option	Trading	SC Korea First Bank and others	5,145	(138,472)	-	-	(6,935)	(19,228)
	Currency Swap	Trading	SC Korea First Bank and others	-	10,451	-	-	-	9,570
	Non-derivatives	Cash flow hedge	Citi Bank	-	-	-	-	2,150	-
POSCO Plant Engineering	Currency forward	Trading	Korea Exchange Bank and others	-	(2,482)	-	-	(1,270)	(3,606)
Posco Specialty Steel Co., Ltd.	Currency forward	Trading	SC Korea First Bank	6	(2)	-	-	211	-
	Currency Swap	Cash flow hedge	SC Korea First Bank	-	-	-	-	-	9,186
Samjung Packing & Aluminum Co., Ltd.	Currency future	Trading	Woori Bank and others	-	215	-	-	969	-
POSCO Power Corp.	Currency forward	Trading	Nong Hyup Bank and others	5,251	-	-	-	-	(1,365)
	Currency Swap	Cash flow hedge	Calyon Bank and others	(18,670)	51,800	-	(6,166)	-	-
Daewoo engineering Company	Currency forward	Trading	Citi Bank	354	(5,886)	-	-	(7,284)	(5,385)
POSCO Australia Pty. Ltd.	Derivatives	Trading	MML	9,295	(584)	-	-	-	-
POS-MPC S.A. de C.V.	Currency future	Fair value hedge	Standard Chartered	-	-	-	-	-	(149)
				<u>₩ (43,245)</u>	<u>₩ 58,277</u>	<u>₩ -</u>	<u>₩ (10,800)</u>	<u>₩ 10,182</u>	<u>₩ (62,165)</u>

(\*) The Company applied derivative accounting as exchangeable right to investors related to exchangeable bond issued in August 19, 2008 meets certain criteria of embedded derivatives. Fair values of exchangeable right are ₩ 2,133 million (JPY 168,994,000) and ₩ 9,199 million (JPY 659,937,500) as of December 31, 2009 and 2008, respectively. This exchangeable right is included in other long-term liabilities (note 13).

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

**24. Selling and Administrative Expenses**

Selling and administrative expenses for the years ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
Transportation and storage	₩ 648,345	781,425
Salaries	280,529	256,959
Welfare	142,429	159,732
Depreciation and amortization	123,525	106,271
Fees and charges	158,158	124,123
Advertising	94,696	98,780
Research and development expense	84,382	94,571
Servance benefits	27,482	52,433
Sales commissions	80,159	83,057
Travel	24,827	30,537
Rent	30,929	24,204
Repairs	20,439	13,135
Training	18,104	24,397
Office supplies	8,378	8,482
Provision for doubtful accounts	42,020	24,033
Meetings	11,012	11,612
Taxes and public dues	24,500	29,595
Vehicle expenses	5,627	4,626
Membership fees	8,417	8,312
Sales pormotions	8,186	7,638
Entertainment	11,393	12,542
Others	95,877	49,904
	<u>₩ 1,949,414</u>	<u>2,006,368</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

**25. 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 (*)	₩ 576,303	2,181,238
Deferred income taxes	475,187	(712,233)
Carryforward income tax	(309,942)	(9,976)
Items charged directly to shareholders' equity	(229,701)	303,060
Tax effect due to consolidation entries	24,149	(28,106)
	<u>₩ 535,996</u>	<u>1,733,983</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	₩ 3,739,275	6,095,639
Income tax expense computed at statutory rate	904,905	1,676,301
Adjustments:		
Tax credit	(364,333)	(167,962)
Effect of changes in tax rate	(21,443)	6,552
Others, net	16,867	219,092
Income tax expense	<u>₩ 535,996</u>	<u>1,733,983</u>
Effective rate (%)	<u>14.3</u>	<u>28.4</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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

<i>(in millions of Won)</i>	Temporary differences			Deferred income tax		
	Dec. 31, 2008	Inc. (dec.)	Dec. 31, 2009	Dec. 31, 2008	Inc. (dec.)	Dec. 31, 2009
Deductible temporary differences:						
Reserve for special repairs	₩ (281,825)	₩ 107,835	₩ (173,990)	₩ (62,422)	₩ 22,922	₩ (39,500)
Allowance for doubtful accounts	292,571	(124,231)	168,340	63,786	(24,261)	39,525
Reserve for technology developments	(9,464)	(826,236)	(835,700)	(2,150)	(182,109)	(184,259)
Dividend income from related companies	431,497	59,545	491,042	94,929	13,100	108,029
Depreciation expense	(274,668)	(90,165)	(364,833)	(60,194)	(23,064)	(83,258)
Valuation of equity method investments	(1,376,045)	(430,446)	(1,806,491)	(210,804)	(96,584)	(307,388)
Prepaid expenses	69,227	4,769	73,996	16,289	1,593	17,882
Impairment loss on property, plant	126,027	(5,160)	120,867	42,667	(31,358)	11,309
Gain/Loss on foreign currency	634,028	(395,179)	238,849	140,283	(88,776)	51,507
Accrued severance benefits	175,238	40,704	215,942	39,376	9,244	48,620
Group severance insurance deposits	(114,741)	(74,998)	(189,739)	(25,921)	(17,039)	(42,960)
Provision for construction losses	36,243	22,037	58,280	8,112	5,992	14,104
Provision for construction warranty	26,595	6,575	33,170	5,852	1,612	7,464
Appropriated retained earnings for technological development	(2,000)	1,000	(1,000)	(462)	220	(242)
Accrued income	(2,744)	(1,083)	(3,827)	15	(665)	(650)
Accrued on valuation of Inventories	12,121	22,391	34,512	2,944	5,255	8,199
Others	275,369	367,309	642,678	32,248	114,418	146,666
	₩ 17,429	₩ (1,315,333)	₩ (1,297,904)	₩ 84,548	₩ (289,500)	₩ (204,952)
Current and deferred income taxes recognized directly to equity:						
Capital adjustment arising from equity method investments	₩ (721,748)	₩ (7,579)	₩ (729,327)	₩ (159,500)	₩ (1,013)	₩ (160,513)
Gain on valuation of available-for-sale securities	(340,226)	(680,246)	(1,020,472)	(74,222)	(164,351)	(238,573)
Loss on valuation of available-for-sale securities	962,542	(80,000)	882,542	212,140	(17,124)	195,016
Others	14,618	(14,618)	-	3,199	(3,199)	-
	₩ (84,814)	₩ (782,443)	₩ (867,257)	₩ (18,383)	₩ (185,687)	₩ (204,070)
Deferred tax from tax credit and others:						
Tax credit				₩ 16,471	₩ 272,079	₩ 288,550
Deficit carried forward				7,813	37,863	45,676
				₩ 24,284	₩ 309,942	₩ 334,226
Tax effect on elimination of intercompany profit and others				265,789	(24,149)	241,640
				₩ 356,238	₩ (189,394)	₩ 166,844

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

<i>(in millions of Won)</i>	<b>Temporary differences</b>			<b>Deferred income tax</b>		
	<b>Dec. 31, 2007</b>	<b>Inc. (dec.)</b>	<b>Dec. 31, 2008</b>	<b>Dec. 31, 2007</b>	<b>Inc. (dec.)</b>	<b>Dec. 31, 2008</b>
Deductible temporary differences:						
Reserve for special repairs	₩ (301,751)	₩ 19,926	₩ (281,825)	₩ (82,982)	₩ 20,560	₩ (62,422)
Allowance for doubtful accounts	292,762	(191)	292,571	80,532	(16,746)	63,786
Reserve for technology developments	(1,101,734)	1,092,270	(9,464)	(302,976)	300,826	(2,150)
Dividend income from related companies	366,233	65,264	431,497	100,714	(5,785)	94,929
Depreciation expense	(147,991)	(126,677)	(274,668)	(40,115)	(20,079)	(60,194)
Valuation of equity method investments	(1,296,879)	(79,166)	(1,376,045)	(274,370)	63,566	(210,804)
Prepaid expenses	34,431	34,796	69,227	9,467	6,822	16,289
Impairment loss on property, plant and equipment	420,085	(294,058)	126,027	121,483	(78,816)	42,667
	-	634,028	634,028	-	140,283	140,283
Accrued severance benefits	161,924	13,314	175,238	44,574	(5,198)	39,376
Group severance insurance deposits	(44,276)	(70,465)	(114,741)	(12,175)	(13,746)	(25,921)
Provision for construction losses	21,227	15,016	36,243	5,836	2,276	8,112
Provision for construction warranty	21,065	5,530	26,595	5,794	58	5,852
Appropriated Retained Earnings for Technological Development	(2,833)	833	(2,000)	(780)	318	(462)
Accrued income	(8,328)	5,584	(2,744)	(2,313)	2,328	15
Accrued on valuation of Inventories	695	11,426	12,121	190	2,754	2,944
Others	293,857	(18,488)	275,369	73,419	(41,171)	32,248
	<u>₩ (1,291,513)</u>	<u>₩ 1,308,942</u>	<u>₩ 17,429</u>	<u>₩ (273,702)</u>	<u>₩ 358,250</u>	<u>₩ 84,548</u>
Current and deferred income taxes						
Capital adjustment arising from equity method investments	₩ (272,947)	₩ (448,801)	₩ (721,748)	₩ (75,060)	₩ (84,440)	₩ (159,500)
Gain on valuation of available-for-sale securities	(1,315,772)	975,546	(340,226)	(364,373)	290,151	(74,222)
Loss on valuation of available-for-sale securities	239,451	723,091	962,542	65,891	146,249	212,140
Others	4,276	10,342	14,618	1,176	2,023	3,199
	<u>₩ (1,344,992)</u>	<u>₩ 1,260,178</u>	<u>₩ (84,814)</u>	<u>₩ (372,366)</u>	<u>₩ 353,983</u>	<u>₩ (18,383)</u>
Deferred tax from tax credit and others:				₩ 19,949	₩ (3,478)	₩ 16,471
Tax credit				2,526	5,287	7,813
Deficit carried forward				(8,167)	8,167	-
				<u>₩ 14,308</u>	<u>₩ 9,976</u>	<u>₩ 24,284</u>
Tax effect on elimination of intercompany profit and others				237,683	28,106	265,789
	<u>₩ (394,077)</u>	<u>₩ 750,315</u>	<u>₩ 356,238</u>			

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

**26. Earnings Per Share**

Basic and diluted earnings per share for the years ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won except per share information)</i>	<u>2009</u>	<u>2008</u>
Net income attributable to controlling interest	₩ 3,218,425	4,378,751
Weighted-average number of common shares outstanding (*)	<u>76,661,240</u>	<u>75,493,523</u>
Basic and diluted earnings per share	<u>₩ 41,982</u>	<u>58,002</u>

(\*) Basic and diluted earnings per share is computed by dividing net income allocated to common stock, by the weighted-average number of common shares outstanding for the years 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 and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

**27. Comprehensive income**

Comprehensive income for the years ended December 31, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
Net income	₩ 3,242,311	4,350,104
Other comprehensive income (loss)		
Gain (loss) on valuation of available-for-sale securities, net	776,060	(1,714,939)
Less: tax effect	(181,471)	427,512
Changes in capital adjustments of equity method investments	34,077	48,139
Less: tax effect	(22,983)	(11,903)
Foreign currency translation adjustments	(165,124)	576,489
Less: tax effect	21,961	(75,291)
Gain on valuation of derivative instruments	14,541	(9,175)
Less: tax effect	(3,199)	1,868
	<u>473,862</u>	<u>(757,300)</u>
Comprehensive income	₩ <u>3,716,173</u>	<u>3,592,804</u>
Controlling interest	₩ 3,695,881	3,571,833
Minority interest	₩ 20,292	20,971

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**28. 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, other currencies in thousands)</i>	2009		2008	
	Foreign Currency (*2)	Won Equivalent	Foreign Currency (*2)	Won Equivalent
<b>Assets</b>				
Cash and cash equivalents and financial instruments	USD 362,217	₩ 422,925	USD 129,977	₩ 163,447
	JPY 502	6	JPY 574,721	8,011
	EUR 882	1,477	EUR 2,313	4,109
	Foreign subsidiaries 723,876	845,198	Foreign subsidiaries 728,786	916,448
Trade accounts and notes receivable	USD 448,193	523,310	USD 370,388	465,763
	JPY 5,552,183	70,114	JPY 6,855,809	95,562
	EUR 38,941	65,198	EUR 14,802	26,292
	Foreign subsidiaries 1,075,209	1,255,413	Foreign subsidiaries 807,654	1,015,625
Other accounts and notes receivable	USD 14,023	16,373	USD 5,740	7,218
	JPY 8,879	112	JPY 8,879	124
	Foreign subsidiaries 82,694	96,552	Foreign subsidiaries 101,680	127,863
Short-term and long-term loans receivable	USD 849	991	USD -	-
	Foreign subsidiaries 481,875	562,637	Foreign subsidiaries 331,900	417,365
Long-term trade accounts and notes receivable	Foreign subsidiaries 71	82	Foreign subsidiaries 71	89
	Foreign subsidiaries 405,168	473,075	Foreign subsidiaries 96,983	121,956
Investment securities (*1)				
Guarantee deposits	USD 361	422	USD 553	695
	EUR 135	226	EUR 129	229
	Foreign subsidiaries 6,526	7,619	Foreign subsidiaries 7,355	9,249
		<u>₩ 4,341,730</u>		<u>₩ 3,380,045</u>

(\*1) Presented at face value.

(\*2) Currencies other than US dollars, Japanese yen, and Euros are converted into US dollars. The amounts of foreign subsidiaries are converted into US dollars.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

	2009		2008			
	Foreign Currency (*2)	Won Equivalent	Foreign Currency (*2)	Won Equivalent		
<i>(in millions of Won, other currencies in thousands)</i>						
<b>Liabilities</b>						
Trade accounts and notes payable	USD	357,303	₩ 417,187	USD	432,531	₩ 543,907
	JPY	1,972,372	24,908	JPY	5,308,193	73,990
	EUR	40,581	67,944	EUR	3,455	6,136
	Foreign subsidiaries	883,962	1,032,114	Foreign subsidiaries	439,043	552,097
Other accounts and notes payable	USD	45,841	53,524	USD	37,652	47,347
	JPY	420,914	5,315	JPY	2,861,507	39,886
	EUR	3,396	5,686	EUR	9,256	16,441
	Foreign subsidiaries	44,249	51,666	Foreign subsidiaries	76,183	95,800
Accrued expenses	USD	1,479	1,727	USD	1,573	1,977
	JPY	137,450	1,736	JPY	2,322	32
	Foreign subsidiaries	29,795	34,789	Foreign subsidiaries	26,472	33,289
Short-term borrowings	USD	435,784	508,821	USD	304,956	383,482
	Foreign subsidiaries	1,984,096	2,316,630	Foreign subsidiaries	1,926,753	2,422,892
Withholdings	USD	39,148	45,709	USD	19,349	24,331
	JPY	372,553	4,705	JPY	161,870	2,256
	EUR	11,827	19,802	EUR	5,179	9,199
	Foreign subsidiaries	1,614	1,885	Foreign subsidiaries	3,688	4,638
Debentures (*1)	USD	1,340,000	1,564,584	USD	640,000	804,800
	JPY	182,592,205	2,305,811	JPY	182,592,205	2,545,134
	Foreign subsidiaries	-	-	Foreign subsidiaries	15,776	19,838
Loans from foreign financial institutions	USD	64,550	75,369	USD	36,134	45,439
	JPY	285,686	3,608	JPY	192,000	2,676
	Foreign subsidiaries	1,103,630	1,288,598	Foreign subsidiaries	923,439	1,161,224
Foreign currency loans	EUR	3,964	6,637	EUR	4,601	8,172
			<u>₩ 9,838,755</u>			<u>₩ 8,844,983</u>

(\*1) Presented at face value.

(\*2) Currencies other than US dollars, Japanese yen, and Euros are converted into US dollars. The amounts of foreign subsidiaries are converted into US dollars.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

**29. Related Party Transactions**

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

<b>Domestic</b> <b>(30)</b>	POSCO E&C Co., Ltd., Posteel Co., Ltd., POSCON Co., Ltd., POSCO Coated & Color Steel Co., Ltd., POSCO Plant Engineering Co.,Ltd., POSCO ICT 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. (POSREC), 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., Ltd., POSCOAST Co., Ltd., DaiMyung TMS Co., Ltd., POS-HiMetal Co., Ltd., POSCO E&E, Universal Studio Resort Development Co., Ltd.
<b>Overseas</b> <b>(50)</b>	<p>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 Co., Ltd., POSCO-JKPC Co., Ltd., International Business Center Corporation, POSLILAMA E&amp;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.,</p> <p>POS-ORE Pty. Ltd., POSCO-China Holding Corp., POSCO-Japan Co., Ltd., POSCO E&amp;C (Zhangjiagang) Engineering &amp; Consulting 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&amp;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., &amp;TV Communications, POSCO-Phillippine Manila Processing Center INC., POSCO VST Co., Ltd.</p>

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2009 and 2008

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

(in millions of Won)	Sales and others (*1)		Purchase and others (*1)		Receivables (*2)		Payables (*2)	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Subsidiaries</b>								
POSCO E&C Co., Ltd.	₩ 4,605	13,626	₩ 2,546,163	1,121,335	₩ 142,813	396,743	₩ 536,857	249,792
Posteel Co., Ltd.	1,167,877	1,455,354	158,260	244,908	114,697	220,360	3,494	21,651
POSCON Co., Ltd.	106	105	278,407	229,119	30,071	62,895	65,126	62,943
POSCO Coated Steel Co., Ltd.	494,938	609,377	1,490	1,916	109,616	48,785	199	71
POSCO Plant Engineering Co., Ltd. (formerly, POSCO Machinery & Engineering Co., Ltd.)	1,509	4,309	200,772	158,275	2,959	18,770	44,669	26,054
POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)	1,015	1,685	190,127	187,186	10,387	1,103	46,060	27,322
POSCO Machinery Co., Ltd.	8,843	15,302	79,801	79,549	1,724	5,032	15,315	16,401
POSCO Refractories & Environment Co., Ltd. (POSREC)	87,121	57,189	475,269	350,153	6,879	19,064	68,529	57,788
Samjung Packing & Aluminum Co., Ltd.	18,945	25,115	203,179	268,044	1,472	2,578	24,942	23,678
POSCORE Co., Ltd.	130,964	131,497	39	176	11,678	20,330	24	-
POSCOAST Co., Ltd. (formerly, Taihan ST Co., Ltd.)	83,245	-	20,938	-	17,492	-	7,572	-
POSCO America Corporation (POSAM)	169,274	168,663	-	93	6,163	2,818	-	-
POSCO Canada Ltd. (POSCAN)	-	40	84,192	289,015	-	20	-	-
POSCO Asia Co., Ltd. (POA)	1,093,589	951,867	76,004	215,318	40,548	27,224	1,170	2,978
POSCO (Thailand) Co., Ltd.	70,129	91,077	5	-	19,835	32,415	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	185,002	93,232	-	-	24,205	12,904	-	-
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	113,392	24,930	-	-	-	-	-	-
POSCO-Japan Co., Ltd.	690,289	1,191,222	84,112	23,233	25,637	21,040	8,949	1,104
POS-India Pune Steel Processing Centre Pvt. Ltd.	110,901	66,931	-	-	12,356	3,831	-	-
POSCO MPC S.A. de C.V.	98,476	61,279	-	-	-	-	-	-
POSCO Vietnam Co., Ltd.	117,296	1,026	-	-	95,518	1,024	-	-
POSCO-Mexico Co., Ltd.	125,057	-	-	-	16,247	-	-	-
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	83,526	-	-	-	-	-	-	-
Others	447,057	261,472	123,096	125,627	27,350	29,520	19,237	21,728
	₩ 5,303,156	5,225,298	₩ 4,521,854	3,293,947	₩ 717,647	926,456	₩ 842,143	511,510

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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

(in millions of Won)

	Sales and others (*1)		Purchase and others (*1)		Receivables (*2)		Payables (*2)	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Equity method investees</b>								
eNtoB Corporation	-	-	225,439	288,604	-	-	6,561	6,016
KOBRASCO	-	4,115	2,857	63,968	-	4,115	-	-
USS - POSCO Industries (UPI)	241,921	428,092	58	-	39,052	-	-	-
Poschrome (Proprietary) Limited	-	98	53,711	91,467	176	-	-	-
Guangdong Xingpu Steel Center Co., Ltd.	-	10,011	-	-	-	1,825	-	-
POSVINA Co., Ltd.	5,973	12,550	-	-	-	-	33,962	-
SNNC Co., Ltd.	1,437	2,245	368,742	33,867	1,974	19	26,963	1,926
Others	-	1	161	-	-	-	78	-
	₩ 249,331	457,112	₩ 650,968	477,906	₩ 41,202	5,959	₩ 67,564	7,942

(\*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 and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

(c) Eliminations of inter-company revenues and expenses for the year ended December 31, 2009 and receivables and payables as of December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<b>Sales and others (*1)</b>		<b>Purchase and others (*1)</b>		<b>Payables (*2)</b>		<b>Receivables (*2)</b>	
<b>Subsidiaries</b>								
POSCO	₩	5,303,156	₩	4,521,854	₩	717,647	₩	842,143
POSCO E&C Co., Ltd.		3,634,705		332,882		762,020		278,340
Posteel Co., Ltd.		365,946		1,312,127		57,227		126,282
POSCON Co., Ltd.		342,839		9,537		96,467		41,300
POSCO Coated Steel Co., Ltd.		84,296		504,020		5,979		111,075
POSCO Plant Engineering Co., Ltd.		226,438		7,296		51,990		9,233
POSCO ICT Co., Ltd.		245,956		5,963		60,041		12,196
POSCO Machinery Co., Ltd.		93,257		12,082		16,050		2,494
Mtapolis Co., Ltd.		-		153,390		-		24,763
Samjung Packing & Aluminum Co., Ltd.		205,443		19,356		24,942		1,625
POSCO Power Corporation		25,609		566,365		37,654		141,486
PHP Co., Ltd.		-		237,909		618		12,549
POSCORE Co., Ltd.		5,178		134,986		-		9,197
POSCO America Corporation (POSAM)		11,154		187,075		1,950		10,919
POSCO Canada Ltd. (POSCAN)		84,192		90		-		61
POSCO Asia Co., Ltd. (POA)		534,184		1,138,943		94,705		41,055
POSCO-CTPC Zhangjiagang Pohang Stainless Steel Co., Ltd.		46		153,909		-		37,351
		380,268		27,011		62,434		1,625
POSCO Thailand Bangkok Processing Center Co., Ltd.		5		107,936		27		39,413
POSCO Investment Co., Ltd. Qingdao Pohang Stainless Steel Co., Ltd.		1,885		-		241,371		-
		169,883		330,015		23,452		64,432
POSCO-CSPC		1,532		261,279		34		44,801
POSCO-CQPC		-		136,989		45,631		-
POSCO-Japan Co., Ltd.		226,753		722,445		105,527		28,323
POS-India Pune Steel Processing Centre Pvt Ltd.		983		114,210		63		-
POSCO-JNPC Co., Ltd.		8,939		103,412		-		24,515
POSCO-CFPC		76		459,444		842		82,278
POSCO-MPC S.A. de C.V.		544		109,537		-		1,305
POSCO-Vietnam Co., Ltd.		25,068		196,210		-		93
POSCO-Mexico Co., Ltd.		6,501		133,972		3,600		108,666
Others		1,005,836		990,428		243,594		556,345
	₩	<u>12,990,672</u>	₩	<u>12,990,672</u>	₩	<u>2,653,865</u>	₩	<u>2,653,865</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

---

(\*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.

(d) For the years ended December 31, 2009 and 2008, details of compensation to key management officers excluding stock appreciation rights are as follows:

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
	<hr/>	<hr/>
Salaries	₩ 43,608	46,142
Severance benefits	15,216	11,481
Management achievement awards and others	34,455	37,347
Total	₩ 93,279	94,970
	<hr/> <hr/>	<hr/> <hr/>

Key management officers include directors (including non-standing directors), executive officials and fellow officials who have significant influence and responsibilities in the Company's business and operations. 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 31, 2009 and 2008, respectively.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**30. Segment and Regional Information**

(a) The following table provides information on the significant financial status of each operating segment of the consolidated subsidiaries as of and for the year ended December 31, 2009:

<i>(in millions of Won)</i>	<b>Steel</b>	<b>Engineering and construction</b>	<b>Trading</b>	<b>Others</b>	<b>Consolidation Adjustment</b>	<b>Consolidated</b>
Sales						
Total sales	₩ 34,503,317	7,760,374	4,120,088	3,420,139	(12,948,917)	₩ 36,855,001
Inter-company sales	(6,090,338)	(3,852,222)	(1,137,776)	(1,868,581)	12,948,917	-
Net sales	₩ 28,412,979	3,908,152	2,982,312	1,551,558	-	₩ 36,855,001
Operating income	₩ 3,217,117	345,647	32,795	268,027	4,576	₩ 3,868,162
Inventories	₩ 4,208,446	718,815	156,083	157,836	(88,341)	₩ 5,152,839
Investments (non-current)	10,319,818	888,745	594,174	1,241,058	(6,572,796)	6,470,999
Property, plant and equipment	19,694,065	1,143,885	220,729	2,087,110	(1,306,004)	21,839,785
Intangible assets	198,763	20,042	1,646	101,972	307,546	629,969
Total Assets	₩ 46,249,396	6,080,744	1,808,745	5,539,673	(9,366,810)	₩ 50,311,748
Depreciation and amortization (*)	₩ 2,368,575	25,363	5,564	205,800	(52,220)	₩ 2,553,082

The following table provides information on the significant financial status of each operating segment of the consolidated subsidiaries as of and for the year ended December 31, 2008:

<i>(in millions of Won)</i>	<b>Steel</b>	<b>Engineering and construction</b>	<b>Trading</b>	<b>Others</b>	<b>Consolidation Adjustment</b>	<b>Consolidated</b>
Sales						
Total sales	₩ 38,448,113	5,528,105	5,656,959	3,749,459	(11,640,000)	₩ 41,742,636
Inter-company sales	(6,547,017)	(1,855,696)	(1,392,356)	(1,844,931)	11,640,000	-
Net sales	₩ 31,901,096	3,672,409	4,264,603	1,904,528	-	₩ 41,742,636
Operating income	₩ 6,628,789	283,973	49,117	488,078	(276,028)	₩ 7,173,929
Inventories	₩ 7,569,508	847,481	323,164	219,574	(298,006)	₩ 8,661,721
Investments (non-current)	8,722,560	1,067,694	603,289	1,027,891	(6,143,269)	5,278,165
Property, plant and equipment	17,393,603	614,477	231,164	1,637,042	(1,807,187)	18,069,099
Intangible assets	223,177	21,825	957	157,206	320,602	723,767
Total Assets	₩ 42,884,329	6,324,810	1,976,797	4,916,085	(9,140,739)	₩ 46,961,282
Depreciation and amortization (*)	₩ 2,171,387	17,710	5,660	150,177	35,124	₩ 2,380,058

(\*) Includes depreciation expense of idle property.



**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2009 and 2008**

(c) Condensed consolidated statements of financial position as of December 31, 2009 and 2008 categorized by type of business are as follows:

<i>(in millions of Won)</i>	<b>Non-financial Institution</b>		<b>Financial Institution</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Assets</b>				
Current assets	₩ 20,233,636	21,819,672	₩ 400,514	377,961
Non-Current assets	29,535,124	24,588,267	142,474	175,382
Investment assets	6,332,198	5,106,522	138,801	171,643
Property, plant and equipment	21,839,775	18,069,079	10	20
Intangible assets	629,918	723,724	51	43
Other non-current assets	733,233	688,942	3,612	3,676
Total Assets	<u>49,768,760</u>	<u>46,407,939</u>	<u>542,988</u>	<u>553,343</u>
<b>Liabilities</b>				
Current liabilities	8,878,677	10,609,425	396,141	399,967
Non-Current liabilities	9,371,979	7,607,183	637	502
Total Liabilities	<u>₩ 18,250,656</u>	<u>18,216,608</u>	<u>₩ 396,778</u>	<u>400,469</u>

(d) Condensed consolidated statements of income for the years ended December 31, 2009 and 2008 categorized by type of business are as follows:

<i>(in millions of Won)</i>	<b>Non-financial Institution</b>		<b>Financial Institution</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Sales	₩ 36,836,780	41,727,093	₩ 18,221	15,543
Cost of goods sold	31,032,184	32,555,721	5,241	6,618
Selling and administrative expenses	1,944,829	1,999,701	4,585	6,667
Operating income	3,859,767	7,171,671	8,395	2,258
Non-operating income	2,361,475	2,368,851	918	1,025
Non-operating expenses	2,481,060	3,441,729	10,220	6,437
Net income before income tax expense	3,740,182	6,098,793	(907)	(3,154)
Income tax expense	536,068	1,734,095	(72)	(112)
Net income of Subsidiaries				
before purchasing	(39,032)	11,552	-	-
Net income	<u>₩ 3,243,146</u>	<u>4,353,146</u>	<u>₩ (835)</u>	<u>(3,042)</u>
Controlling interest	₩ 3,219,260	4,381,793	₩ (835)	(3,042)
Minority interest	₩ 23,886	(28,647)	₩ -	-