

POSCO

Non-Consolidated Financial Statements

March 31, 2010

(With Independent Accountants' Review Report Thereon)

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Independent Accountants' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders of
POSCO:

We have reviewed the accompanying non-consolidated statement of financial position of POSCO (the "Company") as of March 31, 2010, the related non-consolidated statements of income, changes in equity and cash flows for the three-month periods ended March 31, 2010 and 2009. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these non-consolidated financial statements based on our reviews.

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

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

The non-consolidated statement of financial position as of December 31, 2009, and the related non-consolidated statements of income, appropriation of retained earnings, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us and our report thereon, dated February 8, 2010, expressed an unqualified opinion on those statements. The accompanying non-consolidated statement of financial position as of December 31, 2009, presented for comparative purposes, is not different from that audited by us in all material respects.

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

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

Seoul, Korea
May 6, 2010

This report is effective as of May 6, 2010, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

POSCO
Non-Consolidated Statements of Financial Position
As of March 31, 2010 and December 31, 2009
(Unaudited)

(in millions of Won)

	2010	2009
Assets		
Cash and cash equivalents (note 3)	₩ 289,473	626,782
Short-term financial instruments (note 3)	5,893,145	5,581,594
Trading securities (note 6)	430,368	505,811
Current portion of available-for-sale securities (note 7)	-	20,230
Current portion of held-to-maturity securities (note 7)	20,000	20,000
Trade accounts and notes receivable, net of allowance for doubtful accounts (notes 4 and 23)	2,782,468	2,683,909
Inventories (note 5)	3,397,679	2,996,326
Other accounts receivable, net of allowance for doubtful accounts (notes 4 and 23)	203,532	126,942
Deferred income tax assets (note 20)	288,138	286,075
Other current assets (note 11)	279,953	70,395
Total current assets	13,584,756	12,918,064
Property, plant and equipment at cost (note 8)	40,986,389	40,071,426
Less accumulated depreciation	(23,924,195)	(23,425,832)
Property, plant and equipment, net	17,062,194	16,645,594
Investment securities, net (notes 7 and 10)	10,282,367	10,187,813
Intangible assets, net (note 9)	145,813	151,829
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts (note 4)	982	1,307
Long-term financial instruments (note 3)	40	40
Other long-term assets, net of allowance for doubtful accounts (note 11)	90,798	88,118
Total non-current assets	27,582,194	27,074,701
Total assets	₩ 41,166,950	39,992,765

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Financial Position
As of March 31, 2010 and December 31, 2009
(Unaudited)

<i>(in millions of Won)</i>	2010	2009
Liabilities		
Trade accounts payable (note 23)	₩ 925,614	739,746
Short-term borrowings (notes 12 and 16)	502,678	430,910
Current portion of long-term debt, net of discount on debentures issued (notes 12 and 13)	300,104	1,065
Accrued expenses	125,958	145,484
Other accounts payable (note 23)	759,410	993,120
Withholdings	45,823	51,075
Income tax payable (note 20)	394,962	290,638
Other current liabilities (note 15)	26,955	33,804
Total current liabilities	3,081,504	2,685,842
Long-term debt, net of current portion and discount on debentures issued (note 10, 13 and 16)	5,359,428	5,681,509
Accrued severance benefits, net (note 14)	243,591	185,187
Deferred income tax liabilities (note 20)	487,694	400,276
Other long-term liabilities (note 17)	67,088	88,660
Total non-current liabilities	6,157,801	6,355,632
Total liabilities	9,239,305	9,041,474
Shareholders' Equity		
Capital stock	482,403	482,403
Capital surplus	4,427,541	4,404,069
Capital adjustments	(2,403,263)	(2,403,263)
Accumulated other comprehensive income	541,185	524,824
Retained earnings	28,879,779	27,943,258
Total shareholders' equity	31,927,645	30,951,291
Total liabilities and shareholders' equity	₩ 41,166,950	39,992,765

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Income
For the three-month periods ended March 31, 2010 and 2009
(Unaudited)

(in millions of Won, except per share amounts)

	2010	2009
Sales (notes 23 and 24)	₩ 6,949,526	6,471,303
Cost of goods sold (note 25)	5,155,315	5,815,583
Gross profit	1,794,211	655,720
Selling and administrative expenses (note 19)	347,095	282,697
Operating profit	1,447,116	373,023
Non-operating income		
Interest income	68,296	43,559
Dividend income	68,258	45,627
Gain on valuation of trading securities	6,403	4,663
Gain on disposal of trading securities	716	10,005
Gain on disposal of investments	783	-
Gain on disposal of property, plant and equipment	1,537	3,650
Gain on valuation of derivatives (note 17)	-	4,120
Gain on foreign currency transactions	75,716	248,804
Gain on foreign currency translation	130,527	63,632
Equity in earnings of equity method accounted investments (note 7)	142,597	252,386
Gain on derivative transactions (note 17)	-	20,342
Gain on disposal of other long-term assets	86	146
Reversal of stock compensation expense (notes 18 and 23)	4,700	1,607
Others	19,542	16,894
	519,161	715,435
Non-operating expenses		
Interest expense	69,170	60,838
Other bad debt expense	3	229
Loss on foreign currency transactions	66,671	340,432
Loss on foreign currency translation	5,726	91,586
Donations	4,016	2,002
Loss on disposal of property, plant and equipment	8,133	13,164
Equity in losses of equity method accounted investments (note 7)	87,288	131,695
Loss on valuation of derivatives (note 17)	3,717	-
Loss on derivative transactions (note 17)	-	17,769
Others	9,210	21,785
	253,934	679,500
Income before income taxes	1,712,343	408,958
Income tax expense (note 20)	275,108	84,442
Net income (note 21)	₩ 1,437,235	324,516
Basic earnings per share (note 22)	₩ 18,657	4,238

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Changes in Equity
For the three-month periods ended March 31, 2010 and 2009
(Unaudited)

<i>(in millions of Won)</i>		Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance as of January 1, 2009	₩	482,403	4,291,355	(2,502,014)	51,790	25,460,123	27,783,657
Year-end dividends		-	-	-	-	(574,274)	(574,274)
Net income		-	-	-	-	324,516	324,516
Changes in capital surplus of equity method accounted investments		-	(10,030)	-	-	-	(10,030)
Gain on valuation of available-for-sale securities, net		-	-	-	(127,797)	-	(127,797)
Changes in capital adjustment arising from equity method accounted investments		-	-	-	159,664	-	159,664
Balance as of March 31, 2009	₩	<u>482,403</u>	<u>4,281,325</u>	<u>(2,502,014)</u>	<u>83,657</u>	<u>25,210,365</u>	<u>27,555,736</u>
<i>(in millions of Won)</i>		Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance as of January 1, 2010	₩	482,403	4,404,069	(2,403,263)	524,824	27,943,258	30,951,291
Year-end dividends		-	-	-	-	(500,714)	(500,714)
Net income		-	-	-	-	1,437,235	1,437,235
Changes in capital surplus of equity method accounted investments		-	23,472	-	-	-	23,472
Losses on valuation of available-for-sale securities, net		-	-	-	65,794	-	65,794
Changes in capital adjustment arising from equity method accounted investments		-	-	-	(49,433)	-	(49,433)
Balance as of March 31, 2010	₩	<u>482,403</u>	<u>4,427,541</u>	<u>(2,403,263)</u>	<u>541,185</u>	<u>28,879,779</u>	<u>31,927,645</u>

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2010 and 2009
(Unaudited)

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Net income	₩ 1,437,235	324,516
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	539,079	477,839
Accrual of severance benefits	72,497	6,677
Gain on disposal of trading securities	(716)	(10,005)
Gain on valuation of trading securities	(6,403)	(4,663)
Loss on disposal of property, plant and equipment, net	6,596	9,514
Gain on derivative transactions, net	-	(2,573)
Reversal of stock compensation expense	(4,700)	(1,607)
Gains on disposal of investments, net	(737)	-
Loss (gain) on foreign currency translation, net	(125,741)	62,265
Provision for allowance for doubtful accounts, net	(637)	21,304
Loss (gain) on disposal of other long-term assets, net	(86)	116
Other employee benefit	2,600	1,739
Equity in earnings of equity method accounted investments, net	(55,309)	(120,691)
Interest expense	4,596	4,272
Interest income	(31)	(275)
Others, net	4,837	6,470
	<u>435,845</u>	<u>450,382</u>
 Changes in operating assets and liabilities		
Trade accounts and notes receivable	(100,871)	353,909
Other accounts receivable	(76,795)	55,015
Accrued income	(22,591)	9,221
Prepaid expenses	(51,307)	(42,210)
Inventories	(400,805)	1,087,687
Trade accounts payable	188,430	(349,126)
Other accounts payable	(233,599)	(112,675)
Income tax payable	104,324	(799,973)
Payment of severance benefits	(17,669)	(31,842)
Deferres income tax assets and liabilities	45,638	(197,181)
Deposit for severance benefit trust	3,576	5,620
Other current liabilities	11,274	11,560
Dividends from equity method accounted investments	36,855	32,141
Others, net	(42,408)	3,839
	<u>(555,948)</u>	<u>25,985</u>
 Net cash provided by operating activities	<u>1,317,132</u>	<u>800,883</u>

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2010 and 2009
(Unaudited)

(in millions of Won)

	<u>2010</u>	<u>2009</u>
Cash flows from investing activities		
Disposal of short-term financial instruments	₩ 2,563,451	1,237,770
Disposal of trading securities	222,562	1,582,692
Disposal of available-for-sale securities	121,129	-
Disposal of property, plant and equipment	1,821	3,886
Disposal of other long-term assets	1,308	6,019
Acquisition of short-term financial instruments	(2,875,002)	(1,798,883)
Acquisition of trading securities	(140,000)	(1,040,000)
Increase in advanced payments	(129,926)	-
Acquisition of available-for-sale securities	(45,401)	(11,908)
Acquisition of equity method accounted investments	(51,880)	-
Acquisition of other long-term assets	(971)	(2,705)
Acquisition of property, plant and equipment	(951,431)	(984,857)
Cost of removal of property, plant and equipment	(4,773)	(10,546)
Acquisition of intangible assets	(1,877)	(4,028)
Others, net	(9,954)	(2,685)
	<u>(1,300,944)</u>	<u>(1,025,245)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from short-term borrowings	403,446	560,708
Proceeds from long-term borrowings	87,417	4,109
Proceeds from issuance of debentures	-	1,449,728
Increase of other long-term liabilities	5,661	4,349
Repayment of short-term borrowings	(321,323)	(253,472)
Repayment of current portion of long-term liabilities	(262)	(278)
Payment of cash dividends	(500,714)	(574,274)
Decrease in other long-term liabilities	(27,722)	(4,653)
	<u>(353,497)</u>	<u>1,186,217</u>
Net cash provided (used) by financing activities		
Net increase (decrease) in cash and cash equivalents	(337,309)	961,855
Cash and cash equivalents		
Cash and cash equivalents at beginning of the year	626,782	941,687
Cash and cash equivalents at end of the year	<u>₩ 289,473</u>	<u>1,903,542</u>

See accompanying notes to non-consolidated financial statements.

POSCO
Notes to Non-Consolidated Financial Statements
March 31, 2010
(Unaudited)

1. The Company

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

As of March 31, 2010, the shares of the Company are listed on the Korea Stock Exchange, while its depository receipts are listed on the New York, Tokyo and London Stock Exchanges.

2. Summary of significant accounting policies

The Company maintains its accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

The accounting policies were consistently applied for the non-consolidated financial statements both as of and for the three-month period ended March 31, 2010 and as of and for the year ended December 31, 2009.

POSCO
Notes to Non-Consolidated Financial Statements
March 31, 2010
(Unaudited)

3. Cash and Cash Equivalents, and Financial Instruments

Cash and cash equivalents, short-term and long-term financial instruments as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents			
Checking accounts	-	₩ 1,910	₩ 817
Money market deposit accounts	2.30	-	16,800
Money market trust	2.45 ~ 3.00	78,700	228,700
Time deposits	3.20 ~ 3.60	70,000	70,000
Time deposits in foreign currency	0.37 ~ 0.42	138,863	310,465
		<u>₩ 289,473</u>	<u>₩ 626,782</u>
Short-term financial instruments			
Ordinary deposits (*1)	-	12,025	10,667
Time deposits	1.60 ~ 4.70	3,310,000	2,850,000
Certificates of deposit	1.60 ~ 4.80	2,210,000	2,370,000
Repurchase agreement	3.76 ~ 4.44	300,000	290,000
Specified money in trust	-	61,120	60,927
		<u>₩ 5,893,145</u>	<u>₩ 5,581,594</u>
Long-term financial instruments			
Guarantee deposits for opening accounts (*2)	-	<u>₩ 40</u>	<u>₩ 40</u>

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

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

4. Accounts and Notes Receivable

Accounts and notes receivable, and their respective allowance for doubtful accounts as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Trade accounts and notes receivable	₩ 2,793,076	2,695,161
Less: Allowance for doubtful accounts	(10,608)	(11,252)
	<u>₩ 2,782,468</u>	<u>2,683,909</u>
Other accounts receivable	₩ 214,191	137,560
Less: Allowance for doubtful accounts	(10,659)	(10,618)
	<u>₩ 203,532</u>	<u>126,942</u>
Long-term trade accounts and notes receivable	₩ 1,462	1,875
Less: Allowance for doubtful accounts	(480)	(568)
	<u>₩ 982</u>	<u>1,307</u>

POSCO
Notes to Non-Consolidated Financial Statements
March 31, 2010
(Unaudited)

5. Inventories

Inventories as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	2010		2009
Finished goods	₩	425,467	344,192
By-products		4,685	4,281
Semi-finished goods		910,527	843,720
Raw materials		714,748	696,492
Fuel and materials		443,559	405,003
Materials-in-transit		898,641	702,807
Others		523	522
		<u>3,398,150</u>	<u>2,997,017</u>
Less: Provision for valuation loss		(471)	(691)
	₩	<u>3,397,679</u>	<u>2,996,326</u>

6. Trading Securities

Trading securities as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	2010			2009
	<u>Acquisition</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Book Value</u>
Beneficiary certificates	₩ 420,000	₩ 430,368	₩ 430,368	₩ 505,811

POSCO
Notes to Non-Consolidated Financial Statements
March 31, 2010
(Unaudited)

7. Investment Securities

(a) Investment securities as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Available-for-sale securities		
Marketable equity securities	₩ 3,738,560	3,650,351
Non-marketable equity securities	686,640	767,174
Investments in bonds	4,895	125,125
Equity investments	500	500
	<u>4,430,595</u>	<u>4,543,150</u>
Less: Current portion	-	(20,230)
	<u>4,430,595</u>	<u>4,522,920</u>
Held-to-maturity securities	51,706	51,675
Less: Current portion	(20,000)	(20,000)
	<u>31,706</u>	<u>31,675</u>
Equity method accounted investments	5,820,066	5,633,218
	<u>₩ 10,282,367</u>	<u>10,187,813</u>

POSCO
Notes to Non-Consolidated Financial Statements
March 31, 2010
(Unaudited)

(b) Investments in marketable equity securities as of March 31, 2010 and December 31, 2009 are as follows:

(in millions of Won)

Company	Number of Shares	Percentage of Ownership (%)	2010		2009	
			Acquisition Cost	Fair Value	Book Value	Book Value
SK TELECOM CO., LTD. (*1)	4,372,096	5.41	₩ 1,222,529	₩ 762,941	₩ 762,941	₩ 743,845
Hana Financial Group Inc.	4,663,776	2.20	29,998	163,465	163,465	153,438
Nippon Steel Corporation (*1)	238,352,000	3.50	719,622	1,065,168	1,065,168	1,128,734
HYUNDAI HEAVY INDUSTRIES CO., LTD.	1,477,000	1.94	343,505	350,049	350,049	256,260
HANIL STEEL CO., LTD.	206,798	10.14	2,413	3,505	3,505	2,575
HI STEEL CO., LTD.	135,357	9.95	1,609	2,511	2,511	1,895
MOONBAE STEEL CO., LTD.	1,849,380	9.02	3,588	4,864	4,864	5,419
DONGYANG STEEL PIPE CO., LTD.	1,564,250	2.06	3,911	2,229	2,229	1,877
SHINHAN FINANCIAL GROUP CO., LTD.	4,369,881	0.92	228,778	194,241	194,241	188,779
SeAH STEEL CORPORATION	610,103	10.17	18,792	23,092	23,092	22,055
Thanox Stainless Public Company Limited	1,200,000,000	15.00	42,301	70,500	70,500	67,658
UNION STEEL Co., Ltd.	1,005,000	9.80	40,212	21,658	21,658	22,110
Macarthur Coal Limited	21,215,700	8.34	420,805	309,816	309,816	249,431
HANJIN SHIPPING CO., LTD.	57,226	0.08	2,354	1,777	1,777	1,185
HANJIN SHIPPING HOLDINGS CO., LTD.	11,033	0.08	298	226	226	151
KB Financial Group Inc.	13,115,837	3.39	574,524	716,125	716,125	783,015
LG Powercom Corporation (*2)	-	-	-	-	-	21,924
LG Telecom Co., Ltd. (*2)	2,671,688	0.96	22,683	20,625	20,625	-
SEOUL SEMICONDUCTOR CO., LTD.	591,000	1.01	24,999	25,768	25,768	-
			₩ 3,702,921	₩ 3,738,560	₩ 3,738,560	₩ 3,650,351

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

(*2) In January 2010, LG Powercom Co., Ltd.'s stocks were exchanged with LG Telecom Co., Ltd.'s by merger and accordingly, the differences between the fair values and the acquisition costs at the date of exchange amounting to ₩ 758 million were recognized as gains on disposal of investments.

POSCO
Notes to Non-Consolidated Financial Statements
March 31, 2010
(Unaudited)

(c) Equity method accounted investments as of March 31, 2010 and December 31, 2009 are as follows:

(in millions of Won)

Investees (*1)	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	2009		Increase (Decrease)		2010
				Book Value	Equity method Profit (Loss)	Other Increase (Decrease) (*2)	Book Value	
Domestic								
POSCO E&C Co., Ltd.	27,281,080	89.53	₩ 365,789	₩ 1,063,089	₩ (5,869)	₩ (10,262)	₩ 1,046,958	
Posteel Co., Ltd.	17,155,000	95.31	113,393	421,927	2,301	5,070	429,298	
POSCON Co., Ltd.	-	-	-	70,990	-	(70,990)	-	
POSCO Coated & Color Steel Co., Ltd.	3,412,000	56.87	82,017	108,421	(6,896)	-	101,525	
POSCO Plant Engineering Co., Ltd. (*4)	2,700,000	100.00	27,052	24,276	344	9,261	33,881	
POSCO ICT Co., Ltd. (*3)	4,896,256	72.54	102,571	-	(5,402)	44,650	39,248	
POSCO Research Institute	3,800,000	100.00	19,000	23,553	464	-	24,017	
Seoung Gwang Co., Ltd.	2,737,000	69.38	28,408	29,928	260	-	30,188	
POSCO Architects & Consultants Co., Ltd.	300,000	100.00	1,743	17,734	419	(583)	17,570	
POSCO Specialty Steel Co., Ltd.	26,000,000	100.00	260,000	628,842	24,255	(3,917)	649,180	
POSCO Machinery Co., Ltd. (*4)	-	-	-	9,059	-	(9,059)	-	
POSTECH Venture Capital Corp.	5,700,000	95.00	28,500	33,779	(239)	122	33,662	
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	3,544,200	60.00	41,210	100,535	6,430	(2,780)	104,185	
POSCO Terminal Co., Ltd.	2,550,000	51.00	12,750	23,674	1,776	(638)	24,812	
POSMATE Co., Ltd.	214,286	30.00	7,233	12,270	819	(379)	12,710	
POSCO Power Corp.	40,000,000	85.71	597,170	649,148	5,686	74,520	729,354	
SNNC Co., Ltd.	18,130,000	49.00	90,650	100,655	21,218	(12,481)	109,392	
POSCORE Co., Ltd. (*5)	2,030,456	34.20	26,142	-	(689)	28,357	27,668	
PNR Co., Ltd.	5,467,686	70.00	27,338	25,720	(5,067)	-	20,653	
POSCOAST Co., Ltd.	3,400,000	85.00	70,034	75,603	(1,997)	(51)	73,555	
POS-HMETAL CO., Ltd.	1,300,000	65.00	13,000	5,837	(549)	6,500	11,788	
POSCO E&E Co., Ltd.	3,480,000	100.00	17,400	17,303	110	-	17,413	
Others			5,581	10,523	277	(399)	10,401	
			1,936,981	3,452,866	37,651	56,941	3,547,458	
Foreign								
POSCO America Corporation	374,532	99.45	316,941	113,510	(9,389)	7,212	111,333	
POSCO Australia Pty. Ltd.	761,775	100.00	37,352	330,623	10,230	6,737	347,590	
POSCO Asia Co., Ltd.	9,360,000	100.00	7,425	32,189	1,503	608	34,300	
VSC POSCO Steel Corporation (*6)	-	35.00	4,758	7,130	855	(1,548)	6,437	
POS-Tianjin Coil Center Co., Ltd. (*6)	-	42.40	8,003	1,416	161	9,190	10,767	
Zhangjiagang Pohang Stainless Steel Co., Ltd. (*6)	-	58.60	216,542	283,845	12,835	(9,372)	287,308	
Guangdong Pohang Coated Steel Co., Ltd. (*6)	-	87.04	45,503	31,299	4,091	(1,194)	34,196	
POSCO (Thailand) Co., Ltd.	12,721,734	85.62	39,677	25,945	1,698	(24)	27,619	

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<i>(in millions of Won)</i>	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	2009		Increase (Decrease)		2010
				Book Value	Equity method Profit (Loss)	Other Increase (Decrease) (*2)	Book Value	
KOBRASCO	2,010,719,185	50.00	32,950	98,962	4,316	(5,766)	97,512	
POSCO Investment Co., Ltd.	5,000,000	100.00	53,189	85,521	1,927	(2,292)	85,156	
Poschrome (Proprietary) Limited	21,675	25.00	4,859	15,090	(340)	(435)	14,315	
POSCO-MKPC SDN. BHD.	25,269,900	44.69	12,574	17,550	(170)	283	17,663	
Qingdao Pohang Stainless Steel Co., Ltd. (*6)	-	70.00	71,463	65,982	(955)	(2,184)	62,843	
POSCO (Suzhou) Automotive Processing Center Co., Ltd. (*6)	-	90.00	31,023	49,429	(75)	(6,865)	42,489	
POSCO-China Holding Corp. (*6)	-	100.00	164,418	208,413	15,690	(7,137)	216,966	
POSCO-Japan Co., Ltd.	90,438	100.00	50,558	68,436	(3,497)	(2,566)	62,373	
POSCO-India Private Ltd.	450,000,000	100.00	110,287	108,538	-	90	108,628	
POS-India Pune Steel Processing Centre Pvt. Ltd.	74,787,080	65.00	17,017	15,016	(6,291)	31	8,756	
POSCO-Foshan Steel Processing Center Co., Ltd. (*6)	-	39.60	9,408	12,985	(134)	(431)	12,420	
Nickel Mining Company SAS	3,234,698	49.00	157,585	189,197	10,662	(20,348)	179,511	
POSCO-Vietnam Co., Ltd.	-	85.00	198,578	154,691	(19,929)	(9,701)	125,061	
POSCO-Mexico Co., Ltd.	1,304,955,672	84.67	117,950	62,581	(8,781)	1,870	55,670	
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	42,532,980	76.40	9,089	4,373	2,501	33	6,907	
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd. (*6)	-	24.00	6,718	11,003	348	(403)	10,948	
POSCO Vietnam Processing Center Co., Ltd. (*6)	-	89.58	19,948	11,425	613	3,955	15,993	
POSCO (Chongqing) Automotive Processing Center Co., Ltd. (*6)	-	90.00	6,201	8,057	619	(309)	8,367	
BX STEEL POSCO Cold Rolled Sheet Co., Ltd. (*6)	-	25.00	61,961	63,865	7,566	(1,894)	69,537	
POSCO Malaysia SDN. BHD. (*7)	16,200,000	60.00	16,524	-	-	-	-	
POSCO (Wuhu) Automotive Processing Center Co., Ltd. (*6)	-	68.57	10,026	11,533	(1,248)	(421)	9,864	
POSCO VST Co., Ltd. (*6)	-	90.00	77,068	71,901	(6,468)	(2,130)	63,303	
POSCO Maharashtra Steel Private Limited (*8)	1,138,499	100.00	63,872	-	(890)	63,290	62,400	
POSCO India Chennai Steel Processing Centre PVT Ltd. (*8)	58,209,443	100.00	14,924	-	(911)	14,605	13,694	
POSCO Turkey Nilufer Processing Centre Co., Ltd. (*8)	242,444	100.00	19,983	-	(362)	17,913	17,551	
POSCO Vietnam Ha Noi Processing Centre Co., Ltd. (*6,8)	-	70.00	5,584	-	127	5,426	5,553	
POSCO (Liaoning) Automotive Processing Centre Co., Ltd. (*6,8)	-	90.00	16,952	-	(428)	16,443	16,015	
POSCO-Indonesia Jakarta Processing Centre Co., Ltd. (*5)	8,139,119	65.00	2,926	-	1,068	2,898	3,966	
Others	-	0.00	21,821	19,847	716	(966)	19,597	
			2,061,657	2,180,352	17,658	74,598	2,272,608	
			₩ 3,998,638	₩ 5,633,218	₩ 55,309	₩ 131,539	₩ 5,820,066	

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- (*1) Due to the difference in the closing schedule of investees' financial statements, the Company used the unaudited or unreviewed financial statements of these companies as of March 31, 2010, when applying the equity method of accounting.
- (*2) Other increase (decrease) represents the changes in investment securities primarily due to acquisitions (disposals), dividends received, changes in capital surplus or capital adjustments arising from equity transaction with subsidiaries, changes in capital adjustments arising from translations of financial statements of foreign investees and others.
- (*3) On January 22, 2010, POSCO ICT Co., Ltd. merged with POSCON Co., Ltd.
- (*4) On January 1, 2010, POSCO Plant Engineering Co., Ltd. merged with POSCO Machinery Co., Ltd.
- (*5) These subsidiaries are newly acquired for the three-month period ended March 31, 2010.
- (*6) No shares have been issued in accordance with the local laws or regulations.
- (*7) The equity method of accounting has been suspended for investment in POSCO Malaysia SDN. BHD. as the Company's net investments have been reduced to zero. Unrecorded changes in equity interest in POSCO Malaysia SDN. BHD. for the three-month period ended March 31, 2010 amounted to ₩ 2,460 million and the accumulated unrecorded change in the interest prior to 2010 amounted to ₩ 5,992 million.
- (*8) This investment was reclassified to equity method accounted investment from available-for-sale securities, since its total assets were greater than ₩ 10,000 million as of December 31, 2009.
- (d) For the three-month period ended March 31, 2010, amortization of goodwill amounted to ₩ 8,458 million and the realized profit less the elimination of the unrealized profit from intercompany transactions amounted to ₩ 109,023 million.

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8. Property, Plant and Equipment

(a) Changes in property, plant and equipment for the three-month period ended March 31, 2010 are as follows:

<i>(in millions of Won)</i>	<u>Beginning</u> <u>Balance</u>	<u>Acquisition (*1)</u>	<u>Disposal</u>	<u>Others (*2)</u>	<u>Depreciation</u>	<u>Ending</u> <u>Balance</u>
Land	₩ 961,869	₩ -	₩ -	₩ (4,389)	₩ -	₩ 957,480
Buildings	1,998,510	18,603	(29)	4,389	(44,845)	1,976,628
Structures	1,479,920	13,405	(537)	-	(30,206)	1,462,582
Machinery and equipment	8,270,432	135,803	(3,078)	-	(446,431)	7,956,726
Vehicles	16,803	319	-	-	(2,106)	15,016
Tools	16,737	334	-	-	(2,025)	15,046
Furniture and fixtures	50,057	5,285	(1)	-	(4,366)	50,975
Capital Lease Assets	9,555	-	-	-	(159)	9,396
Construction-in-progress	3,841,711	951,431	-	(174,797)	-	4,618,345
	<u>₩ 16,645,594</u>	<u>₩ 1,125,180</u>	<u>₩ (3,645)</u>	<u>₩ (174,797)</u>	<u>₩ (530,138)</u>	<u>₩ 17,062,194</u>

(*1) Includes acquisition cost transferred from construction-in-progress amounting to ₩ 173,749 million.

(*2) Represent assets transferred from construction-in-progress to intangible assets.

(b) The Company's expenditures in relation to construction-in-progress for the expansion of Pohang transporting plates amounted to ₩ 951,431 million for the three-month period ended March 31, 2010.

9. Intangible Assets

Intangible assets, net of amortization, as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Intellectual property rights	₩ 3,865	3,028
Port facilities usage rights	96,355	100,144
Other intangible assets (*1)	45,593	48,657
	<u>₩ 145,813</u>	<u>151,829</u>

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

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10. Pledged Assets

- (a) As of March 31, 2010, government bonds and bonds issued by Seoul Metropolitan Rapid Transit Corp., amounting to ₩ 29,776 million and ₩ 1,929 million, respectively, were provided as collateral to the Gyeongsangbuk-Do Province Office as a guarantee for environmental remediation of POSCO No. 4 disposal site.
- (b) As of March 31, 2010, 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 and 166,307,000 shares of Nippon Steel Corporation have been pledged as collateral for the 1st samurai bonds issued.
- (c) Guarantees provided by third parties on behalf of the Company as of March 31, 2010 and December 31, 2009 were as follows:

<i>(in millions of Won)</i>	<u>2010</u>		<u>2009</u>	
Korea Development Bank	EUR	3,807,743	₩	<u>5,781</u>
	EUR	3,964,241	₩	<u>6,637</u>

11. Other Assets

Other current and other long-term assets as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>2010</u>		<u>2009</u>	
Other current assets				
Short-term loans receivable	₩	6,100		-
Accrued income		72,578		49,987
Advanced payments		140,303		11,943
Prepaid expense		59,773		8,465
Others		1,199		-
	₩	<u>279,953</u>		<u>70,395</u>
Other long-term assets				
Log-term loans receivable	₩	28,422		24,554
Guarantee deposits		1,765		1,771
Other investment assets		61,264		62,485
		<u>91,451</u>		<u>88,810</u>
Less: Allowance for doubtful accounts		(653)		(692)
	₩	<u>90,798</u>		<u>88,118</u>

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

(a) Short-term borrowings as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>	<u>2010</u>		<u>2009</u>		
Foreign currency borrowings	1.03 ~ 1.75	USD	444,533,331	₩ 502,678	369,055,984	₩ 430,910
				<u>₩ 502,678</u>		<u>₩ 430,910</u>

(b) Current portion of long-term debts as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>	<u>2010</u>		<u>2009</u>		
Domestic debentures	5.00	KRW	300,000	₩ 300,000	-	₩ -
Loans from foreign financial institutions	2.00	EUR	636,350	966	636,350	1,065
				<u>300,966</u>		<u>1,065</u>
Less: Discount on debentures issued				(862)		-
				<u>₩ 300,104</u>		<u>₩ 1,065</u>

13. Long-Term Debts

(a) Debentures as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>Issue date</u>	<u>Maturity</u>	<u>Annual Interest Rate (%)</u>	<u>2010</u>		<u>2009</u>		
Domestic debentures	Mar. 28, 2006~ Jan. 20, 2009	Mar. 28, 2011~ Jan. 20, 2014	5.00 ~ 6.52	KRW	2,300,000	₩ 2,300,000	2,300,000	2,300,000
9th Samurai Bonds	Jun. 28, 2006	Jun. 28, 2013	2.05	JPY	50,000,000,000	608,840	50,000,000,000	631,410
Euro Bonds	Aug. 10, 2006	Aug. 10, 2016	5.88	USD	300,000,000	339,240	300,000,000	350,280
Exchangeable bonds (*1)	Aug. 19, 2008	Aug. 19, 2013	-	JPY	52,795,000,000	642,874	52,795,000,000	666,706
Yen dominated FRN	Nov. 11, 2008	Nov. 11, 2011	6 Months Tibor+2.60	JPY	20,000,000,000	243,536	20,000,000,000	252,564
1st Samurai Private Equity Bonds	Dec. 29, 2008	Dec. 29, 2011	6 Months Tibor+1.60	JPY	50,000,000,000	608,840	50,000,000,000	631,410
Global Bonds	Mar. 26, 2009	Mar. 26, 2014	8.75	USD	700,000,000	791,560	700,000,000	817,320
						5,534,890		5,649,690
Add: Premium on bond redemption						9,707		10,067
Less: Current portion						(300,000)		-
Discount on debentures issued						(57,587)		(64,917)
						<u>₩ 5,187,010</u>		<u>5,594,840</u>

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

Issuance date:	August 19, 2008
Maturity date:	August 19, 2013
Rate:	Interest rate of zero percent
Face value:	JPY 52,795,000,000
Issuance price:	JPY 52,424,229,136
Premium on bond redemption :	JPY 797,204,500 (redeemed on put date or maturity date)
Exchangeable price:	JPY 2,999.11/ADR
Fair value of an exchangeable right at issuance date:	JPY 2,867,605,334
Fair value of an exchangeable right as of March 31, 2010:	JPY 480,434,500
ADRs exchangeable as of March 31, 2010:	ADR 18,274,731
Exercise period of exchangeable right:	Commercing ten business days following the issuance date until ten business days prior to maturity date
Exercisable date of put by bondholders:	August 19, 2011

The Company issued exchangeable bonds which is exchangeable with SK Telecom Co., Ltd. ADRs through Zeus (Cayman) Ltd., a SPV. The Company accounted for these exchangeable bonds as long-term debts under generally accepted accounting principles in the Republic of Korea as if the Company issued the exchangeable bonds.

(b) Long-term domestic borrowings as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	Annual Interest Rate (%)	2010	2009
Korea Resources Corporation	Representative-Borrowing Rate (*1)-2.25	₩ 55,114	55,114
Woori Bank	Representative-Borrowing Rate (*1)-1.25	20,405	20,405
		<u>₩ 75,519</u>	<u>75,519</u>

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

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(c) Long-term foreign currency borrowings as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>	<u>2010</u>		<u>2009</u>	
Korea National Oil Corporation (*1)	Representative-Borrowing Rate-2.25	USD	4,549,590	₩	5,578
The Expert-Import Bank of Korea (*2)	4.50	USD	76,500,000		86,506
				₩	92,084
					-
					5,578

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

(*2) The borrowing is related to the Roy Hill iron exploration work in Australia.

(d) Loans from foreign financial institutions as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>	<u>2010</u>		<u>2009</u>	
NATIXIS	2.00	EUR	3,807,743	₩	5,781
Less: Current portion		EUR	(636,350)		(966)
				₩	4,815
					5,572

(e) Aggregate maturities of long-term debts as of March 31, 2010 are as follows:

<i>(in millions of Won)</i>			<u>Foreign Currency Borrowings</u>			<u>Loans from Foreign Financial Institutions</u>			<u>Total</u>
March 31,	<u>Debentures (*)</u>	<u>Borrowings</u>							
2010	₩ 300,000	₩ -	₩ -	₩ -	₩ 966	₩ 966	₩ 966	₩ 966	300,966
2011	1,352,376	1,878	-	-	966	966	966	966	1,355,220
2012	500,000	8,591	-	-	966	966	966	966	509,557
2013	3,052,982	8,696	-	-	966	966	966	966	3,062,644
Thereafter	339,239	56,354	92,084	92,084	1,917	1,917	1,917	1,917	489,594
	₩ 5,544,597	₩ 75,519	₩ 92,084	₩ 92,084	₩ 5,781	₩ 5,781	₩ 5,781	₩ 5,781	5,717,981

(*) The amount includes premium on bond redemption.

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14. Accrued Severance Benefits

The changes in accrued severance benefits for the three-month period ended March 31, 2010 and the year ended December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Estimated severance benefits at the beginning of period	₩ 784,357	851,391
Provision for severance benefits	72,497	3,320
Payment	<u>(17,669)</u>	<u>(70,354)</u>
Estimated severance benefits at the end of period	<u>₩ 839,185</u>	<u>784,357</u>
Transferred to National Pension Fund	(82)	(82)
Deposit for severance benefits trust	<u>(595,512)</u>	<u>(599,088)</u>
Net balance at the end of period	<u>₩ 243,591</u>	<u>185,187</u>

15. Other Current Liabilities

Other current liabilities as of March 31, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Other current liabilities		
Advances received	₩ 6,457	25,615
Unearned revenue	2,966	2,012
Accrued other employee benefits	<u>17,532</u>	<u>6,177</u>
	<u>₩ 26,955</u>	<u>33,804</u>

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16. Commitments and Contingencies

- (a) As of March 31, 2010, contingent liabilities for outstanding guarantees provided by the Company for the repayment of loans of related companies and others are as follows:

<i>(in millions of Won)</i>		2010				2009		
Company	Financial Institution	Guaranteed		Won Equivalent	Guaranteed	Won Equivalent		
Related companies								
POSCO Investment Co., Ltd.	HSBC	USD	322,000,000		346,000,000			
		MYR	240,000,000	₩	551,504	280,000,000	₩	607,184
		CNY	630,000,000			630,000,000		
POSCO-Vietnam Co., Ltd.	The Export-Import Bank of Korea	USD	230,000,000		230,000,000		329,249	
		JPY	4,806,750,000		318,615	4,806,750,000		
				<u>870,119</u>			<u>936,433</u>	
Others								
Zeus (Cayman) Ltd.	Related creditors	JPY	52,795,000,000		642,874	52,795,000,000	666,706	
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Bank of China and others	USD	13,800,000		57,299	13,800,000	77,554	
		CNY	251,680,000			359,180,000		
				<u>700,173</u>			<u>744,260</u>	
				<u>₩ 1,570,292</u>			<u>₩ 1,680,693</u>	

- (b) As of March 31, 2010, the Company issued five blank promissory notes to Korea Resources Corporation as collateral for borrowings, and issued six blank promissory notes to KNOC as collateral for foreign currency borrowings.
- (c) The Company entered into a capital lease contract acquiring a ro-ro ship for the exclusive use of transporting plates for ₩ 1,953 million and US\$ 11,583 thousand, equivalent to 90 % of fair value of the ship price, to be redeemed over 12 years.
- (d) As of March 31, 2010, the Company acquired certain tools and equipment under operating lease agreements from Macquarie Capital Korea Company Limited and others. The Company's rent expense with respect to these lease agreements amounted to ₩ 1,348 million for the three-month period ended March 31, 2010.
- (e) The Company is involved thirteen lawsuits and claims for alleged damages aggregating to ₩ 10,217 million as of March 31, 2010 which arose in the ordinary course of business. The Company is unable to predict the possible outcome of the above claims. However, in the opinion of management, the foregoing lawsuits and claims will not have a material adverse effect on the Company's financial position, operating results or cash flows. No provision is recorded in connection with the above lawsuits and claims as of March 31, 2010.
- (f) The Company entered into long-term contracts to purchase iron ore, coal, nickel and other raw materials. These contracts generally have terms of more than three years and provide for periodic price adjustments to the market price. As of March 31, 2010, 352 million tons of iron ore and 60 million tons of coal remained to be purchased under such long-term contracts.

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- (g) The Company entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia regarding the commitment to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. This agreement provides for periodic price adjustments to market price (Japan JCC), and the ceiling price is applied when the market price exceeds the certain price level provided in the agreement.
- (h) The Company has a bank overdraft agreements of up to ₩ 200,000 million with Woori Bank and six other banks as of March 31, 2010. In addition, the Company entered into a credit purchase loan agreement with Industrial Bank of Korea and four other banks for credit lines of up to ₩ 260,000 million and short-term borrowing agreement of up to ₩ 150,000 million with Woori Bank.
- (i) As of March 31, 2010, the Company has an agreement with Woori Bank and others to open letters of credit, documents against acceptance and documents against payment amounting to US\$ 1,670 million and US\$ 500 million in foreign short-term borrowings.
- (j) The outstanding balance of accounts receivable in foreign currency sold to financial institutions as of March 31, 2010 amounted to US\$ 214 million for which the Company is contingently liable upon the issuers' default.
- (k) The Company entered into commitments of foreign currency long-term borrowings which are limited up to the amount of US\$ 6.86 million and US\$ 3.54 million with KNOC related to the exploration of gas fields in the Aral Sea, Uzbekistan and Namangan-Chust, respectively. The repayment obligation depends on the success of the project. The Company is not liable for the repayment of full or part of money borrowed if the project fails and also the Company has agreed to pay certain portion of its profits under certain conditions as defined by borrowing agreement.
- (l) The Company has provided a supplemental funding agreement as the largest shareholder by the requests from the creditors including Korea Development Bank for seamless funding to POSCO Power Corp. under construction of new power plants.

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17. Derivatives

(a) Details of derivatives as of March 31, 2010 are as follows:

<u>Type of Transaction</u>	<u>Purpose of Transaction</u>	<u>Financial Institutions</u>	<u>Description of contract</u>
Embedded derivative (*)	Issuing exchangeable bonds	Investee for exchangeable bonds	Exchangeable rights for stock

(*) The Company applied derivative accounting as exchangeable right to investors related to exchangeable bond issued in August 19, 2008 meets certain criteria of embedded derivatives. Fair values of exchangeable right are ₩ 2,134 million (JPY 168,994,000) as of December 31, 2009 and ₩ 5,850 million (JPY 480,434,500) as of March 31, 2010. This exchangeable right is included in other long-term liabilities.

(b) Details of the gains (losses) on derivatives, net for the three-month periods ended March 31, 2010 and 2009 are as follows:

<i>(in millions of Won)</i> <u>Type of Transaction</u>	<u>Valuation Gain (Loss)</u>		<u>Transaction Gain (Loss)</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Currency forward (Swaps)	₩ -	-	₩ -	2,573
Embedded derivative	(3,717)	4,120	-	-
	₩ (3,717)	4,120	₩ -	2,573

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18. Stock Appreciation Rights

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

	<u>1st Grant</u>	<u>2nd Grant</u>	<u>3rd Grant</u>	<u>4th Grant</u>	<u>5th Grant</u>	<u>6th Grant</u>	<u>Total</u>
Before the modifications (*)							
Number of shares	498,000 shares	60,000 shares	22,000 shares	141,500 shares	218,600 shares	90,000 shares	1,030,100 shares
Exercise price	₩ 98,400 per share	₩ 135,800 per share	₩ 115,600 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
After the modifications (*)							
Grant date	July 23, 2001	April 27, 2002	September 18, 2002	April 26, 2003	July 23, 2004	April 28, 2005	
Exercise price	₩ 98,900 per share	₩ 136,400 per share	₩ 116,100 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
Number of shares granted	453,576 shares	55,896 shares	20,495 shares	135,897 shares	214,228 shares	90,000 shares	970,092 shares
Number of shares cancelled	19,409 shares	-	-	-	-	-	19,409 shares
Number of shares exercised	434,167 shares	55,896 shares	20,495 shares	135,897 shares	143,964 shares	64,000 shares	854,419 shares
Number of shares outstanding	-	-	-	-	71,264 shares	26,000 shares	97,264 shares
Exercise period	July 24, 2003~ July 23, 2008	April 28, 2004~ April 27, 2009	Sept. 19, 2004~ Sept. 18 2009	April 27, 2005~ April 26, 2010	July 24, 2006~ July 23, 2011	April 29, 2007~ April 28, 2012	

- (*) The Company modified the number of shares granted under the stock appreciation rights and the exercise price, as presented above (1st, 2nd, 3rd, 4th and 5th), in accordance with the resolutions of the Board of Directors on April 26, 2003, October 17, 2003 and October 22, 2004.

- (b) Expense (or income) related to stock appreciation rights granted to executives incurred for the three-month period ended March 31, 2010 are as follows:

<i>(in millions of Won)</i>	<u>1st Grant</u>	<u>2nd Grant</u>	<u>3rd Grant</u>	<u>4th Grant</u>	<u>5th Grant</u>	<u>6th Grant</u>	<u>Total</u>
Prior periods	₩ 59,945	₩ 10,780	₩ 6,071	₩ 31,896	₩ 81,239	₩ 31,694	₩ 221,625
Current period	-	-	-	(32)	(3,341)	(1,327)	(4,700)
	<u>₩ 59,945</u>	<u>₩ 10,780</u>	<u>₩ 6,071</u>	<u>₩ 31,864</u>	<u>₩ 77,898</u>	<u>₩ 30,367</u>	<u>₩ 216,925</u>

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19. Selling and Administration Expenses

Details of selling and administrative expenses for the three-month periods ended March 31, 2010 and 2009 are as follows:

(in millions of Won)

	For the three-month periods ended March 31	
	2010	2009
Selling expenses	₩ 172,678	154,965
Fees and charges	32,547	28,008
Salaries and wages	35,424	24,412
Advertising	20,274	16,485
Research and development	22,990	7,289
Depreciation	3,655	3,759
Amortization	3,958	3,724
Rent	6,117	4,526
Other employ benefits	12,736	15,152
Provision for severance benefits	10,958	3,397
Supplies	3,471	2,482
Travel	3,692	2,639
Training	3,085	3,309
Repairs	2,819	1,350
Communications	1,900	1,785
Vehicle expenses	1,362	1,361
Taxes and public dues	1,156	1,093
Entertainment	1,322	894
Subscriptions and printing	759	594
Utilities	281	84
Others	5,911	5,389
	<u>₩ 347,095</u>	<u>282,697</u>

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20. Income Taxes

(a) Income tax expense for the three-month periods ended March 31, 2010 and 2009 are as follows:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Current income taxes (*)	₩ 229,470	281,966
Deferred income tax due to temporary differences	85,355	(199,590)
Items charged directly to shareholders' equity	(39,717)	2,066
	<u>₩ 275,108</u>	<u>84,442</u>

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

(b) The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company for the three-month periods ended March 31, 2010 and 2009:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Net income before income tax expense	₩ 1,712,343	408,958
Income tax expense computed at statutory rate	414,381	98,962
Adjustments:		
Tax credit	(71,982)	(70,278)
Others, net	(67,291)	55,758
Income tax expense	<u>₩ 275,108</u>	<u>84,442</u>
Effective rate (%)	<u>16.1%</u>	<u>20.7%</u>

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(c) Changes in temporary differences and deferred income taxes for the three-month period ended March 31, 2010 are as follows:

<i>(in millions of Won)</i>	Accumulated temporary differences			Deferred income tax		
	Dec. 31, 2009	Inc. (dec.) (*1)	March 31, 2010	Dec. 31, 2009	Inc. (dec.) (*1)	March 31, 2010
Reserve for special repairs	₩ (173,990)	4,675	(169,315)	(39,500)	1,131	(38,369)
Reserve for technology developments	(800,000)	(200,000)	(1,000,000)	(176,000)	(44,000)	(220,000)
Dividend income from related companies	461,399	36,855	498,254	101,508	8,108	109,616
Depreciation expense	(357,064)	(3,303)	(360,367)	(78,445)	(2,616)	(81,061)
Valuation of equity method accounted investments (*2)	(2,147,187)	(149,184)	(2,296,371)	(380,246)	2,734	(377,512)
Prepaid expenses	73,375	6,882	80,257	17,756	1,666	19,422
Impairment loss on property, plant and equipment	35,696	(98)	35,598	7,998	(62)	7,936
Gain on foreign currency translation	190,953	(118,694)	72,259	39,783	(26,191)	13,592
Gain on valuation of available-for-sale securities	(835,211)	98,157	(737,054)	(183,746)	21,594	(162,152)
Loss on valuation of available-for-sale securities	868,159	(182,509)	685,650	190,995	(40,152)	150,843
Tax credit				286,556	12,232	298,788
Others	474,039	(84,822)	389,217	99,140	(19,799)	79,341
	<u>(2,209,831)</u>	<u>(592,041)</u>	<u>(2,801,872)</u>	<u>(114,201)</u>	<u>(85,355)</u>	<u>(199,556)</u>

(*1) The adjustments reflect the effect of the finalized tax assessment for the year ended December 31, 2009.

(*2) As the Company is unlikely to dispose of its investee shares within five years, the income tax effect of ₩ 415,748 million in March 31, 2010 is not recognized as it is not probable that the deferred tax asset will be realized.

(d) A summary of deferred tax assets and liabilities as of March 31, 2010 are as follows:

<i>(in millions of Won)</i>	Current	Non-current	Total
Deferred tax assets	₩ 320,432	₩ 717,603	₩ 1,038,035
Deferred tax liabilities	<u>(32,294)</u>	<u>(1,205,297)</u>	<u>(1,237,591)</u>
Net deferred tax assets (liabilities)	<u>₩ 288,138</u>	<u>₩ (487,694)</u>	<u>₩ (199,556)</u>

(e) Income tax expense which is directly charged to shareholders' equity due to changes in valuation of available-for-sale securities for the three-month period ended March 31, 2010 amounted to ₩ 39,717 million.

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21. Comprehensive Income

(a) For the three-month periods ended March 31, 2010 and 2009, comprehensive income are as follows:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Net income	₩ 1,437,235	324,516
Gain (loss) on valuation of available-for-sale securities	84,352	(163,939)
Less: tax effect	(18,558)	36,142
Changes in capital adjustments arising from equity method accounted investments	(63,949)	183,709
Less: tax effect	14,516	(24,045)
Comprehensive income	<u>₩ 1,453,596</u>	<u>356,383</u>

22. Earnings Per Share

(a) Basic earnings per share for the three-month periods ended March 31, 2010 and 2009 were as follows:

<i>(in millions of Won except per share information)</i>	<u>2010</u>	<u>2009</u>
Net income	₩ 1,437,235	324,516
Weighted-average number of common shares outstanding (*)	77,032,878	76,569,916
Basic earnings per share	<u>₩ 18,657</u>	<u>4,238</u>

(*) Basic earnings per share is computed by dividing net income allocated to common stock, by the weighted-average number of common shares outstanding for the three-month periods ended March 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	(10,153,957)	(10,616,919)
Weighted-average number of common shares outstanding	<u>77,032,878</u>	<u>76,569,916</u>

(b) Basic earnings per share for the year ended December 31, 2009 was ₩ 41,380.

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23. Related Party Transactions

(a) As of March 31, 2010, the subsidiaries of the Company are as follows:

Domestic (28)	POSCO E&C Co., Ltd, Posteel 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, POSTECH Venture Capital Corp, POSTECH 2006 Energy Fund, POSCO Chemtech Company Ltd.(formerly, POSCO Refractories & Environment Co., Ltd.), POSCO Terminal Co., Ltd, POSMATE Co., Ltd, Samjung Packing & Aluminum Co., Ltd, POSCO Power Corp., PHP Co., Ltd, PNR Co., Ltd, Megaasset Co., Ltd., Daewoo engineering Company, Metapolis Co., Ltd, POSCORE Co., Ltd., Pohang Fuel Cell Co., Ltd, POSCOAST Co., Ltd, Daimyung TMS Co., Ltd, POS-HiMetal Co., Ltd, POSCO E&E Co., Ltd, Universal Studio Resort Development Co., Ltd.
Foreign (57)	POSCO America Corporation, POSCO Australia Pty. Ltd., POSCO Canada Ltd., 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 Steel Structure Co., Ltd., Zhangjiagang Pohang Stainless Steel Co., Ltd., Guangdong Pohang Coated Steel Co., Ltd, POSCO (Thailand) Co., Ltd., Myanmar POSCO Steel Co., Ltd., Zhangjiagang Posha Steel Port Co., Ltd, POSCO-JOPC Co., Ltd., POSCO Investment Co., Ltd., POSCO-MKPC SDN. BHD., Qingdao Pohang Stainless Steel Co., Ltd., POSCO (Suzhou) Automotive Processing Center Co.,Ltd., POSEC-Hawaii Inc., POS-Qingdao Coil Center Co., Ltd., POS-Ore Pty. Ltd., POSCO-China Holding Corp., POSCO-Japan Co., Ltd., POSCO E&C (Zhangjiagang) E&C 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 Center Co. Ltd., POSCO E&C (Beijing) Co., Ltd., POSCO-MPC S.A. de C.V., Zhanjiagang Pohang Port Co., Ltd, POSCO-Vietnam Co., Ltd., POSCO Mexico Co., Ltd., POSCO-India Delhi Steel Processing Centre Pvt. Ltd., POSCO (Chongqing) Automotive Processing Center Co., Ltd., POS-NP Pty. Ltd., POSCO Vietnam Processing Center Co., Ltd, Suzhou pos-core Technology Co., Ltd, POSCO-JYPC Co., Ltd., POSCO-Malaysia SDN. BHD., POS-Minerals Corporation, POSCO (Wuhu) Automotive Processing Center Co., Ltd., &TV Communications, POSCO-Phillippine Manila Processing Center INC., POSCO VST Co., Ltd. POSCO-Mexico Steel Distribution Center Co., Ltd., POSCO Maharashtra Steel Pvt. Ltd., POSCO India Chennai Steel Processing Centre Pvt Ltd, POSCO Turkey Nilufer Processing Center Co., Ltd, POSCO Vietnam Ha Noi Processing Center Co., Ltd., POSCO (Liaoning) Automotive Processing Center Co., Ltd., POSCO-Indonesia Jakarta Processing Center Co., Ltd.

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(b) Significant transactions, which occurred in the ordinary course of business, with related companies for the three-month periods ended March 31, 2010 and 2009, and the related account balances as of March 31, 2010 and December 31, 2009 are as follows:

	Sales and others (*1)		Purchase and others (*1)		Receivables (*2)		Payables (*2)	
	2010	2009	2010	2009	2010	2009	2010	2009
<i>(in millions of Won)</i>								
Subsidiaries								
POSCO E&C Co., Ltd.	₩ 1,636	₩ 3,037	₩ 565,297	₩ 477,687	₩ 813	₩ 480	₩ 258,758	₩ 437,818
Posteel Co., Ltd.	247,582	351,607	66,108	36,201	103,875	114,783	6,999	3,484
POSCON Co., Ltd.	-	25	-	45,273	-	12	-	41,085
POSCO Coated & Color Steel Co., Ltd.	151,032	105,792	461	239	166,097	109,615	273	199
POSCO Plant Engineering Co., Ltd.	1,998	269	45,897	52,218	282	9	19,111	22,839
POSCO ICT Co., Ltd.	269	264	88,141	45,875	-	1	49,950	32,086
POSCO Architects & Consultants Co., Ltd.	5	284	10,443	8,456	1	7	2,107	2,557
POSCO Chemtech Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	21,005	23,177	131,111	103,978	10,583	6,880	65,400	66,008
Samjung Packing & Aluminum Co., Ltd.	6,355	3,455	58,188	48,607	2,705	1,472	35,023	24,942
POSCORE Co., Ltd.	33,635	30,346	15	1	14,383	11,678	6	24
POSCOAST Co., Ltd.	65,934	-	13,442	-	30,717	17,492	9,741	7,572
POSCO America Corporation	49,986	50,274	-	-	531	531	-	-
POSCO Canada Limited	-	-	25,781	9,572	-	-	-	-
POSCO Asia Co., Ltd.	264,917	265,155	24,017	35,084	26,033	40,548	4,078	1,170
POSCO (Thailand) Co., Ltd.	36,542	10,635	-	-	2,161	1,768	-	-
POSCO-MKPC SDN. BHD.	15,363	4,251	-	-	-	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	18,087	42,995	-	-	1,680	2,353	-	-
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	28,667	-	-	-	-	-	-	-
POSCO-Japan Co., Ltd.	193,279	132,467	7,019	5,358	17,578	25,972	14	6,701
POS-India Pune Processing Centre Pvt. Ltd.	37,140	9,239	-	-	-	-	-	1
POSCO-Foshan Steel Processing Center Co., Ltd.	17,257	-	-	-	1	-	-	-
POSCO-MPC S.A. de C.V.	40,311	-	-	-	-	-	-	-
POSCO-Vietnam Co., Ltd.	53,224	-	-	-	2,013	1,934	-	-
POSCO-Mexico Co., Ltd.	47,006	-	-	-	106	-	-	-
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	15,886	828	115	131	-	-	-	-
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	31,151	-	-	-	-	-	-	-
Others	61,133	30,402	25,734	40,562	6,958	5,426	13,002	24,858
	<u>₩ 1,439,400</u>	<u>₩ 1,064,502</u>	<u>₩ 1,061,769</u>	<u>₩ 909,242</u>	<u>₩ 386,517</u>	<u>₩ 340,961</u>	<u>₩ 464,462</u>	<u>₩ 671,344</u>
Equity method investees								
eNtoB Corporation	-	-	59,156	57,755	-	-	4,029	6,561
SNNC Co., Ltd.	427	51	140,595	64,867	189	1,974	42,386	26,963
USS-POSCO Industries	60,476	90,868	54	7	-	18,310	-	-
Poschrome (Proprietary) Limited	-	-	16,187	2,895	-	176	-	-
Guangdong Xingpu Steel Center Co., Ltd.	2,995	10,801	-	-	-	820	-	-
Others	1,666	2,252	-	75	-	-	-	78
	<u>₩ 65,564</u>	<u>₩ 103,972</u>	<u>₩ 215,992</u>	<u>₩ 125,599</u>	<u>₩ 189</u>	<u>₩ 21,280</u>	<u>₩ 46,415</u>	<u>₩ 33,602</u>
	<u>₩ 1,504,964</u>	<u>₩ 1,168,474</u>	<u>₩ 1,277,761</u>	<u>₩ 1,034,841</u>	<u>₩ 386,706</u>	<u>₩ 362,241</u>	<u>₩ 510,877</u>	<u>₩ 704,946</u>

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

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

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(c) For the three-month periods ended March 31, 2010 and 2009, details of compensation to key management officers are as follows:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Salaries	₩ 3,728	2,811
Severance benefits	2,267	2,894
Management achievement awards and others	6,780	3,601
Total	<u>₩ 12,775</u>	<u>9,306</u>

Key management officers include directors (including non-executive directors) and executive officials and fellow officials who have significant influence and responsibilities in the Company's business and operations. Other than the compensation which is described above, the Company granted stock appreciation rights to its key management officers. The Company reversed expense related to stock appreciation rights which were decreased by ₩ 4,700 million and ₩ 1,607 million for the three-month periods ended March 31, 2010 and 2009, respectively (note 18).

24. Segment Information

The Company has main plants in Pohang and in Gwangyang in the Republic of Korea. Sales of the plants for the three-month periods ended March 31, 2010 and 2009 were as follows:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Pohang	₩ 3,827,071	2,813,543
Gwangyang	3,087,135	3,636,622
Others	35,320	21,138
Total	<u>₩ 6,949,526</u>	<u>6,471,303</u>

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25. Cost of goods sold

Details of cost of goods sold for the three-month periods ended March 31, 2010 and 2009 are as follows:

<i>(in millions of Won)</i>	For the three-month periods ended March 31	
	2010	2009
Finished goods, semi-finished goods and by-product		
Beginning balance of inventories	₩ 1,191,502	2,749,541
Cost of goods manufactured	5,288,693	5,258,358
Transfer from other assets, net	2,947	69,500
Refund of customs	(5,177)	(2,132)
Ending balance of inventories	<u>(1,340,208)</u>	<u>(2,271,824)</u>
	5,137,757	5,803,443
Others	17,558	12,140
Total	<u>₩ 5,155,315</u>	<u>5,815,583</u>

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

The Company plans to prepare its financial statements under K-IFRS from 2011. To manage all the things accompanied with adoption of K-IFRS, the Company has organized a separate task force, and it has analyzed the impact of the adoption of K-IFRS and has been on the process of modification of system. Also, the Company has trained persons in charge of adoption of K-IFRS in POSCO and its subsidiaries and it is reporting the results of its operation to the audit committee and management group periodically. Details of action plans and current status for the preparation of K-IFRS as of March 31, 2010 are as follows:

Major activities	Preparation plans	Current status as of March 31, 2010
Analysis of the impact on adption of K-IFRS and managing the separate Task Force Team for the adoption of K-IFRS	Preparation in adopting K-IFRS by managing the separate Task Force Team for the adoption of K-IFRS	1) Established separate Task Force Team for the adoption of K-IFRS in July 2008 2) Completion of first phase of K-IFRS consulting project provided by the accounting firm from August 2008 to March 2009 (Analysis of the impact on adoption of K-IFRS and creating Group GAAP) 3) Performing second phase of K-IFRS consulting project provided by the accounting firm from April 2009 up to January 2010 (Design stand-alone financial closing process with respect to GAAP differences)
Train persons in charge of accounting and related system	Obtaing essential technical knowledge for the adoption of K-IFRS	Training persons in charge at working level of the Company and its subsidiaries regarding the impact of adoption of K-IFRS and reporting to audit committee and management group from July 2008 up to now.
Modification of system	Modification of the stand-alone financial closing system for application of K-IFRS	Modifying the stand-alone financial closing system as of March 31, 2010