

POSCO

Non-Consolidated Financial Statements

June 30, 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 June 30, 2010, and the related non-consolidated statements of income for the three-month and six-month periods ended June 30, 2010 and 2009, and changes in equity and cash flows for the six-month periods ended June 30, 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
August 4, 2010

This report is effective as of August 4, 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 June 30, 2010 and December 31, 2009
(Unaudited)

<i>(in millions of Won)</i>	Notes	2010	2009
Assets			
Cash and cash equivalents	3	₩ 217,513	626,782
Short-term financial instruments	3	6,257,522	5,581,594
Trading securities	6	523,913	505,811
Current portion of available-for-sale securities	7	-	20,230
Current portion of held-to-maturity securities	7	1,945	20,000
Trade accounts and notes receivable, net of allowance for doubtful accounts	4, 23	3,067,678	2,683,909
Inventories	5	5,025,563	2,996,326
Other accounts receivable, net of allowance for doubtful accounts	4, 23	219,138	126,942
Deferred income tax assets	20	248,185	286,075
Other current assets	11	115,955	70,395
Total current assets		15,677,412	12,918,064
Property, plant and equipment at cost	8	41,977,706	40,071,426
Less accumulated depreciation		(24,341,322)	(23,425,832)
Property, plant and equipment, net		17,636,384	16,645,594
Investment securities, net	7, 10	10,446,023	10,187,813
Intangible assets, net	9	168,968	151,829
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts	4	23	1,307
Long-term financial instruments	3	40	40
Other long-term assets, net of allowance for doubtful accounts	11	546,064	88,118
Total non-current assets		28,797,502	27,074,701
Total assets		₩ 44,474,914	39,992,765

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Financial Position
As of June 30, 2010 and December 31, 2009
(Unaudited)

<i>(in millions of Won)</i>	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Liabilities			
Trade accounts payable	23	₩ 1,588,680	739,746
Short-term borrowings	12, 16	1,434,827	430,910
Current portion of long-term debt, net of discount on debentures issued	12, 13	799,509	1,065
Accrued expenses		147,543	145,484
Other accounts payable	23	795,042	993,120
Withholdings		48,416	51,075
Income tax payable	20	523,252	290,638
Other current liabilities	15	84,075	33,804
Total current liabilities		5,421,344	2,685,842
Long-term debt, net of current portion and discount on debentures issued	10, 13, 16	5,307,963	5,681,509
Accrued severance benefits, net	14	274,333	185,187
Deferred income tax liabilities	20	389,680	400,276
Other long-term liabilities	17	66,039	88,660
Total non-current liabilities		6,038,015	6,355,632
Total liabilities		11,459,359	9,041,474
Shareholders' Equity			
Capital stock		482,403	482,403
Capital surplus		4,436,948	4,404,069
Capital adjustments		(2,403,263)	(2,403,263)
Accumulated other comprehensive income		423,442	524,824
Retained earnings		30,076,025	27,943,258
Total shareholders' equity		33,015,555	30,951,291
Total liabilities and shareholders' equity		₩ 44,474,914	39,992,765

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Income
For the three-month and six-month periods ended June 30, 2010 and 2009
(Unaudited)

	Notes	For the three-month period ended June 30		For the six-month period ended June 30	
		2010	2009	2010	2009
<i>(in millions of Won, except per share information)</i>					
Sales	23, 24	₩ 7,932,695	6,343,996	14,882,221	12,815,299
Cost of goods sold	25	5,733,870	5,893,168	10,889,186	11,708,751
Gross profit		2,198,825	450,828	3,993,035	1,106,548
Selling and administrative expenses	19	362,883	284,073	709,977	563,083
Operating profit		1,835,942	166,755	3,283,058	543,465
Non-operating income					
Interest income		65,171	44,726	133,467	88,285
Dividend income		6,627	3,207	74,885	48,834
Gain on valuation of trading securities		-	-	3,168	3,723
Gain on disposal of trading securities		6,064	5,211	6,780	15,216
Gain on disposal of property, plant and equipment		4,902	5,968	6,439	9,618
Gain on derivative transactions	17	26,737	16	26,737	20,357
Gain on valuation of derivatives	17	4,914	2,046	1,197	6,165
Gain on foreign currency transactions		120,295	163,231	196,011	412,035
Gain on foreign currency translation		-	219,085	23,570	220,891
Equity in earnings of equity method accounted investments	7	130,998	188,568	273,595	440,954
Reversal of allowance for doubtful accounts		181	3,268	181	979
Reversal of stock compensation expense	18, 23	6,127	-	10,828	-
Others		13,296	17,405	33,707	34,449
		385,312	652,731	790,565	1,301,506
Non-operating expenses					
Interest expense		74,381	80,007	143,550	140,845
Other bad debt expense		37	-	40	21
Loss on valuation of trading securities		3,235	958	-	18
Loss on foreign currency transactions		155,517	185,566	222,188	525,999
Loss on foreign currency translation		407,490	-	306,260	29,760
Donations		8,196	13,142	12,212	15,145
Loss on disposal of property, plant and equipment		11,509	22,862	19,643	36,027
Equity in losses of equity method accounted investments	7	63,366	64,716	150,654	196,411
Loss on derivative transactions	17	-	1,512	-	19,281
Loss on disposal of trade accounts and notes receivable		292	1,967	1,357	3,258
Others		2,407	2,869	10,553	23,361
		726,430	373,599	866,457	990,126
Income before income taxes		1,494,824	445,887	3,207,166	854,845
Income tax expense	20	298,578	15,357	573,685	99,799
Net income	21	₩ 1,196,246	430,530	2,633,481	755,046
Basic earnings per share	22	₩ 15,529	5,623	34,186	9,861

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Changes in Equity
For the six-month periods ended June 30, 2010 and 2009
(Unaudited)

(in millions of Won)

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance as of January 1, 2009	₩ 482,403	4,291,355	(2,502,014)	51,790	25,460,123	27,783,657
Year-end dividends	-	-	-	-	(574,274)	(574,274)
Net income	-	-	-	-	755,046	755,046
Changes in capital surplus of equity method accounted investments	-	(4,615)	-	-	-	(4,615)
Gain on valuation of available-for-sale securities, net	-	-	-	230,015	-	230,015
Changes in capital adjustment arising from equity method accounted investments	-	-	-	119,079	-	119,079
Balance as of June 30, 2009	<u>₩ 482,403</u>	<u>4,286,740</u>	<u>(2,502,014)</u>	<u>400,884</u>	<u>25,640,895</u>	<u>28,308,908</u>

(in millions of Won)

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income (Loss)	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	-	-	-	-	2,633,481	2,633,481
Changes in capital surplus of equity method accounted investments	-	32,879	-	-	-	32,879
Losses on valuation of available-for-sale securities, net	-	-	-	(132,309)	-	(132,309)
Changes in capital adjustment arising from equity method accounted investments	-	-	-	30,927	-	30,927
Balance as of June 30, 2010	<u>₩ 482,403</u>	<u>4,436,948</u>	<u>(2,403,263)</u>	<u>423,442</u>	<u>30,076,025</u>	<u>33,015,555</u>

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Cash Flows
For the six-month periods ended June 30, 2010 and 2009
(Unaudited)

(in millions of Won)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Net income	₩ 2,633,481	755,046
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,080,922	986,952
Accrual of severance benefits	131,119	3,221
Gain on disposal of trading securities	(6,780)	(15,216)
Gain on valuation of trading securities, net	(3,168)	(3,705)
Gain on valuation of derivatives	(1,197)	(6,165)
Loss on disposal of property, plant and equipment, net	13,204	26,409
Gain on derivative transactions, net	(26,737)	(1,076)
(Reversal of) stock compensation expense	(10,828)	8,999
Loss (gain) on foreign currency translation, net	282,690	(176,793)
Loss on disposal of trade accounts and notes receivable	1,357	3,258
Provision for (reversal of) allowance for doubtful accounts, net	(6,674)	18,266
Other employee benefit	5,200	3,426
Equity in earnings of equity method accounted investments, net	(122,941)	(244,543)
Interest expense	9,275	9,285
Interest income	(274)	(560)
Others, net	(2,707)	(7,260)
	<u>1,342,461</u>	<u>604,498</u>
Changes in operating assets and liabilities		
Trade accounts and notes receivable	(375,265)	724,704
Other accounts receivable	(90,842)	(5,983)
Accrued income	(8,498)	5,845
Prepaid expenses	(34,583)	(31,762)
Inventories	(2,026,912)	2,824,039
Trade accounts payable	814,429	(302,087)
Other accounts payable	(197,732)	(97,035)
Accrued expenses	2,059	20,171
Income tax payable	232,614	(1,580,750)
Payment of severance benefits	(30,589)	(49,278)
Deferred income tax assets and liabilities	37,445	(190,256)
Deposit for severance benefit trust	(11,384)	9,506
Other current liabilities	19,234	16,663
Advances received	30,189	(1,996)
Dividends from equity method accounted investments	48,233	30,426
Others, net	4,239	(4,204)
	<u>(1,587,363)</u>	<u>1,368,003</u>
Net cash provided by operating activities	<u>2,388,579</u>	<u>2,727,547</u>

POSCO
Non-Consolidated Statements of Cash Flows
For the six-month periods ended June 30, 2010 and 2009
(Unaudited)

<i>(in millions of Won)</i>	2010	2009
Cash flows from investing activities		
Disposal of short-term financial instruments	₩ 8,969,744	2,517,934
Disposal of trading securities	831,846	2,211,400
Disposal of available-for-sale securities	121,129	17,006
Disposal of property, plant and equipment	7,826	10,338
Disposal of other long-term assets	1,548	6,523
Acquisition of short-term financial instruments	(9,645,672)	(4,745,422)
Acquisition of trading securities	(840,000)	(1,510,000)
Acquisition of available-for-sale securities	(84,376)	(30,955)
Acquisition of equity method accounted investments	(280,422)	(10,068)
Advance paid for acquisition of business and investments	(450,950)	(4,466)
Acquisition of property, plant and equipment	(2,095,472)	(2,016,729)
Cost of removal of property, plant and equipment	(9,513)	(30,488)
Acquisition of intangible assets	(4,896)	(7,090)
Others, net	2,265	(24,508)
Net cash used in investing activities	<u>(3,476,943)</u>	<u>(3,616,525)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	1,541,877	1,472,589
Proceeds from long-term borrowings	195,076	19,653
Proceeds from issuance of debentures	-	1,449,728
Increase of other long-term liabilities	40,805	7,020
Repayment of short-term borrowings	(569,466)	(759,539)
Repayment of current portion of long-term liabilities	(533)	(1,903)
Payment of cash dividends	(500,714)	(574,274)
Decrease in other long-term liabilities	(27,950)	(23,388)
Net cash provided by financing activities	<u>679,095</u>	<u>1,589,886</u>
Net increase (decrease) in cash and cash equivalents	(409,269)	700,908
Cash and cash equivalents		
Cash and cash equivalents at beginning of the period	626,782	941,687
Cash and cash equivalents at end of the period	<u>₩ 217,513</u>	<u>1,642,595</u>

POSCO
Note to Non-Consolidated Financial Statements
June 30, 2010
(Unaudited)

1. The Company

POSCO (the “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 the Company have been listed on the Korea Stock Exchange since 1988. The Company operates two plants (Pohang mill and Gwangyang mill) and one office in Korea, and seven overseas liaison offices.

As of June 30, 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 six-month period ended June 30, 2010 and as of and for the year ended December 31, 2009.

POSCO
Note to Non-Consolidated Financial Statements
June 30, 2010
(Unaudited)

3. Cash and Cash Equivalents, and Financial Instruments

Cash and cash equivalents, short-term and long-term financial instruments as of June 30, 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	-	₩ 1,213	817
Money market deposit accounts	-	-	16,800
Money market funds	-	50,000	-
Money market trust	2.07 ~ 2.80	146,300	228,700
Time deposits	3.24	20,000	70,000
Time deposits in foreign currency	-	-	310,465
		<u>₩ 217,513</u>	<u>626,782</u>
Short-term financial instruments			
Ordinary deposits (*1)	-	25,376	10,667
Time deposits	1.60 ~ 4.70	5,310,830	2,850,000
Certificates of deposit	1.60 ~ 4.80	760,000	2,370,000
Repurchase agreement	3.78 ~ 4.03	100,000	290,000
Specified money in trust	-	61,316	60,927
		<u>₩ 6,257,522</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 June 30, 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	₩ 3,072,567	2,695,161
Less: Allowance for doubtful accounts	(4,889)	(11,252)
	<u>₩ 3,067,678</u>	<u>2,683,909</u>
Other accounts receivable	₩ 229,789	137,560
Less: Allowance for doubtful accounts	(10,651)	(10,618)
	<u>₩ 219,138</u>	<u>126,942</u>
Long-term trade accounts and notes receivable	₩ 252	1,875
Less: Allowance for doubtful accounts	(229)	(568)
	<u>₩ 23</u>	<u>1,307</u>

POSCO
Note to Non-Consolidated Financial Statements
June 30, 2010
(Unaudited)

5. Inventories

Inventories as of June 30, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	2010	2009
Finished goods	₩ 527,812	344,192
By-products	3,713	4,281
Semi-finished goods	1,232,394	843,720
Raw materials	1,196,528	696,492
Fuel and materials	457,284	405,003
Materials-in-transit	1,607,182	702,807
Others	650	522
	<u>5,025,563</u>	<u>2,997,017</u>
Less: Provision for valuation loss	-	(691)
	<u>₩ 5,025,563</u>	<u>2,996,326</u>

6. Trading Securities

Trading securities as of June 30, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	2010			2009
	Acquisition	Fair Value	Book Value	Book Value
Beneficiary certificates	₩ 520,000	₩ 523,913	₩ 523,913	505,811

POSCO
Note to Non-Consolidated Financial Statements
June 30, 2010
(Unaudited)

7. Investment Securities

(a) Investment securities as of June 30, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	2010	2009
Available-for-sale securities		
Marketable equity securities	₩ 3,435,397	3,650,351
Non-marketable equity securities	774,744	767,174
Investments in bonds	4,950	125,125
Equity investments	500	500
	<u>4,215,591</u>	<u>4,543,150</u>
Less: Current portion	-	(20,230)
	<u>4,215,591</u>	<u>4,522,920</u>
Held-to-maturity securities	31,739	51,675
Less: Current portion	(1,945)	(20,000)
	<u>29,794</u>	<u>31,675</u>
Equity method accounted investments	6,200,638	5,633,218
	<u>₩ 10,446,023</u>	<u>10,187,813</u>

POSCO
Note to Non-Consolidated Financial Statements
June 30, 2010
(Unaudited)

(b) Investments in marketable equity securities as of June 30, 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)	4,442,481	5.50	₩ 1,235,197	₩ 712,912	₩ 712,912	743,845
Hana Financial Group Inc.	4,663,776	2.20	29,998	153,205	153,205	153,438
Nippon Steel Corporation (*1)	238,352,000	3.50	719,622	962,727	962,727	1,128,734
HYUNDAI HEAVY INDUSTRIES CO., LTD.	1,477,000	1.94	343,505	347,095	347,095	256,260
HANIL IRON & STEEL CO., LTD.	206,798	10.14	2,413	2,968	2,968	2,575
HI STEEL CO., LTD.	135,357	9.95	1,609	3,127	3,127	1,895
MOONBAE STEEL CO., LTD.	1,849,380	9.02	3,588	4,318	4,318	5,419
DONGYANG STEEL PIPE CO., LTD.	1,564,250	2.06	3,911	2,151	2,151	1,877
SHINHAN FINANCIAL GROUP CO., LTD.	4,369,881	0.92	228,778	199,485	199,485	188,779
SeAH STEEL CORPORATION	610,103	10.17	18,792	23,153	23,153	22,055
Thainox Stainless Public Company Limited	1,200,000,000	15.00	42,301	64,524	64,524	67,658
UNION STEEL Co., Ltd.	1,005,000	9.80	40,212	22,914	22,914	22,110
Macarthur Coal Limited	21,215,700	8.34	420,805	264,807	264,807	249,431
HANJIN SHIPPING CO., LTD.	65,132	0.08	2,538	2,420	2,420	1,185
HANJIN SHIPPING HOLDINGS CO., LTD.	11,033	0.03	298	209	209	151
KB Financial Group Inc.	13,115,837	3.39	574,524	623,002	623,002	783,015
LG U Plus Corporation (formerly LG Telecom Co., Ltd.) (*2)	2,671,688	0.52	22,683	20,465	20,465	-
LG Powercom Corporation (*2)	-	-	-	-	-	21,924
SEOUL SEMICONDUCTOR CO., LTD.	591,000	1.01	24,999	25,915	25,915	-
			<u>₩ 3,715,773</u>	<u>₩ 3,435,397</u>	<u>₩ 3,435,397</u>	<u>3,650,351</u>

(*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 U Plus Co., Ltd. (formerly, 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 gain on disposal of investments.

POSCO
Note to Non-Consolidated Financial Statements
June 30, 2010
(Unaudited)

(c) Equity method accounted investments as of June 30, 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	₩ 22,356	₩ (5,797)	₩ 1,079,648
Posteel Co., Ltd.	17,155,000	95.31	113,393	421,927	18,368	28,127	468,422
POSCON Co., Ltd. (*3)	-	-	-	70,990	-	(70,990)	-
POSCO Coated & Color Steel Co., Ltd.	3,412,000	56.87	82,017	108,421	(2,654)	-	105,767
POSCO Plant Engineering Co., Ltd. (*4)	2,700,000	100.00	27,052	24,276	547	10,547	35,370
POSCO ICT Co., Ltd. (*3)	99,403,282	72.54	102,571	-	(832)	49,891	49,059
POSCO Research Institute	3,800,000	100.00	19,000	23,553	1,896	-	25,449
Seoung Gwang Co., Ltd.	2,737,000	69.38	28,408	29,928	1,114	-	31,042
POSCO Architects & Consultants Co., Ltd.	300,000	100.00	1,743	17,734	1,633	(580)	18,787
POSCO Specialty Steel Co., Ltd.	26,000,000	100.00	260,000	628,842	63,957	(4,033)	688,766
POSCO Machinery Co., Ltd. (*4)	-	-	-	9,059	-	(9,059)	-
POSTECH Venture Capital Corp.	5,700,000	95.00	28,500	33,779	(240)	608	34,147
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	3,544,200	60.00	41,210	100,535	11,934	(2,556)	109,913
POSCO Terminal Co., Ltd.	2,550,000	51.00	12,750	23,674	3,755	(638)	26,791
POSMATE Co., Ltd.	214,286	30.00	7,233	12,270	846	(280)	12,836
POSCO Power Corp.	40,000,000	85.71	597,170	649,148	(19,900)	58,143	687,391
SNNC Co., Ltd.	18,130,000	49.00	90,650	100,655	39,882	(12,481)	128,056
POSCO TMC Co., Ltd. (formerly, POSCORE Co., Ltd.) (*5)	2,030,456	34.20	26,142	-	387	28,632	29,019
PNR Co., Ltd.	5,467,686	70.00	27,339	25,720	(9,231)	-	16,489
POSCOAST Co., Ltd.	3,400,000	85.00	70,034	75,603	(3,933)	(51)	71,619
POS-HiMETAL CO., Ltd	3,900,000	65.00	19,500	5,837	(1,309)	12,936	17,464
POSCO E&E Co., Ltd.	3,480,000	100.00	17,400	17,303	232	-	17,535
Sungjin Geotec Co., Ltd. (*5)	12,345,110	40.38	159,878	-	(13,073)	159,891	146,818
POSCO Family Strategy Fund (*5)	20,000,000	69.93	20,000	-	-	20,000	20,000
Others	830,000	26.50	5,581	10,523	419	(247)	10,695
			2,123,360	3,452,866	116,154	262,063	3,831,083
Foreign							
POSCO America Corporation	374,532	99.45	316,941	113,510	(14,170)	17,236	116,576
POSCO Australia Pty. Ltd.	761,775	100.00	37,352	330,623	29,108	(38,436)	321,295
POSCO Asia Co., Ltd.	9,360,000	100.00	7,425	32,189	648	3,069	35,906
POSCO-CTPC Co., Ltd. (*6)	-	56.60	13,429	1,416	535	16,735	18,686
Zhangjiagang Pohang Stainless Steel Co., Ltd. (*6)	-	58.60	216,542	283,845	13,795	12,676	310,316
Guangdong Pohang Coated Steel Co., Ltd. (*6)	-	87.04	45,503	31,299	6,617	1,958	39,874
POSCO (Thailand) Co., Ltd.	12,721,734	85.62	39,677	25,945	2,760	2,055	30,760
KOBRASCO	2,010,719,185	50.00	32,950	98,962	12,482	(12,085)	99,359
POSCO Investment Co., Ltd.	5,000,000	100.00	53,189	85,521	4,883	3,341	93,745

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<i>(in millions of Won)</i>				2009		Increase (Decrease)		2010
Investees (*1)	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	Book Value	Equity method Profit (Loss)	Other Increase (Decrease) (*2)	Book Value	
Poschrome (Proprietary) Limited	21,675	25.00	4,859	15,090	448	(15)	15,523	
POSCO-MKPC SDN. BHD.	25,269,900	44.69	12,574	17,550	(269)	1,778	19,059	
Qingdao Pohang Stainless Steel Co., Ltd. (*6)	-	70.00	71,463	65,982	(350)	2,846	68,478	
POSCO (Suzhou) Automotive Processing Center Co., Ltd. (*6)	-	90.00	31,023	49,429	(809)	(2,903)	45,717	
POSCO-China Holding Corp. (*6)	-	100.00	164,418	208,413	4,462	9,342	222,217	
POSCO-Japan Co., Ltd.	90,438	100.00	50,558	68,436	(4,700)	7,732	71,468	
POSCO-India Private Ltd.	450,000,000	100.00	110,287	108,538	-	4,100	112,638	
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	74,787,080	65.00	17,017	15,016	(5,627)	1,040	10,429	
POSCO-Foshan Steel Processing Center Co., Ltd. (*6)	-	39.60	9,408	12,985	546	612	14,143	
Nickel Mining Company SAS	3,234,698	49.00	157,585	189,197	5,204	(26,220)	168,181	
POSCO-Vietnam Co., Ltd.	-	85.00	198,578	154,691	(53,697)	73	101,067	
POSCO-Mexico Co., Ltd.	1,304,955,672	84.67	117,950	62,581	(4,722)	3,542	61,401	
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd. (*6)	-	24.00	6,718	11,003	785	529	12,317	
POSCO Vietnam Processing Center Co., Ltd. (*6)	-	89.58	19,948	11,425	1,488	5,216	18,129	
BX STEEL POSCO Cold Rolled Sheet Co., Ltd. (*6)	-	25.00	61,961	63,865	16,404	3,266	83,535	
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	(1,583)	556	10,506	
POSCO VST Co., Ltd. (*6)	-	90.00	77,068	71,901	(8,617)	222	63,506	
POSCO Maharashtra Steel Private Limited (*8)	1,455,308	100.00	80,627	-	(1,224)	83,120	81,896	
POSCO India Chennai Steel Processing Centre Pvt. Ltd. (*8)	58,209,443	100.00	14,924	-	(1,089)	15,140	14,051	
POSCO Turkey Nilufer Processing Centre Co., Ltd. (*8)	242,444	100.00	19,983	-	(378)	18,426	18,048	
POSCO Vietnam Hanoi Processing Centre Co., Ltd. (*6,8)	-	70.00	5,584	-	416	5,794	6,210	
POSCO (Liaoning) Automotive Processing Centre Co., Ltd. (*6,8)	-	90.00	16,952	-	(597)	16,816	16,219	
POSCO-Indonesia Jakarta Processing Centre Co., Ltd. (*5)	8,139,119	65.00	2,926	-	404	3,292	3,696	
POSCO China Dalian Plate Processing Center Ltd. (*5,6)	-	92.59	19,982	-	(317)	21,863	21,546	
Others			41,866	39,407	3,951	(300)	43,058	
			2,103,817	2,180,352	6,787	182,416	2,369,555	
			₩ 4,227,177	₩ 5,633,218	₩ 122,941	₩ 444,479	₩ 6,200,638	

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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 June 30, 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 during the six-month period ended June 30, 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. in 2010 amounted to ₩ 5,163 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 investments from available-for-sale securities, since its total assets were greater than ₩ 10,000 million as of December 31, 2009.
- (d) For the six-month period ended June 30, 2010, amortization of goodwill amounted to ₩ 19,938 million and the realized profit less the elimination of the unrealized profit from intercompany transactions amounted to ₩ 230,791 million.

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8. Property, Plant and Equipment

(a) Changes in property, plant and equipment for the six-month period ended June 30, 2010 are as follows:

<i>(in millions of Won)</i>	Beginning		Acquisition (*1)		Disposal		Others (*2)		Depreciation		Ending	
	Balance		Balance		Balance		Balance		Balance		Balance	
Land	₩	961,869	₩	837	₩	-	₩	(4,389)	₩	-	₩	958,317
Buildings		1,998,510		372,384		(761)		4,576		(91,256)		2,283,453
Structures		1,479,920		83,882		(2,445)		-		(61,022)		1,500,335
Machinery and equipment		8,270,432		705,748		(8,308)		-		(893,350)		8,074,522
Vehicles		16,803		2,712		(2)		-		(4,312)		15,201
Tools		16,737		3,746		-		-		(3,942)		16,541
Furniture and fixtures		50,057		8,497		(1)		(187)		(8,734)		49,632
Capital Lease Assets		9,555		-		-		-		(319)		9,236
Construction-in-progress		3,841,711		2,095,472		-		(1,208,036)		-		4,729,147
	₩	<u>16,645,594</u>	₩	<u>3,273,278</u>	₩	<u>(11,517)</u>	₩	<u>(1,208,036)</u>	₩	<u>(1,062,935)</u>	₩	<u>17,636,384</u>

(*1) Includes acquisition cost transferred from construction-in-progress amounting to ₩ 1,177,806 million.

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

(b) The Company's expenditures in relation to construction-in-progress for the expansion of Pohang transporting plates amounted to ₩ 2,095,472 million for the six-month period ended June 30, 2010.

9. Intangible Assets

Intangible assets, net of amortization, as of June 30, 2010 and December 31, 2009 are as follows:

<i>(in millions of Won)</i>	2010		2009	
Intellectual property rights	₩	4,395		3,028
Port facilities usage rights		120,498		100,144
Other intangible assets (*1)		44,075		48,657
	₩	<u>168,968</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 June 30, 2010, government bonds and bonds issued by Seoul Metropolitan Rapid Transit Corp., amounting to ₩ 29,794 million and ₩ 1,945 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 June 30, 2010, 2,100,910 shares, equivalent to 18,908,189 American depository receipts (“ADRs”) of SK Telecom Co., Ltd. have been pledged as collateral for the exchangeable bonds issued and 103,951,000 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 June 30, 2010 and December 31, 2009 were as follows:

<i>(in millions of Won)</i>	<u>2010</u>		<u>2009</u>		
Korea Development Bank	EUR	3,646,067	<u>₩</u> 5,380	3,964,241	<u>6,637</u>

11. Other Assets

Other current and other long-term assets as of June 30, 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		58,484		49,987
Advanced payments		6,152		11,943
Prepaid expense		43,049		8,465
Others		2,170		-
	₩	<u>115,955</u>		<u>70,395</u>
Other long-term assets				
Long-term loans receivable	₩	33,636		24,554
Guarantee deposits		2,149		1,771
Others (*)		510,796		62,485
		<u>546,581</u>		<u>88,810</u>
Less: Allowance for doubtful accounts		(517)		(692)
	₩	<u>546,064</u>		<u>88,118</u>

(*) Includes payments to acquire interests in Roy Hill Holdings Pty. Ltd. and Daewoo International Corporation amounting to ₩ 257,878 million and ₩ 177,816 million, respectively.

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

(a) Short-term borrowings as of June 30, 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>	
CP	2.59	KRW	580,000 ₩	580,000	-
Foreign currency borrowings	1.17 ~ 1.60	USD	706,293,507	854,827	369,055,984
			₩	1,434,827	430,910

(b) Current portion of long-term debts as of June 30, 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	800,000 ₩	800,000	-
Loans from foreign financial institutions	2.00	EUR	636,350	939	636,350
				800,939	1,065
Less: Discount on debentures issued				(1,430)	-
			₩	799,509	1,065

13. Long-Term Debts

(a) Debentures as of June 30, 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
9th Samurai Bonds	Jun. 28, 2006	Jun. 28, 2013	2.05	JPY	50,000,000,000	682,280	50,000,000,000
Euro Bonds	Aug. 10, 2006	Aug. 10, 2016	5.88	USD	300,000,000	363,090	300,000,000
Exchangeable bonds (*1)	Aug. 19, 2008	Aug. 19, 2013	-	JPY	52,795,000,000	720,419	52,795,000,000
Yen dominated FRN	Nov. 11, 2008	Nov. 11, 2011	6 Months Tibor+2.60	JPY	20,000,000,000	272,912	20,000,000,000
1st Samurai Private Equity Bonds	Dec. 29, 2008	Dec. 29, 2011	6 Months Tibor+1.60	JPY	50,000,000,000	682,280	50,000,000,000
Global Bonds	Mar. 26, 2009	Mar. 26, 2014	8.75	USD	700,000,000	847,210	700,000,000
						5,868,191	5,649,690
Add: Premium on bond redemption						10,878	10,067
Less: Current portion						(800,000)	-
Discount on debentures issued						(57,648)	(64,917)
					₩	5,021,421	5,594,840

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(*1) The Company issued exchangeable bonds, which are exchangeable with 18,908,189 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 June 30, 2010:	JPY 68,633,500
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 June 30, 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		35,488	20,405
National Forestry Cooperative Federation	1.50		746	-
		₩	<u>91,348</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 June 30, 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	153,000,000		-
			<u>185,175</u>		<u>-</u>
			<u>₩ 190,753</u>		<u>5,578</u>

(*1) The borrowing is related to the exploration of gas field in the Aral Sea and Namangan-Chust 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 June 30, 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	3,646,067	₩	5,380
Less: Current portion		EUR	(636,350)		(939)
			<u>₩ 4,441</u>		<u>(636,350)</u>
					<u>₩ 5,572</u>

(e) Aggregate maturities of long-term debts as of June 30, 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>
June 30,	<u>Debentures (*)</u>	<u>Borrowings</u>			
2011	₩ 800,000	₩ -	₩ -	₩ 939	₩ 800,939
2012	1,455,192	4,025	-	939	1,460,156
2013	682,280	9,345	-	939	692,564
2014	2,578,507	10,960	50,923	939	2,641,329
Thereafter	363,090	67,018	139,830	1,624	571,562
	<u>₩ 5,879,069</u>	<u>₩ 91,348</u>	<u>₩ 190,753</u>	<u>₩ 5,380</u>	<u>₩ 6,166,550</u>

(*) The amount includes premium on bond redemption.

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14. Accrued Severance Benefits

The changes in accrued severance benefits for the six-month period ended June 30, 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 / year	₩ 784,357	851,391
Provision for severance benefits	131,119	3,320
Payment	(30,589)	(70,354)
Estimated severance benefits at the end of period / year	<u>₩ 884,887</u>	<u>784,357</u>
Transferred to National Pension Fund	(82)	(82)
Deposit for severance benefits trust	(610,472)	(599,088)
Net balance at the end of period / year	<u>₩ 274,333</u>	<u>185,187</u>

15. Other Current Liabilities

Other current liabilities as of June 30, 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	₩ 55,804	25,615
Unearned revenue	2,803	2,012
Others	25,468	6,177
	<u>₩ 84,075</u>	<u>33,804</u>

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16. Commitments and Contingencies

- (a) As of June 30, 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	477,000,000	₩	778,965	346,000,000	607,184	
		MYR	240,000,000			280,000,000		
POSCO-Vietnam Co., Ltd.	The Export-Import Bank of Korea	CNY	630,000,000			630,000,000		
		USD	230,000,000		343,960	230,000,000	329,249	
		JPY	4,806,750,000			4,806,750,000		
					1,122,925		936,433	
Others								
Zeus (Cayman) Ltd.	Related creditors	JPY	52,795,000,000		720,419	52,795,000,000	666,706	
United Spiral Pipe	Comerica Bank	USD	8,750,000		10,590	-	-	
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Bank of China and others	USD	13,220,000		66,216	13,800,000	77,554	
		CNY	282,050,000			359,180,000		
					797,225		744,260	
				₩	1,920,150		₩	1,680,693

- (b) As of June 30, 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 June 30, 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 ₩ 3,141 million for the six-month period ended June 30, 2010.
- (e) The Company is involved eleven lawsuits and claims for alleged damages aggregating to ₩ 7,356 million as of June 30, 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 June 30, 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 June 30, 2010, 339 million tons of iron ore and 55 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 June 30, 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 ₩ 710,000 million and short-term borrowing agreement of up to ₩ 150,000 million with Woori Bank.
- (i) As of June 30, 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\$ 1,300 million and US\$ 1,000 million in foreign short-term borrowings.
- (j) The outstanding balance of accounts receivable in foreign currency sold to financial institutions as of June 30, 2010 amounted to US\$ 253 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 and Namangan-Chust in Uzbekistan, 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 June 30, 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 ₩ 2,133 million (JPY 168,994,000) as of December 31, 2009 and ₩ 937 million (JPY 68,633,500) as of June 30, 2010. This exchangeable right is included in other long-term liabilities.

(b) Details of the gains (losses) on derivatives, net for the six-month periods ended June 30, 2010 and 2009 are as follows:

<i>(in millions of Won)</i> <u>Type of Transaction</u>	<u>Valuation Gain</u>		<u>Transaction Gain</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Currency forward (Swaps)	₩ -	-	₩ 26,737	1,076
Embedded derivative	1,197	6,165	-	-
	<u>₩ 1,197</u>	<u>6,165</u>	<u>₩ 26,737</u>	<u>1,076</u>

POSCO
Note to Non-Consolidated Financial Statements
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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	142,964 shares	64,000 shares	853,419 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, 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 six-month period ended June 30, 2010 is 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)	(7,831)	(2,965)	(10,828)
	<u>₩ 59,945</u>	<u>₩ 10,780</u>	<u>₩ 6,071</u>	<u>₩ 31,864</u>	<u>₩ 73,408</u>	<u>₩ 28,729</u>	<u>₩ 210,797</u>

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Note to Non-Consolidated Financial Statements
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19. Selling and Administration Expenses

Details of selling and administrative expenses for the three-month and six-month periods ended June 30, 2010 and 2009 are as follows:

(in millions of Won)

	For the three-month period ended June 30		For the six-month period ended June 30	
	2010	2009	2010	2009
Selling expenses	₩ 187,057	156,325	359,737	309,208
Fees and charges	35,032	27,186	67,580	55,194
Salaries and wages	36,819	23,189	72,242	47,601
Advertising	20,668	17,618	40,942	34,104
Research and development	20,531	2,759	43,521	10,049
Depreciation	3,702	3,751	7,356	7,510
Amortization	3,791	4,006	7,750	7,730
Rent	6,358	4,599	12,474	9,125
Other employ benefits	14,455	17,203	27,192	32,355
Provision for severance benefits	8,470	370	19,428	3,767
Supplies	556	449	4,027	2,930
Travel	5,253	2,902	8,944	5,542
Training	6,923	2,321	10,008	5,629
Repairs	2,542	1,502	5,361	2,852
Communications	1,966	1,947	3,866	3,732
Vehicle expenses	1,649	1,363	3,011	2,723
Taxes and public dues	1,031	873	2,187	1,966
Entertainment	1,077	652	2,399	1,547
Subscriptions and printing	475	380	1,234	973
Utilities	233	102	514	186
Others	4,295	14,576	10,204	18,360
	₩ 362,883	284,073	709,977	563,083

POSCO
Note to Non-Consolidated Financial Statements
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20. Income Taxes

(a) Income tax expense for the six-month periods ended June 30, 2010 and 2009 is as follows:

<i>(in millions of Won)</i>	2010	2009
Current income taxes	₩ 536,240	290,055
Deferred income taxes	(11,264)	52,583
Carryforward income tax	38,558	(147,876)
Items charged directly to shareholders' equity	10,151	(94,963)
	<u>₩ 573,685</u>	<u>99,799</u>

(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 six-month periods ended June 30, 2010 and 2009:

<i>(in millions of Won)</i>	2010	2009
Net income before income tax expense	₩ 3,207,166	854,845
Income tax expense computed at statutory rate	776,123	206,860
Adjustments:		
Tax credit	(135,614)	(148,312)
Others, net	(66,824)	41,251
Income tax expense	<u>₩ 573,685</u>	<u>99,799</u>
Effective rate (%)	<u>17.9%</u>	<u>11.7%</u>

POSCO
Note to Non-Consolidated Financial Statements
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(c) Changes in temporary differences and deferred income taxes for the six-month period ended June 30, 2010 are as follows:

<i>(in millions of Won)</i>	Temporary differences			Deferred income tax		
	Dec. 31, 2009	Inc. (dec.)	June 30, 2010	Dec. 31, 2009	Inc. (dec.)	June 30, 2010
Deductible (taxable) temporary differences:						
Reserve for special repairs	₩ (173,990)	₩ 9,488	₩ (164,502)	₩ (39,500)	₩ 2,296	₩ (37,204)
Reserve for technology developments	(800,000)	(400,000)	(1,200,000)	(176,000)	(88,000)	(264,000)
Dividend income from related companies	461,399	48,233	509,632	101,508	10,611	112,119
Depreciation expense	(357,064)	513	(356,551)	(78,445)	(1,612)	(80,057)
Valuation of equity method accounted investments (*1)	(1,492,065)	(120,638)	(1,612,703)	(236,119)	21,689	(214,430)
Prepaid expenses	73,375	6,700	80,075	17,756	1,622	19,378
Impairment loss on property, plant and equipment	35,696	(777)	34,919	7,998	(226)	7,772
Loss on foreign currency translation	190,953	288,643	479,596	39,783	63,423	103,206
Others	474,039	(38,373)	435,666	99,140	(8,690)	90,450
	<u>₩ (1,587,657)</u>	<u>₩ (206,211)</u>	<u>₩ (1,793,868)</u>	<u>₩ (263,879)</u>	<u>₩ 1,113</u>	<u>₩ (262,766)</u>
Deferred income taxes recognized directly to equity:						
Capital adjustment arising from equity method accounted investments	(655,122)	(123,487)	(778,609)	(144,127)	(27,167)	(171,294)
Gain on valuation of available-for-sale securities	(835,211)	295,108	(540,103)	(183,746)	64,924	(118,822)
Loss on valuation of available-for-sale securities	868,159	(125,481)	742,678	190,995	(27,606)	163,389
	<u>₩ (622,174)</u>	<u>₩ 46,140</u>	<u>₩ (576,034)</u>	<u>₩ (136,878)</u>	<u>₩ 10,151</u>	<u>₩ (126,727)</u>
Deferred tax from tax credit:						
Tax credit				286,556	(38,558)	247,998
				<u>₩ (114,201)</u>	<u>₩ (27,294)</u>	<u>₩ (141,495)</u>

(*1) As of June 30, 2010, deductible temporary differences of ₩ 405,233 million is related to investees in which the Company's disposal of investments is unlikely to occur within five years. Therefore the income tax effect for these temporary differences was not recognized as it is not probable the deferred tax asset will be realized.

(d) A summary of deferred tax assets and liabilities as of June 30, 2010 is as follows:

<i>(in millions of Won)</i>	Current	Non-current	Total
Deferred tax assets	₩ 267,377	₩ 503,947	₩ 771,324
Deferred tax liabilities	(19,192)	(893,627)	(912,819)
Net deferred tax assets (liabilities)	<u>₩ 248,185</u>	<u>₩ (389,680)</u>	<u>₩ (141,495)</u>

(e) Income tax expense which is directly charged to shareholders' equity due to changes in valuation of available-for-sale securities and other capital adjustments for the six-month period ended June 30, 2010 amounted to ₩ (10,151) million.

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21. Comprehensive Income

- (a) For the six-month periods ended June 30, 2010 and 2009, comprehensive income is as follows:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Net income	₩ 2,633,481	755,046
Gain (loss) on valuation of available-for-sale securities	(169,627)	294,891
Less: tax effect	37,318	(64,876)
Changes in capital adjustments arising from equity method accounted investments	38,696	137,712
Less: tax effect	(7,769)	(18,633)
Comprehensive income	<u>₩ 2,532,099</u>	<u>1,104,140</u>

- (b) For the three-month periods ended on June 30, 2010 and 2009, comprehensive income is as follows:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Net income	₩ 1,196,246	430,530
Gain (loss) on valuation of available-for-sale securities	(253,978)	458,830
Less: tax effect	55,875	(101,018)
Changes in capital adjustments arising from equity method accounted investments	102,645	(45,997)
Less: tax effect	(22,285)	5,412
Comprehensive income	<u>₩ 1,078,503</u>	<u>747,757</u>

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22. Earnings Per Share

(a) Basic earnings per share for the six-month periods ended June 30, 2010 and 2009 were as follows:

<i>(in millions of Won except per share information)</i>	<u>2010</u>	<u>2009</u>
Net income	₩ 2,633,481	755,046
Weighted-average number of common shares outstanding (*)	<u>77,032,878</u>	<u>76,569,916</u>
Basic earnings per share	<u>₩ 34,186</u>	<u>9,861</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 six-month periods ended June 30, 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	<u>(10,153,957)</u>	<u>(10,616,919)</u>
Weighted-average number of common shares outstanding	<u>77,032,878</u>	<u>76,569,916</u>

(b) Basic earnings per share for the three-month periods ended June 30, 2010 and 2009 were as follows:

<i>(in millions of Won except per share information)</i>	<u>2010</u>	<u>2009</u>
Net income	₩ 1,196,246	430,530
Weighted-average number of common shares outstanding (*)	<u>77,032,878</u>	<u>76,569,916</u>
Basic earnings per share	<u>₩ 15,529</u>	<u>5,623</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 June 30, 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	<u>(10,153,957)</u>	<u>(10,616,919)</u>
Weighted-average number of common shares outstanding	<u>77,032,878</u>	<u>76,569,916</u>

(c) Basic earnings per share for the three-month period ended March 31, 2010 and for the year ended December 31, 2009 were ₩ 18,657 and ₩ 41,380.

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23. Related Party Transactions

(a) As of June 30, 2010, the subsidiaries of the Company are as follows:

Domestic (32)	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., POSCO TMC Co., Ltd.(formerly, POSCORE Co., Ltd.), Pohang Fuel Cell Co., Ltd., POSCOAST Co., Ltd., Daimyung TMS Co., Ltd., POS-HiMetal Co., Ltd., POSCO E&E Co., Ltd., Gwangyang Steel Fabrication Center, 9Digit Co., Ltd., Sungjin Geotec Co., Ltd., Postech Early Stage Fund, POSCO Family Strategy Fund
Foreign (58)	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 E&C Co., Ltd., Zhangjiagang Pohang Stainless Steel Co., Ltd., Guangdong Pohang Coated Steel Co., Ltd., POSCO (Thailand) Co., Ltd., Myanmar POSCO Steel Co., Ltd., Zhangjiagang Posha Steel Port Co., Ltd., POSCO-JOPC Co., Ltd., POSCO Investment Co., Ltd., POSCO-MKPC SDN. BHD., Qingdao Pohang Stainless Steel Co., Ltd., POSCO (Suzhou) Automotive Processing Center Co., Ltd., POSEC-Hawaii Inc., POS-Qingdao Coil Center Co., Ltd., POS-ORE Pty. Ltd., POSCO-China Holding Corp., POSCO-Japan Co., Ltd., POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd., POS-CD Pty. Ltd., POS-GC Pty. Ltd., POSCO-India Private. Ltd., POSCO-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-Philippine Manila Processing Center INC., POSCO VST Co., Ltd. POSCO-Mexico Steel Distribution Center Co., Ltd., POSCO Maharashtra Steel Private Limited., POSCO India Chennai Steel Processing Centre Pvt Ltd., POSCO Turkey Nilufer Processing Center Co., Ltd., POSCO Vietnam Hanoi Processing Center Co., Ltd., POSCO (Liaoning) Automotive Processing Center Co., Ltd., POSCO-Indonesia Jakarta Processing Center Co., Ltd., POSCO China Dalian Plate Processing Center Ltd.

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(b) Significant transactions, which occurred in the ordinary course of business, with related companies for the six-month periods ended June 30, 2010 and 2009, and the related account balances as of June 30, 2010 and December 31, 2009 are as follows:

(in millions of Won)

	Sales and others (*1)		Purchase and others (*1)		Receivables (*2)		Payables (*2)	
	2010	2009	2010	2009	2010	2009	2010	2009
Subsidiaries								
POSCO E&C Co., Ltd.	₩ 3,032	3,370	₩ 1,306,382	1,060,368	₩ 893	480	₩ 452,368	437,818
Posteel Co., Ltd.	510,441	641,826	141,985	60,487	125,977	114,783	9,654	3,484
POSCO Coated & Color Steel Co., Ltd.	328,461	225,875	1,653	541	141,740	109,615	835	199
POSCO Plant Engineering Co., Ltd.	2,046	8,413	86,739	136,455	-	11	46,473	35,558
POSCO ICT Co., Ltd.	503	580	214,408	179,760	-	13	78,117	73,171
POSCO Chemtech Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	44,069	44,686	261,896	211,279	7,124	6,880	60,704	66,008
Samjung Packing & Aluminum Co., Ltd.	14,510	8,362	118,268	99,561	3,149	1,472	29,845	24,942
POSCO TMC Co., Ltd. (formerly, POSCORE Co., Ltd.)	73,660	61,528	52	1	15,660	11,678	23	24
POSCOAST Co., Ltd.	155,342	-	27,429	-	37,231	17,492	5,535	7,572
POSCO America Corporation	103,811	79,330	-	-	5,095	531	-	-
POSCO Canada Limited	-	-	84,009	25,170	-	-	21,661	-
POSCO Asia Co., Ltd.	526,379	575,037	73,936	50,625	33,635	40,548	4,390	1,170
POSCO (Thailand) Co., Ltd.	66,516	14,034	76	-	542	1,768	-	-
POSCO-MKPC SDN. BHD.	31,600	7,264	-	-	-	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	34,780	97,929	-	-	2,636	2,353	-	-
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	54,435	-	-	-	-	-	-	-
POSCO-Japan Co., Ltd.	490,025	269,411	46,664	8,045	23,002	25,972	8,259	6,701
POSCO-India Pune Processing Centre Pvt. Ltd.	81,692	18,942	-	-	2,513	-	-	1
POSCO-Foshan Steel Processing Center Co., Ltd.	32,459	5,089	-	-	-	-	-	-
POSCO-MPC S.A. de C.V.	77,489	-	-	-	-	-	-	-
POSCO-Vietnam Co., Ltd.	140,442	1,917	-	-	16,357	1,934	-	-
POSCO-Mexico Co., Ltd.	108,585	22,579	-	-	4,454	-	-	-
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	39,722	2,467	76	255	-	-	-	-
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	59,758	-	-	-	-	-	-	-
Others	187,474	54,702	80,344	54,617	10,577	5,431	23,857	14,696
	3,167,231	2,143,341	2,443,917	1,887,164	430,585	340,961	741,721	671,344
Equity method investees								
eNtoB Corporation	-	-	130,502	105,591	-	-	5,691	6,561
SNNC Co., Ltd.	906	94	268,230	155,727	174	1,974	22,660	26,963
USS-POSCO Industries	124,252	110,640	185	7	-	18,310	-	-
Poschrome (Proprietary) Limited	-	-	31,673	15,305	-	176	-	-
Others	9,819	4,464	120	3,132	-	820	-	78
	134,977	115,198	430,710	279,762	174	21,280	28,351	33,602
	₩ 3,302,208	2,258,539	₩ 2,874,627	2,166,926	₩ 430,759	362,241	₩ 770,072	704,946

(*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 six-month periods ended June 30, 2010 and 2009, details of compensation to key management officers are as follows:

<i>(in millions of Won)</i>	2010	2009
Salaries	₩ 8,114	5,748
Severance benefits	3,222	3,653
Management achievement awards and others	11,929	7,124
Total	₩ 23,265	16,525

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 recognized expense related to stock appreciation rights which were decreased by ₩ 10,828 million, and increased by ₩ 8,999 million for the six-month periods ended June 30, 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 six-month periods ended June 30, 2010 and 2009 were as follows:

<i>(in millions of Won)</i>	2010	2009
Pohang	₩ 7,990,006	7,383,095
Gwangyang	6,824,426	5,384,230
Others	67,789	47,974
Total	₩ 14,882,221	12,815,299

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25. Cost of goods sold

Details of cost of goods sold for the three-month and six-month periods ended June 30, 2010 and 2009 are as follows:

<i>(in millions of Won)</i>	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2010	2009	2010	2009
Finished goods, semi-finished goods and by-product				
Beginning balance of inventories	₩ 1,340,207	2,271,824	₩ 1,191,502	2,749,541
Cost of goods manufactured	6,137,354	5,091,408	11,426,047	10,349,767
Transfer from other assets, net	7,130	13,703	10,077	83,203
Refund of customs	(8,001)	(2,988)	(13,178)	(5,120)
Ending balance of inventories	(1,763,919)	(1,494,965)	(1,763,919)	(1,494,965)
	<u>5,712,771</u>	<u>5,878,982</u>	<u>10,850,529</u>	<u>11,682,426</u>
Others	21,099	14,186	38,657	26,325
Total	<u>₩ 5,733,870</u>	<u>5,893,168</u>	<u>₩ 10,889,186</u>	<u>11,708,751</u>

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

The Company plans to prepare its financial statements under K-IFRS from 2011. To manage the matters associated with adoption of K-IFRS, the Company has organized a separate task force, which has analyzed the impact of the adoption of K-IFRS and the Company has been in 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 status of K-IFRS project to the audit committee and management group periodically. Details of action plans and current status for the preparation of K-IFRS as of June 30, 2010 are as follows:

- Established separate Task Force Team for the adoption of K-IFRS in July 2008
- First phase of K-IFRS project: Analysis of the impact on adoption of K-IFRS and creating Group from August 2008 to March 2009
- Second phase of K-IFRS project: Designing stand-alone financial closing process with respect to GAAP differences from April 2009 to January 2010
- Third phase of K-IFRS project: Preparing comparative financial statements and supplementing accounting system from February 2010 up to now

POSCO
Note to Non-Consolidated Financial Statements
June 30, 2010
(Unaudited)

27. Subsequent Event

(a) Interim dividends

On the Board of Directors' meeting on July 16, 2010, it was resolved that the Company will make payment of interim dividends to its ordinary share owners. The details of the interim dividends are as follows:

Gross amount of dividends (in Won)	₩	192,582,195,000
Number of shares		77,032,878
Dividends per share	₩	2,500
Dividend ratio		50%
Dividend payout ratio (*1)		7.31%
Dividend yield ratio (*2)		0.54%

(*1) Interim Dividends/ Net income

(*2) Dividends per share/ Closing stock price as of June 30, 2010 (₩466,500)