

# **POSCO**

**Unaudited Non-Consolidated Financial Statements  
September 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 September 30, 2010, and the related non-consolidated statements of income for the three-month and nine-month periods ended September 30, 2010 and 2009, and changes in equity and cash flows for the nine -month periods ended September 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  
November 3, 2010

This report is effective as of November 3, 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 September 30, 2010 and December 31, 2009**  
**(Unaudited)**

(in millions of Won)

|  | <b>Notes</b> | <b>2010</b>       | <b>2009</b>       |
|--|--------------|-------------------|-------------------|
| <b>Assets</b>  |              |                   |                   |
| Cash and cash equivalents  | 3            | ₩ 226,070         | 626,782           |
| Short-term financial instruments   | 3            | 2,760,515         | 5,581,594         |
| Trading securities   | 6            | 405,248           | 505,811           |
| Current portion of available-for-sale securities   | 7            | -                 | 20,230            |
| Current portion of held-to-maturity securities   | 7            | 1,962             | 20,000            |
| Trade accounts and notes receivable,<br>net of allowance for doubtful accounts           | 4, 23        | 3,205,477         | 2,683,909         |
| Inventories  | 5            | 5,714,541         | 2,996,326         |
| Other accounts receivable,<br>net of allowance for doubtful accounts                     | 4, 23        | 181,129           | 126,942           |
| Deferred income tax assets   | 20           | 207,644           | 286,075           |
| Other current assets   | 11           | 109,823           | 70,395            |
| <b>Total current assets</b>  |              | <b>12,812,409</b> | <b>12,918,064</b> |
| Property, plant and equipment at cost  | 8            | 42,891,616        | 40,071,426        |
| Less accumulated depreciation  |              | (24,773,409)      | (23,425,832)      |
| Property, plant and equipment, net   |              | 18,118,207        | 16,645,594        |
| Investment securities, net   | 7, 10        | 14,331,104        | 10,187,813        |
| Intangible assets, net   | 9            | 168,410           | 151,829           |
| Long-term trade accounts and notes receivable,<br>net of allowance for doubtful accounts | 4            | 24                | 1,307             |
| Long-term financial instruments  | 3            | 40                | 40                |
| Other long-term assets,<br>net of allowance for doubtful accounts                        | 11           | 379,431           | 88,118            |
| <b>Total non-current assets</b>  |              | <b>32,997,216</b> | <b>27,074,701</b> |

See accompanying notes to unaudited non-consolidated financial statements.

# POSCO

## Non-Consolidated Statements of Financial Position, Continued As of September 30, 2010 and December 31, 2009 (Unaudited)

| <i>(in millions of Won)</i>   | Notes      | 2010              | 2009              |
|---|------------|-------------------|-------------------|
| <b>Liabilities</b>  |            |                   |                   |
| Trade accounts payable  | 23         | ₩ 1,522,223       | 739,746           |
| Short-term borrowings   | 12, 16     | 1,164,811         | 430,910           |
| Current portion of long-term debt,<br>net of discount on debentures issued  | 12, 13     | 799,998           | 1,065             |
| Accrued expenses  |            | 156,960           | 145,484           |
| Other accounts payable  | 23         | 769,731           | 993,120           |
| Withholdings  |            | 39,604            | 51,075            |
| Income tax payable  | 20         | 522,753           | 290,638           |
| Other current liabilities   | 15         | 82,754            | 33,804            |
| <b>Total current liabilities</b>  |            | <b>5,058,834</b>  | <b>2,685,842</b>  |
| Long-term debt, net of current portion<br>and discount on debentures issued | 10, 13, 16 | 5,918,939         | 5,681,509         |
| Provision for severance benefits, net                                       | 14         | 337,099           | 185,187           |
| Deferred income tax liabilities   | 20         | 472,084           | 400,276           |
| Other long-term liabilities   | 17         | 47,081            | 88,660            |
| <b>Total non-current liabilities</b>  |            | <b>6,775,203</b>  | <b>6,355,632</b>  |
| <b>Total liabilities</b>  |            | <b>11,834,037</b> | <b>9,041,474</b>  |
| <b>Shareholders' equity</b>   |            |                   |                   |
| Capital stock   |            | 482,403           | 482,403           |
| Capital surplus   |            | 4,425,124         | 4,404,069         |
| Capital adjustments   |            | (2,403,263)       | (2,403,263)       |
| Accumulated other comprehensive income                                      |            | 543,940           | 524,824           |
| Retained earnings   |            | 30,927,384        | 27,943,258        |
| <b>Total shareholders' equity</b>   |            | <b>33,975,588</b> | <b>30,951,291</b> |

See accompanying notes to unaudited non-consolidated financial statements.

# POSCO

## Non-Consolidated Statements of Income

For the three-month and nine-month periods ended September 30, 2010 and 2009  
(Unaudited)

| (in millions of Won, except per share information)       | Notes  | For the three-month periods<br>ended September 30 |           | For the nine-month periods<br>ended September 30 |            |
|--|--------|---|-----------|--|------------|
|  |        | 2010  | 2009      | 2010   | 2009       |
| <b>Sales</b>   | 23, 24 | ₩ 8,524,040                                       | 6,850,514 | 23,406,261                                       | 19,665,813 |
| <b>Cost of goods sold</b>                                | 25     | 7,028,469   | 5,499,854 | 17,917,654                                       | 17,208,604 |
| Gross profit   |        | 1,495,571   | 1,350,660 | 5,488,607  | 2,457,209  |
| <b>Selling and administrative expenses</b>               | 19     | 387,810   | 332,907   | 1,094,891  | 895,990    |
| Operating profit   |        | 1,107,761   | 1,017,753 | 4,393,716  | 1,561,219  |
| <b>Non-operating income</b>                              |        |   |           |  |            |
| Interest income  |        | 59,963  | 52,048    | 193,431  | 140,333    |
| Dividend income  |        | 9,635   | 11,280    | 84,520   | 60,114     |
| Gain on disposal of trading securities                   |        | 3,714   | 1,523     | 10,494   | 19,877     |
| Gain on valuation of trading securities                  |        | 2,080   | 1,394     | 5,248  | 1,961      |
| Gain on foreign currency transactions                    |        | 132,872   | 143,570   | 328,882  | 555,606    |
| Gain on foreign currency translation                     |        | 197,174   | 106,927   | 102,185  | 318,736    |
| Equity in earnings of equity method accounted investment | 7      | 128,060   | 156,066   | 401,655  | 520,983    |
| Gain on disposal of investments                          |        | 438   | -         | 1,222  | 8,939      |
| Gain on disposal of property, plant and equipment        |        | 7,847   | 4,597     | 14,286   | 14,215     |
| Gain on derivative transactions                          | 17     | -   | 13,100    | 26,737   | 33,458     |
| Gain on valuation of derivatives                         | 17     | -   | 172       | -  | 6,337      |
| Reversal of allowance for doubtful accounts              |        | 506   | -         | 648  | 422        |
| Gain on disposal of other long-term assets               |        | -   | 1,087     | 283  | 1,233      |
| Reversal of stock compensation expense                   | 18, 23 | -   | -         | 7,931  | -          |
| Others   |        | 6,982   | 11,129    | 39,622   | 36,490     |
|  |        | 549,271   | 502,893   | 1,217,144  | 1,718,704  |
| <b>Non-operating expenses</b>                            |        |   |           |  |            |
| Interest expense   |        | 82,875  | 75,353    | 226,426  | 216,198    |
| Other bad debt expense                                   |        | -   | 556       | -  | 21         |
| Loss on valuation of trading securities                  |        | -   | 373       | -  | 373        |
| Loss on foreign currency transactions                    |        | 134,833   | 127,052   | 357,021  | 653,051    |
| Loss on foreign currency translation                     |        | -   | -         | 187,701  | 20,678     |
| Donations  |        | 13,809  | 25,717    | 26,021   | 40,862     |
| Equity in losses of equity method accounted investments  | 7      | 42,859  | 54,034    | 193,514  | 174,408    |
| Loss on disposal of property, plant and equipment        |        | 29,064  | 18,417    | 48,707   | 54,443     |
| Loss on disposal of investments                          |        | 274   | 13        | 320  | 13         |
| Loss on derivative transactions                          | 17     | -   | -         | -  | 19,281     |
| Loss on valuation of derivatives                         | 17     | 2,087   | -         | 890  | -          |
| Loss on disposal of trade accounts and notes receivable  |        | 736   | 822       | 2,093  | 4,080      |
| Loss on disposal of other long-term assets               |        | -   | -         | -  | 271        |
| Others   |        | 8,045   | 12,174    | 18,550   | 35,265     |
|  |        | 314,582   | 314,511   | 1,061,243  | 1,218,944  |
| Income before income taxes                               |        | 1,342,450   | 1,206,135 | 4,549,617  | 2,060,979  |
| Income tax expense                                       | 20     | 298,510   | 64,244    | 872,195  | 164,042    |
| Net income   | 21     | ₩ 1,043,940                                       | 1,141,891 | 3,677,422  | 1,896,937  |
| Basic earnings per share                                 | 22     | ₩ 13,552  | 14,913    | 47,738   | 24,774     |

See accompanying notes to unaudited non-consolidated financial statements.

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

(in millions of Won)

|  | Capital<br>stock | Capital<br>surplus | Capital<br>adjustments | Accumulated Other<br>comprehensive income | Retained<br>earnings | Total      |
|--|------------------|--------------------|------------------------|---|----------------------|------------|
| <b>Balance as of January 1, 2009</b>   | ₩ 482,403        | 4,291,355          | (2,502,014)            | 51,790                                    | 25,460,123           | 27,783,657 |
| Year-end dividends   | -                | -                  | -                      | -   | (574,274)            | (574,274)  |
| Net income   | -                | -                  | -                      | -   | 1,896,937            | 1,896,937  |
| Interim dividends  | -                | -                  | -                      | -   | (114,855)            | (114,855)  |
| Changes in capital surplus of equity method accounted investments              | -                | (3,349)            | -                      | -   | -                    | (3,349)    |
| Gain on valuation of available-for-sale securities, net                        | -                | -                  | -                      | 419,075                                   | -                    | 419,075    |
| Changes in capital adjustment arising from equity method accounted investments | -                | -                  | -                      | 20,585                                    | -                    | 20,585     |
| <b>Balance as of September 30, 2009</b>  | ₩ 482,403        | 4,288,006          | (2,502,014)            | 491,450                                   | 26,667,931           | 29,427,776 |

(in millions of Won)

|  | Capital<br>stock | Capital<br>surplus | Capital<br>adjustments | Accumulated Other<br>comprehensive income (loss) | Retained<br>earnings | Total      |
|--|------------------|--------------------|------------------------|--|----------------------|------------|
| <b>Balance as of January 1, 2010</b>   | ₩ 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   | -                | -                  | -                      | -  | 3,677,422            | 3,677,422  |
| Interim dividends  | -                | -                  | -                      | -  | (192,582)            | (192,582)  |
| Changes in capital surplus of equity method accounted investments              | -                | 21,055             | -                      | -  | -                    | 21,055     |
| Losses on valuation of available-for-sale securities, net                      | -                | -                  | -                      | (13,904)   | -                    | (13,904)   |
| Changes in capital adjustment arising from equity method accounted investments | -                | -                  | -                      | 33,020   | -                    | 33,020     |
| <b>Balance as of September 30, 2010</b>  | ₩ 482,403        | 4,425,124          | (2,403,263)            | 543,940  | 30,927,384           | 33,975,588 |

See accompanying notes to unaudited non-consolidated financial statements.

**POSCO**  
**Non-Consolidated Statements of Cash Flows, Continued**  
**For the nine-month periods ended September 30, 2010 and 2009**  
**(Unaudited)**

| <i>(in millions of Won)</i>  | <b>2010</b>        | <b>2009</b>      |
|--|--------------------|------------------|
| <b>Cash flows from operating activities</b>                                      |                    |                  |
| Net income   | ₩ 3,677,422        | 1,896,937        |
| Adjustments to reconcile net income to net cash provided by operating activities |                    |                  |
| Accrual for severance benefits   | 208,184            | -                |
| Other employee benefit   | 7,422              | 5,124            |
| Depreciation and amortization  | 1,657,245          | 1,517,371        |
| Interest income  | (334)              | (900)            |
| Interest expense   | 14,043             | 14,331           |
| Loss (gain) on foreign currency translation, net                                 | 85,408             | (309,229)        |
| Equity in earnings of equity method accounted investments, net                   | (208,141)          | (346,575)        |
| Loss on disposal of property, plant and equipment, net                           | 34,421             | 40,228           |
| Gains on disposal of investments, net  | (902)              | (8,926)          |
| Gain on disposal of trading securities   | (10,494)           | (19,877)         |
| Gain on valuation of trading securities, net                                     | (5,248)            | (1,588)          |
| Gain on derivative transactions, net   | (26,737)           | (14,177)         |
| Loss (gain) on valuation of derivatives  | 890                | (6,337)          |
| Loss on disposal of trade accounts and notes receivable                          | 2,093              | 4,080            |
| Provision for (reversal of) allowance for doubtful accounts, net                 | (7,110)            | 8,495            |
| Gain on disposal of other long-term assets, net                                  | (283)              | (962)            |
| (Reversal of) stock compensation expense   | (7,931)            | 21,316           |
| Others, net  | (1,604)            | 1,052            |
|  | <u>1,740,922</u>   | <u>903,426</u>   |
| <b>Changes in operating assets and liabilities</b>                               |                    |                  |
| Trade accounts and notes receivable  | (522,712)          | 721,841          |
| Other accounts receivable  | (52,344)           | 178,823          |
| Accrued income   | 22,602             | 871              |
| Prepaid expenses   | (61,549)           | (51,966)         |
| Inventories  | (2,716,011)        | 2,927,648        |
| Deferred income tax assets and liabilities                                       | 117,609            | (130,714)        |
| Trade accounts payable   | 795,347            | (137,431)        |
| Other accounts payable   | (223,134)          | (48,778)         |
| Advances received  | 15,182             | 10,189           |
| Accrued expenses   | 11,475             | (18,164)         |
| Income tax payable   | 232,115            | (1,618,400)      |
| Payment of severance benefits  | (49,456)           | (62,340)         |
| Deposit for severance benefit trust  | (6,817)            | 11,863           |
| Other current liabilities  | 30,711             | 26,486           |
| Dividends from equity method accounted investments                               | 49,082             | 30,711           |
| Others, net  | 7,758              | 6,899            |
|  | <u>(2,350,142)</u> | <u>1,847,538</u> |
| Net cash provided by operating activities  | <u>3,068,202</u>   | <u>4,647,901</u> |

*See accompanying notes to unaudited non-consolidated financial statements.*

**POSCO**  
**Non-Consolidated Statements of Cash Flows, Continued**  
**For the nine-month periods ended September 30, 2010 and 2009**  
**(Unaudited)**

| <i>(in millions of Won)</i>                                   | <b>2010</b>        | <b>2009</b>        |
|---|--------------------|--------------------|
| <b>Cash flows from investing activities</b>                   |                    |                    |
| Disposal of short-term financial instruments                  | ₩ 15,413,389       | 4,662,209          |
| Disposal of trading securities                                | 776,305            | 2,626,062          |
| Redemption of current portion of held-to-maturity securities  | 20,000             | 40,000             |
| Disposal of available-for-sale securities                     | 105,948            | 17,093             |
| Disposal of property, plant and equipment                     | 21,848             | 15,426             |
| Disposal of other long-term assets                            | 1,548              | 12,433             |
| Acquisition of short-term financial instruments               | (12,592,311)       | (7,460,936)        |
| Acquisition of trading securities                             | (660,000)          | (1,800,000)        |
| Acquisition of available-for-sale securities                  | (102,408)          | (232,323)          |
| Acquisition of equity method accounted investments            | (3,738,734)        | (164,507)          |
| Acquisition of current portion of held-to-maturity securities | -                  | (40,000)           |
| Advance paid for acquisition of business                      | (451,606)          | (10,718)           |
| Acquisition of property, plant and equipment                  | (3,165,025)        | (2,927,914)        |
| Cost of removal of property, plant and equipment              | (29,550)           | (44,989)           |
| Acquisition of intangible assets                              | (8,134)            | (9,468)            |
| Others, net   | (7,801)            | (7,716)            |
| Net cash used in investing activities                         | <u>(4,416,531)</u> | <u>(5,325,348)</u> |
| <b>Cash flows from financing activities</b>                   |                    |                    |
| Proceeds from short-term borrowings                           | 2,272,025          | 1,972,180          |
| Proceeds from long-term borrowings                            | 392,656            | 19,743             |
| Proceeds from issuance of debentures                          | 497,897            | 1,449,728          |
| Increase of other long-term liabilities                       | 44,850             | 33,954             |
| Repayment of short-term borrowings                            | (1,500,194)        | (1,804,235)        |
| Repayment of current portion of long-term liabilities         | (795)              | (202,181)          |
| Payment of cash dividends                                     | (693,296)          | (689,129)          |
| Decrease in capital lease obligations                         | (737)              | (5,446)            |
| Decrease in other long-term liabilities                       | (64,789)           | (31,773)           |
| Net cash provided by financing activities                     | <u>947,617</u>     | <u>742,841</u>     |
| Net increase (decrease) in cash and cash equivalents          | (400,712)          | 65,394             |
| <b>Cash and cash equivalents</b>                              |                    |                    |
| Cash and cash equivalents at beginning of the period          | <u>626,782</u>     | <u>941,687</u>     |
| Cash and cash equivalents at end of the period                | <u>₩ 226,070</u>   | <u>1,007,081</u>   |

*See accompanying notes to unaudited non-consolidated financial statements.*

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

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**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 eight overseas liaison offices.

As of September 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. Basis of Presenting Financial Statements and 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 the use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

The accounting policies were consistently applied for the non-consolidated financial statements both as of and for the nine-month period ended September 30, 2010 and as of and for the year ended December 31, 2009.

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

**3. Cash and Cash Equivalents, and Financial Instruments**

Cash and cash equivalents, short-term and long-term financial instruments as of September 30, 2010 and December 31, 2009 are as follows:

| <i>(in millions of Won)</i>                  | <b>Annual Interest Rate (%)</b> | <b>2010</b>        | <b>2009</b>      |
|--|---------------------------------|--------------------|------------------|
| <b>Cash and cash equivalents</b>             |                                 |                    |                  |
| Checking accounts                            | -                               | ₩ 1,986            | 817              |
| Money market deposit accounts                | -                               | -                  | 16,800           |
| Money market trust                           | 2.55 ~ 2.75                     | 143,300            | 228,700          |
| Time deposits                                | 2.95 ~ 3.03                     | 60,000             | 70,000           |
| Time deposits in foreign currency            | 0.45 ~ 0.55                     | 20,784             | 310,465          |
|  |                                 | <u>₩ 226,070</u>   | <u>626,782</u>   |
| <b>Short-term financial instruments</b>      |                                 |                    |                  |
| Ordinary deposits (*1)                       | -                               | 18,141             | 10,667           |
| Time deposits                                | 2.98 ~ 4.70                     | 2,340,830          | 2,850,000        |
| Certificates of deposit                      | 1.60 ~ 4.75                     | 330,000            | 2,370,000        |
| Repurchase agreement                         | 2.81                            | 10,000             | 290,000          |
| Specified money in trust                     | -                               | 61,544             | 60,927           |
|  |                                 | <u>₩ 2,760,515</u> | <u>5,581,594</u> |
| <b>Long-term financial instruments</b>       |                                 |                    |                  |
| Guarantee deposits for opening accounts (*2) | -                               | <u>₩ 40</u>        | <u>40</u>        |

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

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

**4. Accounts and Notes Receivable**

Accounts and notes receivable, and their respective allowance for doubtful accounts as of September 30, 2010 and December 31, 2009 are as follows:

| <i>(in millions of Won)</i>                   | <b>2010</b>        | <b>2009</b>      |
|---|--------------------|------------------|
| Trade accounts and notes receivable           | ₩ 3,210,356        | 2,695,161        |
| Less: Allowance for doubtful accounts         | (4,879)            | (11,252)         |
|   | <u>₩ 3,205,477</u> | <u>2,683,909</u> |
| Other accounts receivable                     | ₩ 191,738          | 137,560          |
| Less: Allowance for doubtful accounts         | (10,609)           | (10,618)         |
|   | <u>₩ 181,129</u>   | <u>126,942</u>   |
| Long-term trade accounts and notes receivable | ₩ 252              | 1,875            |
| Less: Allowance for doubtful accounts         | (228)              | (568)            |
|   | <u>₩ 24</u>        | <u>1,307</u>     |

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

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**5. Inventories**

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

| <i>(in millions of Won)</i>        | <b>2010</b>        | <b>2009</b>      |
|------------------------------------|--------------------|------------------|
| Finished goods                     | ₩ 661,333          | 344,192          |
| By-products                        | 4,731              | 4,281            |
| Semi-finished goods                | 1,452,939          | 843,720          |
| Raw materials                      | 1,445,971          | 696,492          |
| Fuel and materials                 | 461,105            | 405,003          |
| Materials-in-transit               | 1,687,856          | 702,807          |
| Others                             | 606                | 522              |
|                                    | <u>5,714,541</u>   | <u>2,997,017</u> |
| Less: Provision for valuation loss | -                  | (691)            |
|                                    | <u>₩ 5,714,541</u> | <u>2,996,326</u> |

**6. Trading Securities**

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

| <i>(in millions of Won)</i> | <b>2010</b>             |                   |                   | <b>2009</b>       |
|-----------------------------|-------------------------|-------------------|-------------------|-------------------|
|                             | <b>Acquisition Cost</b> | <b>Fair Value</b> | <b>Book Value</b> | <b>Book Value</b> |
| Beneficiary certificates    | ₩ 400,000               | ₩ 405,248         | ₩ 405,248         | 505,811           |

**POSCO**  
**Note to Non-Consolidated Financial Statements**  
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**(Unaudited)**

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**7. Investment Securities**

(a) Investment securities as of September 30, 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        | ₩ 3,633,243         | 3,650,351         |
| Non-marketable equity securities    | 746,436             | 767,174           |
| Investments in bonds                | -                   | 125,125           |
| Equity investments                  | 500                 | 500               |
|                                     | <u>4,380,179</u>    | <u>4,543,150</u>  |
| Less: Current portion               | -                   | (20,230)          |
|                                     | <u>4,380,179</u>    | <u>4,522,920</u>  |
| Held-to-maturity securities         | 31,774              | 51,675            |
| Less: Current portion               | (1,962)             | (20,000)          |
|                                     | <u>29,812</u>       | <u>31,675</u>     |
| Equity method accounted investments | 9,921,113           | 5,633,218         |
|                                     | <u>₩ 14,331,104</u> | <u>10,187,813</u> |

**POSCO**  
**Note to Non-Consolidated Financial Statements**  
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**(Unaudited)**

(b) Investments in marketable equity securities as of September 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)                                  | 4,452,057        | 5.41                        | ₩ 1,236,858      | ₩ 780,531   | ₩ 780,531   | 743,845    |
| Hana Financial Group Inc.                                  | 4,663,776        | 2.20                        | 29,998           | 157,403     | 157,403     | 153,438    |
| Nippon Steel Corporation (*1)                              | 238,352,000      | 3.50                        | 719,622          | 922,872     | 922,872     | 1,128,734  |
| Hyundai Heavy Industries Co., Ltd.                         | 1,477,000        | 1.94                        | 343,506          | 483,718     | 483,718     | 256,260    |
| Hanil Iron & Steel Co., Ltd.                               | 206,798          | 10.14                       | 2,413            | 3,288       | 3,288       | 2,575      |
| HISTEEL Co., Ltd.  | 135,357          | 9.95                        | 1,609            | 2,843       | 2,843       | 1,895      |
| Moonbae Steel Co., Ltd.                                    | 1,849,380        | 9.02                        | 3,588            | 4,550       | 4,550       | 5,419      |
| Dongyang Steel Pipe Co., Ltd.                              | 1,564,250        | 1.92                        | 3,911            | 2,127       | 2,127       | 1,877      |
| SHINHAN FINANCIAL GROUP Co., Ltd.                          | 4,369,881        | 0.92                        | 228,778          | 190,745     | 190,745     | 188,779    |
| SeAH Steel Corporation                                     | 610,103          | 10.17                       | 18,792           | 27,607      | 27,607      | 22,055     |
| Thainox Stainless Public Company Limited                   | 1,200,000,000    | 15.39                       | 42,301           | 67,536      | 67,536      | 67,658     |
| UNION STEEL Co., Ltd.                                      | 1,005,000        | 9.80                        | 40,212           | 24,371      | 24,371      | 22,110     |
| Macarthur Coal Limited                                     | 21,215,700       | 7.25                        | 420,805          | 275,259     | 275,259     | 249,431    |
| HANJIN SHIPPING Co., Ltd.                                  | 65,132           | 0.08                        | 2,538            | 2,192       | 2,192       | 1,185      |
| HANJIN SHIPPING HOLDINGS Co., Ltd.                         | 11,033           | 0.03                        | 298              | 186         | 186         | 151        |
| KB Financial Group Inc.                                    | 13,115,837       | 3.39                        | 574,524          | 642,676     | 642,676     | 783,015    |
| LG U Plus Corporation (formerly LG Telecom Co., Ltd.) (*2) | 2,671,688        | 0.52                        | 22,683           | 19,690      | 19,690      | -          |
| LG Powercom Corporation (*2)                               | -                | -                           | -                | -           | -           | 21,924     |
| Seoul Semiconductor Co., Ltd.                              | 591,000          | 1.01                        | 24,999           | 25,649      | 25,649      | -          |
|  |                  |                             | ₩ 3,717,435      | ₩ 3,633,243 | ₩ 3,633,243 | 3,650,351  |

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

(\*2) In January 2010, LG Powercom Co., Ltd.'s shares 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.

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**Note to Non-Consolidated Financial Statements**  
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(c) Equity method accounted investments as of September 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 |
|---|------------------|-----------------------------|------------------|----------------|-----------------------------|--------------------------------|----------------|------|
|   |                  |                             |                  | Carrying Value | Equity method Profit (Loss) | Other Increase (Decrease) (*2) | Carrying Value |      |
| <b>Domestic</b>   |                  |                             |                  |                |                             |                                |                |      |
| POSCO E&C Co., Ltd.   | 27,281,080       | 89.53                       | ₩ 365,789        | ₩ 1,063,089    | ₩ 25,448                    | ₩ (5,847)                      | ₩ 1,082,690    |      |
| Posteel Co., Ltd.   | 17,155,000       | 95.31                       | 113,393          | 421,927        | 32,400                      | 8,160                          | 462,487        |      |
| POSCON Co., Ltd. (*3)   | -                | -                           | -                | 70,990         | -                           | (70,990)                       | -              |      |
| POSCO Coated & Color Steel Co., Ltd.  | 3,412,000        | 56.87                       | 82,017           | 108,421        | (2,618)                     | -                              | 105,803        |      |
| POSCO Plant Engineering Co., Ltd. (*4)  | 2,700,000        | 100.00                      | 27,052           | 24,276         | (522)                       | 10,342                         | 34,096         |      |
| POSCO ICT Co., Ltd. (*3)  | 99,403,282       | 72.54                       | 102,571          | -              | 1,339                       | 48,354                         | 49,693         |      |
| POSCO Research Institute  | 3,800,000        | 100.00                      | 19,000           | 23,553         | 921                         | -                              | 24,474         |      |
| Seoung Gwang Co., Ltd.  | 2,737,000        | 69.38                       | 28,408           | 29,928         | 1,653                       | -                              | 31,581         |      |
| POSCO Architects & Consultants Co., Ltd.  | 340,000          | 100.00                      | 2,143            | 17,734         | 2,320                       | (178)                          | 19,876         |      |
| POSCO Specialty Steel Co., Ltd.   | 26,000,000       | 100.00                      | 260,000          | 628,842        | 93,029                      | (4,068)                        | 717,803        |      |
| POSCO Machinery Co., Ltd. (*4)  | -                | -                           | -                | 9,059          | -                           | (9,059)                        | -              |      |
| POSTECH Venture Capital Corp.   | 5,700,000        | 95.00                       | 28,500           | 33,779         | (323)                       | 340                            | 33,796         |      |
| POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.) | 3,544,200        | 60.00                       | 41,210           | 100,535        | 20,766                      | (2,689)                        | 118,612        |      |
| POSCO Terminal Co., Ltd.  | 2,550,000        | 51.00                       | 12,750           | 23,674         | 5,655                       | (638)                          | 28,691         |      |
| POSCO Power Corp.   | 40,000,000       | 85.71                       | 597,170          | 649,148        | (28,427)                    | 59,671                         | 680,392        |      |
| SNNC Co., Ltd.  | 18,130,000       | 49.00                       | 90,650           | 100,655        | 44,996                      | (12,481)                       | 133,170        |      |
| POSCO TMC Co., Ltd. (formerly, POSCORE Co., Ltd.) (*5)                            | 2,030,456        | 34.20                       | 26,142           | -              | 577                         | 28,444                         | 29,021         |      |
| PNR Co., Ltd.   | 5,467,686        | 70.00                       | 27,339           | 25,720         | (9,665)                     | -                              | 16,055         |      |
| POSCOAST Co., Ltd.  | 3,400,000        | 85.00                       | 70,034           | 75,603         | 72                          | (51)                           | 75,624         |      |
| POS-HiMETAL CO., Ltd  | 5,200,000        | 65.00                       | 26,000           | 5,837          | (2,258)                     | 19,404                         | 22,983         |      |
| POSCO E&E Co., Ltd.   | 3,480,000        | 100.00                      | 17,400           | 17,303         | 317                         | -                              | 17,620         |      |
| Sungjin Geotec Co., Ltd. (*5)   | 12,345,110       | 35.24                       | 159,878          | -              | (11,686)                    | 159,649                        | 147,963        |      |
| POSCO Family Strategy Fund (*5)   | 20,000,000       | 69.93                       | 20,000           | -              | (33)                        | 20,000                         | 19,967         |      |
| Daewoo International Co., Ltd. (*5)   | 68,681,566       | 68.15                       | 3,381,015        | -              | 79                          | 3,381,015                      | 3,381,094      |      |
| POSCO LED Co., Ltd (*5)   | 1,002,000        | 16.70                       | 5,000            | -              | -                           | 5,000                          | 5,000          |      |
| Others  |                  |                             | 12,814           | 22,793         | 1,644                       | (64)                           | 24,373         |      |
|   |                  |                             | 5,516,275        | 3,452,866      | 175,684                     | 3,634,314                      | 7,262,864      |      |
| <b>Foreign</b>  |                  |                             |                  |                |                             |                                |                |      |
| POSCO America Corporation   | 371,052          | 99.45                       | 316,941          | 113,510        | (24,812)                    | 9,816                          | 98,514         |      |
| POSCO Australia Pty. Ltd.   | 761,775          | 100.00                      | 37,352           | 330,623        | 31,923                      | 48,703                         | 411,249        |      |
| POSCO Asia Co., Ltd.  | 9,360,000        | 100.00                      | 7,425            | 32,189         | 4,625                       | 1,129                          | 37,943         |      |
| Zhangjiagang Pohang Stainless Steel Co., Ltd. (*6)                                | -                | 58.60                       | 216,542          | 283,845        | 13,477                      | (436)                          | 296,886        |      |
| Guangdong Pohang Coated Steel Co., Ltd. (*6)                                      | -                | 87.04                       | 45,503           | 31,299         | 9,580                       | (69)                           | 40,810         |      |
| POSCO (Thailand) Co., Ltd.  | 12,721,734       | 85.62                       | 39,677           | 25,945         | 4,999                       | 2,267                          | 33,211         |      |

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| <i>(in millions of Won)</i> | Investees (*1)   | Number of Shares | Percentage of Ownership (%) | Acquisition Cost | 2009           |   |                                | 2010           |
|-----------------------------|--|------------------|-----------------------------|------------------|----------------|---|--------------------------------|----------------|
|                             |  |                  |                             |                  | Carrying Value | Increase (Decrease) Equity method Profit (Loss) | Other Increase (Decrease) (*2) | Carrying Value |
|                             | KOBRASCO   | 2,010,719,185    | 50.00                       | 32,950           | 98,962         | 41,479  | (10,954)                       | 129,487        |
|                             | POSCO Investment Co., Ltd.                                     | 5,000,000        | 100.00                      | 53,189           | 85,521         | 6,014   | (996)                          | 90,539         |
|                             | Poschrome (Proprietary) Limited                                | 21,675           | 25.00                       | 4,859            | 15,090         | 1,145   | 641                            | 16,876         |
|                             | POSCO-MKPC SDN. BHD.   | 25,269,900       | 44.69                       | 12,574           | 17,550         | 157   | 1,622                          | 19,329         |
|                             | Qingdao Pohang Stainless Steel Co., Ltd. (*6)                  | -                | 70.00                       | 71,463           | 65,982         | 818   | (128)                          | 66,672         |
|                             | POSCO (Suzhou) Automotive Processing Center Co., Ltd. (*6)     | -                | 90.00                       | 31,023           | 49,429         | 4,441   | (5,329)                        | 48,541         |
|                             | POSCO-China Holding Corp. (*6)                                 | -                | 100.00                      | 164,418          | 208,413        | 5,398   | (585)                          | 213,226        |
|                             | POSCO-Japan Co., Ltd.  | 90,438           | 100.00                      | 50,558           | 68,436         | 2,492   | 7,499                          | 78,427         |
|                             | POSCO-India Private Ltd.                                       | 450,000,000      | 100.00                      | 110,287          | 108,538        | -   | 1,310                          | 109,848        |
|                             | POSCO-India Pune Steel Processing Centre Pvt. Ltd.             | 74,787,138       | 65.00                       | 17,017           | 15,016         | (1,139)   | 376                            | 14,253         |
|                             | Nickel Mining Company SAS                                      | 3,234,698        | 49.00                       | 157,585          | 189,197        | 8,287   | (15,222)                       | 182,262        |
|                             | POSCO-Vietnam Co., Ltd. (*6)                                   | -                | 85.00                       | 198,578          | 154,691        | (64,987)  | (10,198)                       | 79,506         |
|                             | POSCO-Mexico Co., Ltd.   | 1,304,955,672    | 84.67                       | 117,950          | 62,581         | (10,222)  | 1,185                          | 53,544         |
|                             | Zhongyue POSCO (Qinhuangdao) Tinline Industrial Co., Ltd. (*6) | -                | 24.00                       | 6,718            | 11,003         | 1,590   | (18)                           | 12,575         |
|                             | POSCO Vietnam Processing Center Co., Ltd. (*6)                 | -                | 89.58                       | 19,948           | 11,425         | 2,054   | 3,579                          | 17,058         |
|                             | BX STEEL POSCO Cold Rolled Sheet Co., Ltd. (*6)                | -                | 25.00                       | 61,961           | 63,865         | 19,761  | (118)                          | 83,508         |
|                             | POSCO-Malaysia SDN. BHD. (*7)                                  | 98,486,000       | 60.00                       | 47,551           | -              | (9,777)   | 19,408                         | 9,631          |
|                             | POSCO (Wuhu) Automotive Processing Center Co., Ltd. (*6)       | -                | 68.57                       | 10,026           | 11,534         | 74  | (30)                           | 11,578         |
|                             | POSCO VST Co., Ltd. (*6)                                       | -                | 90.00                       | 77,068           | 71,901         | (16,070)  | (2,473)                        | 53,358         |
|                             | POSCO Maharashtra Steel Private Limited (*8)                   | 26,672,722       | 100.00                      | 80,627           | -              | (856)   | 81,179                         | 80,323         |
|                             | POSCO India Chennai Steel Processing Centre Pvt. Ltd. (*8)     | 12,250,000       | 100.00                      | 14,924           | -              | (973)   | 14,808                         | 13,835         |
|                             | POSCO Turkey Nilufer Processing Centre Co., Ltd. (*8)          | 242,444          | 100.00                      | 19,983           | -              | (1,848)   | 19,006                         | 17,158         |
|                             | POSCO Vietnam Hanoi Processing Centre Co., Ltd. (*6,8)         | -                | 70.00                       | 5,584            | -              | (467)   | 5,465                          | 4,998          |
|                             | POSCO (Liaoning) Automotive Processing Centre Co., Ltd. (*6,8) | -                | 90.00                       | 16,952           | -              | (89)  | 16,162                         | 16,073         |
|                             | POSCO-Indonesia Jakarta Processing Centre Co., Ltd. (*5)       | 8,139,119        | 65.00                       | 2,926            | -              | (682)   | 3,001                          | 2,319          |
|                             | POSCO China Dalian Plate Processing Center Ltd. (*6,5)         | -                | 48.45                       | 32,992           | -              | (975)   | 33,381                         | 32,406         |
|                             | POSCO WA PTY. LTD. (*5)  | 188,752,130      | 100.00                      | 199,176          | -              | (3,242)   | 208,582                        | 205,340        |
|                             | Others   |                  |                             | 64,703           | 53,807         | 10,282  | 12,877                         | 76,966         |
|                             |  |                  |                             | 2,347,030        | 2,180,352      | 32,457  | 445,440                        | 2,658,249      |
|                             |  |                  |                             | ₩ 7,863,305      | ₩ 5,633,218    | ₩ 208,141                                       | ₩ 4,079,754                    | ₩ 9,921,113    |

**POSCO**  
**Note to Non-Consolidated Financial Statements**  
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**(Unaudited)**

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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 September 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 nine-month period ended Sep 30, 2010.
  - (\*6) No shares have been issued in accordance with the local laws or regulations.
  - (\*7) The Acquisition Cost of these subsidiaries are composed of common stocks in the amount of ₩ 33,098 million and preferred stocks in the amount of ₩ 14,453 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 nine-month period ended September 30, 2010, amortization of goodwill amounted to ₩ 31,404 million and the realized profit less the elimination of the unrealized profit from intercompany transactions amounted to ₩ 252,239 million.
- (e) In order to enhance its competitiveness through securing the export capability and to create the synergy effect between the Company and its family subsidiaries, on August 30, 2010, the Company entered into the stock sales contract with Daewoo International Corporation's shareholders including Korea Asset Management Corporation after the resolution of the Board of Directors on April 23, 2010, and obtained an approval from the Fair Trade Commission Republic of Korea for business acquisition on September 13, 2010. The Company is in the process of measuring the goodwill which is conducted by an external valuation firm for Daewoo International Corporation.

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The summary of financial statements for the prior fiscal year, and for the nine-month period ended, and as of September 30, 2010, which is the acquisition date for business combination accounting are as follows:

a. Summarized statements of financial position

(in millions of Won)

|  | <u>September, 30, 2010(*)</u> | <u>December, 31, 2009</u> |
|--|-------------------------------|---------------------------|
| Current assets                             | ₩ 2,289,376                   | 1,757,421                 |
| Non-current assets                         | 2,331,577                     | 2,127,755                 |
| Total assets                               | <u>4,620,953</u>              | <u>3,885,176</u>          |
| Current liabilities                        | 2,369,955                     | 1,449,598                 |
| Non-current liabilities                    | 782,773                       | 1,045,847                 |
| Total liabilities                          | <u>3,152,728</u>              | <u>2,495,445</u>          |
| Total shareholders' equity                 | <u>1,468,225</u>              | <u>1,389,731</u>          |
| Total liabilities and shareholders' equity | <u>₩ 4,620,953</u>            | <u>3,885,176</u>          |

b. Summarized statements of income

(in millions of Won)

|                                     | <u>For the nine-month<br/>period ended(*)</u> | <u>For the year ended</u> |
|-------------------------------------|---|---------------------------|
| Sales                               | ₩ 11,577,047                                  | 11,147,952                |
| Cost of goods sold                  | 10,919,446                                    | 10,390,672                |
| Gross profit                        | <u>657,601</u>                                | <u>757,280</u>            |
| Selling and administrative expenses | 516,560                                       | 585,943                   |
| Operating profit                    | <u>141,041</u>                                | <u>171,337</u>            |
| Non-operating income, net           | (80,451)                                      | 7,521                     |
| Income before income taxes          | 60,590  | 178,858                   |
| Income tax expense                  | 37,271  | 54,244                    |
| Net income                          | <u>₩ 23,319</u>                               | <u>124,614</u>            |

(\*) This financial information was not reviewed.

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**Note to Non-Consolidated Financial Statements**  
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**(Unaudited)**

**8. Property, Plant and Equipment**

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

| <i>(in millions of Won)</i> | <b>Beginning</b> |                   | <b>Acquisition (*1)</b> |                  | <b>Disposal</b> |                 | <b>Others (*2)</b> |                    | <b>Depreciation</b> |                    | <b>Ending</b>  |                   |
|-----------------------------|------------------|-------------------|-------------------------|------------------|-----------------|-----------------|--------------------|--------------------|---------------------|--------------------|----------------|-------------------|
|                             | <b>Balance</b>   |                   |                         |                  |                 |                 |                    |                    |                     |                    | <b>Balance</b> |                   |
| Land                        | ₩                | 961,869           | ₩                       | 152,603          | ₩               | (9)             | ₩                  | (4,389)            | ₩                   | -                  | ₩              | 1,110,074         |
| Buildings                   |                  | 1,998,510         |                         | 618,133          |                 | (7,104)         |                    | 4,576              |                     | (141,773)          |                | 2,472,342         |
| Structures                  |                  | 1,479,920         |                         | 313,193          |                 | (3,058)         |                    | -                  |                     | (94,249)           |                | 1,695,806         |
| Machinery and equipment     |                  | 8,270,432         |                         | 2,229,926        |                 | (16,440)        |                    | -                  |                     | (1,368,050)        |                | 9,115,868         |
| Vehicles                    |                  | 16,803            |                         | 3,527            |                 | (105)           |                    | -                  |                     | (6,367)            |                | 13,858            |
| Tools                       |                  | 16,737            |                         | 5,802            |                 | -               |                    | -                  |                     | (5,943)            |                | 16,596            |
| Furniture and fixtures      |                  | 50,057            |                         | 15,034           |                 | (3)             |                    | (187)              |                     | (13,183)           |                | 51,718            |
| Capital Lease Assets        |                  | 9,555             |                         | -                |                 | -               |                    | -                  |                     | (478)              |                | 9,077             |
| Construction-in-progress    |                  | 3,841,711         |                         | 3,165,025        |                 | -               |                    | (3,373,868)        |                     | -                  |                | 3,632,868         |
|                             | ₩                | <u>16,645,594</u> | ₩                       | <u>6,503,243</u> | ₩               | <u>(26,719)</u> | ₩                  | <u>(3,373,868)</u> | ₩                   | <u>(1,630,043)</u> | ₩              | <u>18,118,207</u> |

(\*1) Includes acquisition cost transferred from construction-in-progress amounting to ₩ 3,373,868 million.

(\*2) Represents 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 Gwangyang Sintering plates and Coke establishment plates amounted to ₩ 3,165,025 million for the nine-month period ended September 30, 2010.

**9. Intangible Assets**

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

| <i>(in millions of Won)</i>  | <b>2010</b> |                | <b>2009</b> |                |
|------------------------------|-------------|----------------|-------------|----------------|
| Intellectual property rights | ₩           | 4,601          |             | 3,028          |
| Port facilities usage rights |             | 116,475        |             | 100,144        |
| Other intangible assets (*1) |             | 47,334         |             | 48,657         |
|                              | ₩           | <u>168,410</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 September 30, 2010, government bonds and bonds issued by Seoul Metropolitan Rapid Transit Corp., amounting to ₩ 29,812 million and ₩ 1,962 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 September 30, 2010, 2,100,486 shares, equivalent to 18,994,379 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 September 30, 2010 and December 31, 2009 are as follows:

| <i>(in millions of Won)</i> | <u>2010</u> |           | <u>2009</u> |              |
|-----------------------------|-------------|-----------|-------------|--------------|
| Korea Development Bank      | EUR         | 3,489,568 | ₩           | 5,430        |
|                             |             |           |             | 3,964,241    |
|                             |             |           |             | <u>6,637</u> |

**11. Other Assets**

Other current and other long-term assets as of September 30, 2010 and December 31, 2009 are as follows:

| <i>(in millions of Won)</i>           | <u>2010</u> |                | <u>2009</u> |               |
|---------------------------------------|-------------|----------------|-------------|---------------|
| <b>Other current assets</b>           |             |                |             |               |
| Short-term loans receivable           | ₩           | 6,100          |             | -             |
| Accrued income                        |             | 27,384         |             | 49,987        |
| Advanced payments                     |             | 6,066          |             | 11,943        |
| Prepaid expense                       |             | 70,015         |             | 8,465         |
| Others                                |             | 258            |             | -             |
|                                       | ₩           | <u>109,823</u> |             | <u>70,395</u> |
| <b>Other long-term assets</b>         |             |                |             |               |
| Long-term loans receivable            | ₩           | 43,688         |             | 24,554        |
| Guarantee deposits                    |             | 2,160          |             | 1,771         |
| Others (*)                            |             | 333,636        |             | 62,485        |
|                                       |             | 379,484        |             | 88,810        |
| Less: Allowance for doubtful accounts |             | (53)           |             | (692)         |
|                                       | ₩           | <u>379,431</u> |             | <u>88,118</u> |

(\*) Includes payments to acquire interests in Roy Hill Holdings Pty. Ltd. amounting to ₩ 257,878 million.

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

(a) Short-term borrowings as of September 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>        |                  |
|-----------------------------|---------------------------------|-------------|---------------|--------------------|------------------|
| Foreign currency borrowings | 1.14 ~ 1.64                     | USD         | 1,019,974,758 | 1,164,811          | 369,055,984      |
|                             |                                 |             |               | <u>₩ 1,164,811</u> | <u>₩ 430,910</u> |

(b) Current portion of long-term debts as of September 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   | 990              | 636,350        |
|   |                                 |             |           | <u>800,990</u>   | <u>1,065</u>   |
| Less: Discount on debentures issued       |                                 |             |           | <u>(992)</u>     | <u>-</u>       |
|   |                                 |             |           | <u>₩ 799,998</u> | <u>₩ 1,065</u> |

**13. Long-Term Debts**

(a) Debentures as of September 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~    | Mar. 28, 2011~  | 4.81 ~ 6.52                 | KRW         | 2,800,000 ₩    | 2,800,000          | 2,300,000        |
| 9th Samurai Bonds               | Jun. 28, 2006     | Jun. 28, 2013   | 2.05                        | JPY         | 50,000,000,000 | 681,670            | 50,000,000,000   |
| Euro Bonds                      | Aug. 10, 2006     | Aug. 10, 2016   | 5.88                        | USD         | 300,000,000    | 342,600            | 300,000,000      |
| Exchangeable bonds (*1)         | Aug. 19, 2008     | Aug. 19, 2013   | -                           | JPY         | 52,795,000,000 | 719,775            | 52,795,000,000   |
| Yen dominated FRN               | Nov. 11, 2008     | Nov. 11, 2011   | 6 Months Tibor+2.60         | JPY         | 20,000,000,000 | 272,668            | 20,000,000,000   |
| 1st Samurai Private Equity      | Dec. 29, 2008     | Dec. 29, 2011   | 6 Months Tibor+1.60         | JPY         | 50,000,000,000 | 681,670            | 50,000,000,000   |
| Global Bonds                    | Mar. 26, 2009     | Mar. 26, 2014   | 8.75                        | USD         | 700,000,000    | 799,400            | 700,000,000      |
|                                 |                   |                 |                             |             |                | <u>6,297,783</u>   | <u>5,649,690</u> |
| Add: Premium on bond redemption |                   |                 |                             |             |                | 10,869             | 10,067           |
| Less: Current portion           |                   |                 |                             |             |                | (800,000)          | -                |
| Discount on debentures issued   |                   |                 |                             |             |                | <u>(54,349)</u>    | <u>(64,917)</u>  |
|                                 |                   |                 |                             |             |                | <u>₩ 5,454,303</u> | <u>5,594,840</u> |

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(\*1) The Company issued exchangeable bonds, which are exchangeable with 18,994,379 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 September 30, 2010: | JPY 221,739,000   |
| ADRs exchangeable as of September 30, 2010:                   | ADR 18,994,379  |
| Exercise period of exchangeable right:                        | Commencing ten business days following the issuance date until ten business days prior to maturity date |
| Exercisable date of put by bondholders:                       | August 19, 2011   |

The Company issued exchangeable bonds which is exchangeable with SK Telecom Co., Ltd. ADRs through Zeus (Cayman) Ltd., a SPV. The 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 September 30, 2010 and December 31, 2009 are as follows:

| <i>(in millions of Won)</i>              | <b>Annual Interest Rate (%)</b>            | <b>2010</b>     | <b>2009</b>   |
|--|--|-----------------|---------------|
| 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 September 30, 2010 and December 31, 2009 are as follows:

| <i>(in millions of Won)</i>          | <b>Annual Interest Rate (%)</b>     | <b>2010</b> |             | <b>2009</b> |         |           |       |
|--------------------------------------|-------------------------------------|-------------|-------------|-------------|---------|-----------|-------|
| Korea National Oil Corporation (*1)  | Representative borrowing rate- 2.25 | USD         | 4,549,590   | ₩           | 5,578   | 4,549,590 | 5,578 |
| The Export-Import Bank of Korea (*2) | 4.50                                | USD         | 153,000,000 |             | 174,726 | -         | -     |
| The Export-Import Bank of Korea (*3) | 4.09                                | USD         | 165,100,000 |             | 188,544 | -         | -     |
|                                      |                                     |             |             | ₩           | 368,848 |           | 5,578 |

(\*1) The borrowing is related to the exploration of gas fields 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.

(\*3) The borrowing is related to the API iron development work in Australia.

(d) Loans from foreign financial institutions as of September 30, 2010 and December 31, 2009 are as follows:

| <i>(in millions of Won)</i> | <b>Annual Interest Rate (%)</b> | <b>2010</b> |           | <b>2009</b> |       |           |   |         |
|-----------------------------|---------------------------------|-------------|-----------|-------------|-------|-----------|---|---------|
| NATIXIS                     | 2.00                            | EUR         | 3,489,568 | ₩           | 5,430 | 3,964,241 | ₩ | 6,637   |
| Less: Current portion       |                                 | EUR         | (636,350) |             | (990) | (636,350) |   | (1,065) |
|                             |                                 |             |           | ₩           | 4,440 |           | ₩ | 5,572   |

(e) Aggregate maturities of long-term debts as of September 30, 2010 are as follows:

| <i>(in millions of Won)</i> | <b>Debtures (*)</b> |           | <b>Borrowings</b> |        | <b>Foreign Currency Borrowings</b> |         | <b>Loans from Foreign Financial Institutions</b> |       | <b>Total</b> |           |
|-----------------------------|---------------------|-----------|-------------------|--------|------------------------------------|---------|--|-------|--------------|-----------|
| Sep. 30,                    |                     |           |                   |        |                                    |         |  |       |              |           |
| 2011                        | ₩                   | 800,000   | ₩                 | -      | ₩                                  | -       | ₩  | 990   | ₩            | 800,990   |
| 2012                        |                     | 1,454,338 |                   | 6,173  |                                    | -       |  | 990   |              | 1,461,501 |
| 2013                        |                     | 1,912,314 |                   | 10,099 |                                    | 24,025  |  | 990   |              | 1,947,428 |
| 2014                        |                     | 1,299,400 |                   | 12,171 |                                    | 129,132 |  | 990   |              | 1,441,693 |
| Thereafter                  |                     | 842,600   |                   | 62,905 |                                    | 215,691 |  | 1,470 |              | 1,122,666 |
|                             | ₩                   | 6,308,652 | ₩                 | 91,348 | ₩                                  | 368,848 | ₩  | 5,430 | ₩            | 6,774,278 |

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

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**14. Accrued Severance Benefits**

The changes in accrued severance benefits for the nine-month period ended September 30, 2010 and the year ended December 31, 2009 are as follows:

| <i>(in millions of Won)</i>   | <b>2010</b>      | <b>2009</b>    |
|---|------------------|----------------|
| <b>Estimated severance benefits at the beginning of period / year</b> | ₩ 784,357        | 851,391        |
| Accrual for severance benefits  | 208,184          | 3,320          |
| Payment   | (49,456)         | (70,354)       |
| <b>Estimated severance benefits at the end of period / year</b>       | <u>₩ 943,085</u> | <u>784,357</u> |
| Transferred to National Pension Fund                                  | (82)             | (82)           |
| Deposit for severance benefits trust                                  | (605,904)        | (599,088)      |
| <b>Net balance at the end of period / year</b>                        | <u>₩ 337,099</u> | <u>185,187</u> |

**15. Other Current Liabilities**

Other current liabilities as of September 30, 2010 and December 31, 2009 are as follows:

| <i>(in millions of Won)</i> | <b>2010</b>     | <b>2009</b>   |
|-----------------------------|-----------------|---------------|
| Other current liabilities   |                 |               |
| Advances received           | ₩ 40,797        | 25,615        |
| Unearned revenue            | 5,027           | 2,012         |
| Others                      | 36,930          | 6,177         |
|                             | <u>₩ 82,754</u> | <u>33,804</u> |

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**16. Commitments and Contingencies**

- (a) As of September 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>                |                                 | <b>2010</b>       |                |                       |                   | <b>2009</b>           |         |           |
|--|---------------------------------|-------------------|----------------|-----------------------|-------------------|-----------------------|---------|-----------|
| <b>Company</b>                             | <b>Financial Institution</b>    | <b>Guaranteed</b> |                | <b>Won Equivalent</b> | <b>Guaranteed</b> | <b>Won Equivalent</b> |         |           |
| <b>Related companies</b>                   |                                 |                   |                |                       |                   |                       |         |           |
| POSCO Investment Co., Ltd.                 | HSBC                            | USD               | 464,000,000    | ₩                     | 726,377           | 346,000,000           | 607,184 |           |
|  |                                 | MYR               | 240,000,000    |                       |                   | 280,000,000           |         |           |
|  |                                 | CNY               | 630,000,000    |                       |                   | 630,000,000           |         |           |
| POSCO-Vietnam Co., Ltd.                    | The Export-Import Bank of Korea | USD               | 230,000,000    |                       | 328,192           | 230,000,000           | 329,249 |           |
|  |                                 | JPY               | 4,806,750,000  |                       |                   | 4,806,750,000         |         |           |
|  |                                 |                   |                |                       | 1,054,569         |                       | 936,433 |           |
| <b>Others</b>                              |                                 |                   |                |                       |                   |                       |         |           |
| Zeus (Cayman) Ltd.                         | Related creditors               | JPY               | 52,795,000,000 |                       | 719,775           | 52,795,000,000        | 666,706 |           |
| United Spiral Pipe                         | Comerica Bank                   | USD               | 8,750,000      |                       | 9,993             | -                     | -       |           |
| BX STEEL POSCO Cold Rolled Sheet Co., Ltd. | Bank of China and others        | USD               | 11,760,000     |                       | 78,328            | 13,800,000            | 77,554  |           |
|  |                                 | CNY               | 379,920,000    |                       |                   | 359,180,000           |         |           |
|  |                                 |                   |                |                       | 808,096           |                       | 744,260 |           |
|  |                                 |                   |                |                       | ₩                 | 1,862,665             | ₩       | 1,680,693 |

- (b) As of September 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 September 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 ₩ 5,076 million for the nine-month period ended September 30, 2010.
- (e) The Company is involved in 12 lawsuits and claims for alleged damages aggregating to ₩ 8,272 million as of September 30, 2010 which arose in the ordinary course of business. The Company is unable to predict the ultimate outcome of the above claims. However, in the opinion of management, the foregoing lawsuits and claims will not have a material adverse effect on the Company's financial position, operating results or cash flows. No provision is recorded in connection with the above lawsuits and claims as of September 30, 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 September 30, 2010, 323 million tons of iron ore and 50 million tons of coal remain 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 specific price level provided in the agreement.
- (h) The Company has bank overdraft agreements of up to ₩ 200,000 million with Woori Bank and six other banks as of September 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 September 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\$ 1,000 million and US\$ 1,300 million in foreign short-term borrowings.
- (j) The outstanding balance of accounts receivable in foreign currency sold to financial institutions as of September 30, 2010 amounted to US\$ 249 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 amounts 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 the money borrowed if the project fails and also the Company has agreed to pay a certain portion of its profits under certain conditions as defined by the 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. for construction of new power plants.

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**17. Derivatives**

(a) Details of derivatives as of September 30, 2010 are as follows:

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

(\*) The Company applied derivative accounting for exchangeable right to investors related to exchangeable bonds issued in August 19, 2008 which meets certain criteria of embedded derivatives. Fair values of exchangeable right are ₩ 2,133 million (JPY 168,944,000) as of December 31, 2009 and ₩ 3,023 million (JPY 221,739,000) as of September 30, 2010. This exchangeable right is included in other long-term liabilities.

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

| <i>(in millions of Won)</i><br><b>Type of Transaction</b> | <b>Valuation Gain (Loss)</b> |             | <b>Transaction Gain</b> |             |
|---|------------------------------|-------------|-------------------------|-------------|
|   | <b>2010</b>                  | <b>2009</b> | <b>2010</b>             | <b>2009</b> |
| Currency forward (Swaps)                                  | ₩ -                          | -           | ₩ 26,737                | 14,177      |
| Embedded derivative                                       | (890)                        | 6,337       | -                       | -           |
|   | ₩ (890)                      | 6,337       | ₩ 26,737                | 14,177      |

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

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

- (b) Expense (or income) related to stock appreciation rights granted to executives incurred for the nine-month period ended September 30, 2010 is as follows:

| <i>(in millions of Won)</i> | <u>1<sup>st</sup> Grant</u> | <u>2<sup>nd</sup> Grant</u> | <u>3<sup>rd</sup> Grant</u> | <u>4<sup>th</sup> Grant</u> | <u>5<sup>th</sup> Grant</u> | <u>6<sup>th</sup> Grant</u> | <u>Total</u>     |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------|
| Prior periods               | ₩ 59,945                    | ₩ 10,780                    | ₩ 6,071                     | ₩ 31,896                    | ₩ 81,239                    | ₩ 31,694                    | ₩ 221,625        |
| Current period              | -                           | -                           | -                           | (32)                        | (5,711)                     | (2,188)                     | (7,931)          |
|                             | <u>₩ 59,945</u>             | <u>₩ 10,780</u>             | <u>₩ 6,071</u>              | <u>₩ 31,864</u>             | <u>₩ 75,528</u>             | <u>₩ 29,506</u>             | <u>₩ 213,694</u> |

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**19. Selling and Administration Expenses**

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

*(in millions of Won)*

|                                  | For the three-month periods<br>ended September 30 |         | For the nine-month periods<br>ended September 30 |         |
|----------------------------------|---|---------|--|---------|
|                                  | 2010  | 2009    | 2010   | 2009    |
| Selling expenses                 | ₩ 197,469   | 164,257 | 557,205  | 473,468 |
| Fees and charges                 | 36,993  | 28,191  | 104,573  | 83,385  |
| Salaries and wages               | 39,963  | 23,848  | 112,205  | 71,449  |
| Advertising                      | 21,000  | 16,674  | 61,942   | 50,778  |
| Research and development         | 18,715  | 30,405  | 62,236   | 40,453  |
| Depreciation                     | 4,121   | 3,668   | 11,477   | 11,177  |
| Amortization                     | 3,799   | 4,094   | 11,549   | 11,824  |
| Rent                             | 6,635   | 4,697   | 19,109   | 13,822  |
| Other employ benefits            | 12,482  | 22,410  | 39,674   | 54,765  |
| Provision for severance benefits | 11,267  | 37      | 30,694   | 3,804   |
| Supplies                         | 2,168   | 501     | 6,195  | 3,431   |
| Travel                           | 5,461   | 3,155   | 14,406   | 8,696   |
| Training                         | 6,215   | 3,538   | 16,223   | 9,167   |
| Repairs                          | 6,520   | 5,265   | 11,880   | 8,116   |
| Communications                   | 2,174   | 1,809   | 6,040  | 5,541   |
| Vehicle expenses                 | 1,652   | 1,448   | 4,663  | 4,172   |
| Taxes and public dues            | 952   | 1,356   | 3,139  | 3,322   |
| Entertainment                    | 1,448   | 724     | 3,847  | 2,271   |
| Subscriptions and printing       | 503   | 557     | 1,737  | 1,531   |
| Utilities                        | 342   | 108     | 856  | 294     |
| Others                           | 7,931   | 16,165  | 15,241   | 34,524  |
|                                  | ₩ 387,810   | 332,907 | 1,094,891  | 895,990 |

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**20. Income Taxes**

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

| <i>(in millions of Won)</i>                    | <b>2010</b>      | <b>2009</b>    |
|--|------------------|----------------|
| Current income taxes                           | ₩ 754,929        | 294,757        |
| Deferred income taxes                          | 72,384           | 132,286        |
| Carryforward income tax                        | 77,855           | (147,876)      |
| Items charged directly to shareholders' equity | (32,973)         | (115,125)      |
|  | <u>₩ 872,195</u> | <u>164,042</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 nine-month periods ended September 30, 2010 and 2009:

| <i>(in millions of Won)</i>                   | <b>2010</b>      | <b>2009</b>    |
|---|------------------|----------------|
| Net income before income tax expense          | ₩ 4,549,617      | 2,060,979      |
| Income tax expense computed at statutory rate | 1,100,991        | 498,740        |
| Adjustments:                                  |                  |                |
| Tax credit                                    | (175,307)        | (200,406)      |
| Income tax refunds                            | -                | (140,442)      |
| Others, net                                   | (53,489)         | 6,150          |
| Income tax expense                            | <u>₩ 872,195</u> | <u>164,042</u> |
| Effective tax rate (%)                        | <u>19.2%</u>     | <u>8.0%</u>    |

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(c) Changes in temporary differences and deferred income taxes for the nine-month period ended September 30, 2010 are as follows:

(in millions of Won)

|   | Temporary differences |                    |                      | Deferred income tax |                    |                    |
|---|-----------------------|--------------------|----------------------|---------------------|--------------------|--------------------|
|   | Dec. 31, 2009         | Inc. (dec.)(*1)    | September 30, 2010   | Dec. 31, 2009       | Inc. (dec.)(*1)    | September 30, 2010 |
| Deductible (taxable) temporary differences:                         |                       |                    |                      |                     |                    |                    |
| Reserve for special repairs   | ₩ (173,990)           | ₩ 11,002           | ₩ (162,988)          | ₩ (39,500)          | ₩ 2,662            | ₩ (36,838)         |
| Reserve for technology developments                                 | (800,000)             | (400,000)          | (1,200,000)          | (176,000)           | (88,000)           | (264,000)          |
| Dividend income from related companies                              | 461,399               | 49,082             | 510,481              | 101,508             | 10,798             | 112,306            |
| Depreciation expense  | (357,064)             | 31,909             | (325,155)            | (78,445)            | 5,270              | (73,175)           |
| Valuation of equity method accounted investments (*2)               | (1,492,065)           | (205,838)          | (1,697,903)          | (236,119)           | (2,888)            | (239,007)          |
| Prepaid expenses  | 73,375                | 25,717             | 99,092               | 17,756              | 6,224              | 23,980             |
| Impairment loss on property, plant and equipment                    | 35,696                | (1,456)            | 34,240               | 7,998               | (390)              | 7,608              |
| Loss on foreign currency translation                                | 190,953               | 91,440             | 282,393              | 39,783              | 20,759             | 60,542             |
| Others  | 474,039               | 27,971             | 502,010              | 99,140              | 6,154              | 105,294            |
|   | <u>₩ (1,587,657)</u>  | <u>₩ (370,173)</u> | <u>₩ (1,957,830)</u> | <u>₩ (263,879)</u>  | <u>₩ (39,411)</u>  | <u>₩ (303,290)</u> |
| Deferred income taxes recognized directly to equity:                |                       |                    |                      |                     |                    |                    |
| Capital adjustment arising from equity method accounted investments | (655,122)             | (167,702)          | (822,824)            | (144,127)           | (36,895)           | (181,022)          |
| Gain on valuation of available-for-sale securities                  | (835,211)             | 167,344            | (667,867)            | (183,746)           | 36,815             | (146,931)          |
| Loss on valuation of available-for-sale securities                  | 868,159               | (149,518)          | 718,641              | 190,995             | (32,893)           | 158,102            |
|   | <u>₩ (622,174)</u>    | <u>₩ (149,876)</u> | <u>₩ (772,050)</u>   | <u>₩ (136,878)</u>  | <u>₩ (32,973)</u>  | <u>₩ (169,851)</u> |
| Deferred tax from tax credit:                                       |                       |                    |                      |                     |                    |                    |
| Tax credit  |                       |                    |                      | 286,556             | (77,855)           | 208,701            |
|   |                       |                    |                      | <u>₩ (114,201)</u>  | <u>₩ (150,239)</u> | <u>₩ (264,440)</u> |

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

(\*2) As of September 30, 2010, deductible temporary differences of ₩ 475,206 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 September 30, 2010 is as follows:

(in millions of Won)

|                                       | Current          | Non-current        | Total              |
|---------------------------------------|------------------|--------------------|--------------------|
| Deferred tax assets                   | ₩ 232,681        | ₩ 476,876          | ₩ 709,557          |
| Deferred tax liabilities              | (25,037)         | (948,960)          | (973,997)          |
| Net deferred tax assets (liabilities) | <u>₩ 207,644</u> | <u>₩ (472,084)</u> | <u>₩ (264,440)</u> |

(e) Income tax expense which is directly charged to shareholders' equity due to changes in valuation of available-for-sale securities for the nine-month period ended September 30, 2010 amounted to ₩ 32,973 million.

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**21. Comprehensive Income**

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

| <i>(in millions of Won)</i>   | <u><b>2010</b></u> | <u><b>2009</b></u> |
|---|--------------------|--------------------|
| Net income  | ₩ 3,677,422        | 1,896,937          |
| Gain (loss) on valuation of available-for-sale securities                       | (17,826)           | 537,277            |
| Less: tax effect  | 3,922              | (118,202)          |
| Changes in capital adjustments arising from equity method accounted investments | 46,323             | 7,668              |
| Less: tax effect  | (13,303)           | 12,917             |
| Comprehensive income  | <u>₩ 3,696,538</u> | <u>2,336,597</u>   |

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

| <i>(in millions of Won)</i>   | <u><b>2010</b></u> | <u><b>2009</b></u> |
|---|--------------------|--------------------|
| Net income  | ₩ 1,043,940        | 1,141,891          |
| Gain on valuation of available-for-sale securities                              | 151,801            | 242,386            |
| Less: tax effect  | (33,396)           | (53,326)           |
| Changes in capital adjustments arising from equity method accounted investments | 7,627              | (130,045)          |
| Less: tax effect  | (5,534)            | 31,551             |
| Comprehensive income  | <u>₩ 1,164,438</u> | <u>1,232,457</u>   |

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**22. Earnings Per Share**

- (a) Basic earnings per share for the nine-month periods ended September 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   | ₩ 3,677,422     | 1,896,937     |
| Weighted-average number of common shares outstanding (*) | 77,032,878      | 76,569,916    |
| Basic earnings per share                                 | <u>₩ 47,738</u> | <u>24,774</u> |

- (\*) Basic earnings per share is computed by dividing net income allocated to common stock, by the weighted-average number of common shares outstanding for the nine-month periods ended September 30, 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 three-month periods ended September 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   | ₩ 1,043,940     | 1,141,891     |
| Weighted-average number of common shares outstanding (*) | 77,032,878      | 76,569,916    |
| Basic earnings per share                                 | <u>₩ 13,552</u> | <u>14,913</u> |

- (\*) Basic earnings per share is computed by dividing net income allocated to common stock, by the weighted-average number of common shares outstanding for the three-month periods ended September 30, 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> |

- (c) Basic earnings per share for the three-month period ended March 31, 2010 and six-month period ended June 30, 2010 were ₩ 18,657 and ₩ 34,186. The year ended December 31, 2009 was ₩ 41,380.

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**23. Related Party Transactions**

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

|                      |  |
|----------------------|--|
| Domestic<br><br>(34) | 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, Daewoo International Corp., POSCO LED Co., Ltd.  |
| Foreign<br><br>(73)  | 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., POSCO-JOPEC 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., POSCO-China Qingdao Processing Center Co., Ltd., POS-ORE Pty. Ltd., POSCO-China Holding Corp., POSCO-Japan 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., 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 Co., Ltd., POSCO Bio Ventures LP., Qingdao Posco Steel Processing Co., Ltd., POSCO-NCR COAL Ltd., POSCO WA PTY LTD., Daewoo International (America) Corp., Daewoo International Deutschland GmbH, Daewoo International Japan Corp., DAEWOO INTERNATIONAL SINGAPORE PTE LTD., Daewoo Italia S.r.l., Daewoo Cement (Shandong) Co., Ltd., Daewoo (China) Co., Ltd., PT. Rismar Daewoo Apparel, Daewoo Textile Fergana LLC., DAEWOO TEXTILE BUKHARA LLC., DAEWOO INTERNATIONAL AUSTRALIA PTY LTD., Daewoo Paper Manufacturing Co., Ltd., Daewoo International Mexico, S.A. de C.V., POSCO MAURITIUS LIMITED |

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(b) Significant transactions, which occurred in the ordinary course of business, with related companies for the nine-month periods ended September 30, 2010 and 2009, and the related account balances as of September 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      |
| <b>Subsidiaries</b>  |                       |             |                          |             |                  |           |               |           |
| POSCO E&C Co., Ltd.  | ₩ 6,500               | 3,675       | ₩ 1,850,337              | 1,506,199   | ₩ 341            | 480       | ₩ 309,758     | 437,818   |
| Posteel Co., Ltd.  | 807,071               | 879,897     | 225,133                  | 99,169      | 127,687          | 114,783   | 11,254        | 3,484     |
| POSCO Coated & Color Steel Co., Ltd.                                     | 492,715               | 349,651     | 2,328                    | 962         | 112,454          | 109,615   | 418           | 199       |
| POSCO Plant Engineering Co., Ltd.  | 3,455                 | 10,302      | 148,500                  | 184,036     | 34               | 11        | 53,688        | 35,558    |
| POSCO ICT Co., Ltd.  | 581                   | 937         | 335,519                  | 297,683     | -                | 13        | 60,212        | 73,171    |
| POSCO Architects & Consultants Co., Ltd.                                 | 21                    | 254         | 31,087                   | 27,111      | -                | 7         | 8,614         | 2,557     |
| POSCO Specialty Steel Co., Ltd.  | 128                   | 177         | 28,750                   | 3,289       | 42               | -         | 9,398         | 3,418     |
| POSCO Chemtech Company Ltd. (formerly, POSCO Refractories & Environment) | 65,748                | 67,043      | 416,528                  | 338,940     | 9,659            | 6,880     | 79,415        | 66,008    |
| POSCO Terminal Co., Ltd.   | 13,232                | 10,856      | 841                      | 346         | 1,864            | 1,809     | 305           | 193       |
| Samjung Packing & Aluminum Co., Ltd.                                     | 21,940                | 12,692      | 186,387                  | 150,277     | 2,443            | 1,472     | 22,823        | 24,942    |
| POSCO TMC Co., Ltd. (formerly, POSCORE Co., Ltd.)                        | 116,828               | 94,473      | 57                       | 64          | 17,625           | 11,678    | -             | 24        |
| POSCOAST Co., Ltd.   | 215,185               | 35,643      | 39,856                   | 8,221       | 24,626           | 17,492    | 4,934         | 7,572     |
| Sungjin Geotec Co., Ltd.   | 7,292                 | -           | -                        | -           | 1,867            | -         | -             | -         |
| Daewoo International Corp.   | -                     | -           | -                        | -           | 113,214          | -         | 776           | -         |
| POSCO America Corporation  | 167,972               | 114,220     | -                        | -           | 8,937            | 531       | -             | -         |
| POSCO Australia Pty. Ltd.  | 15,089                | 6,864       | -                        | -           | 1,008            | 151       | -             | -         |
| POSCO Canada Limited   | -                     | -           | 136,937                  | 70,835      | -                | -         | 12,909        | -         |
| POSCO Asia Co., Ltd.   | 871,361               | 849,733     | 93,248                   | 65,295      | 73,138           | 40,548    | 2,375         | 1,170     |
| POSCO-CTPC Co., Ltd.   | 15,868                | 3,007       | -                        | -           | -                | -         | -             | -         |
| POSCO-JKPC Co., Ltd.   | 53,983                | 20,667      | 103                      | -           | -                | 34        | -             | -         |
| POSCO (Thailand) Co., Ltd.   | 95,865                | 46,233      | 77                       | 5           | -                | 1,768     | -             | -         |
| POSCO-MKPC SDN. BHD.   | 57,211                | 27,343      | -                        | -           | -                | -         | -             | -         |
| Qingdao Pohang Stainless Steel Co., Ltd.                                 | 56,418                | 160,560     | -                        | -           | -                | 2,353     | -             | -         |
| POSCO (Suzhou) Automotive Processing                                     | 79,258                | 60,448      | -                        | -           | -                | -         | -             | -         |
| POSCO-Japan Co., Ltd.  | 811,129               | 463,662     | 199,576                  | 23,724      | 45,514           | 25,972    | 20,695        | 6,701     |
| POSCO-India Pune Processing Centre Pvt. Ltd.                             | 128,470               | 58,877      | -                        | -           | 4,686            | -         | -             | 1         |
| POSCO-JNPC Co., Ltd.   | 46,630                | -           | -                        | -           | -                | -         | -             | -         |
| POSCO-CFPC Co., Ltd.   | 60,422                | 38,851      | -                        | -           | -                | -         | -             | -         |
| POSCO-MPC S.A. de C.V.   | 122,734               | 38,946      | 101                      | -           | -                | -         | -             | -         |
| POSCO-Vietnam Co., Ltd.  | 187,483               | 24,320      | -                        | -           | 1,934            | 1,934     | -             | -         |
| POSCO-Mexico Co., Ltd.   | 199,513               | 62,779      | 7                        | -           | 6,510            | -         | -             | -         |
| POSCO-India Delhi Steel Processing Centre Pvt. Ltd.                      | 69,853                | 32,926      | 76                       | 380         | -                | -         | -             | -         |
| POSCO(Chongqing) Automotive Processing Center Co., Ltd.                  | 34,303                | 20,376      | -                        | -           | -                | -         | -             | -         |
| POSCO-JYPC Co., Ltd.   | 56,398                | -           | -                        | -           | -                | -         | -             | -         |
| POSCO-Malaysia SDN. BHD.   | 41,013                | 36,539      | -                        | -           | -                | -         | -             | -         |
| POSCO(Wuhu) Automotive Processing Center Co., Ltd.                       | 81,905                | 27,558      | -                        | -           | -                | -         | -             | -         |
| POSCO (Liaoning) Automotive Processing Center Ltd., Co., Ltd.            | 18,712                | -           | -                        | -           | -                | -         | -             | -         |
| POSCO-Indonesia Jakarta Processing Center Co., Ltd.                      | 17,882                | -           | -                        | -           | -                | -         | -             | -         |
| Others   | 37,151                | 26,318      | 88,093                   | 51,951      | 5,024            | 3,430     | 14,368        | 8,528     |
|  | 5,077,319             | 3,585,827   | 3,783,541                | 2,828,487   | 558,607          | 340,961   | 611,942       | 671,344   |
| <b>Equity method investees</b>   |                       |             |                          |             |                  |           |               |           |
| eNtoB Corporation  | -                     | -           | 200,517                  | 154,250     | -                | -         | 5,097         | 6,561     |
| SNNC Co., Ltd.   | 1,239                 | 307         | 358,523                  | 244,392     | 119              | 1,974     | 13,959        | 26,963    |
| USS-POSCO Industries   | 212,429               | 162,659     | 187                      | 56          | -                | 18,310    | -             | -         |
| Poschrome (Proprietary) Limited  | -                     | -           | 54,035                   | 32,590      | -                | 176       | -             | -         |
| Others   | 11,274                | 18,926      | 159                      | 2,947       | -                | 820       | -             | 78        |
|  | 224,942               | 181,892     | 613,421                  | 434,235     | 119              | 21,280    | 19,056        | 33,602    |
|  | ₩ 5,302,261           | ₩ 3,767,719 | ₩ 4,396,962              | ₩ 3,262,722 | ₩ 558,726        | ₩ 362,241 | ₩ 630,998     | ₩ 704,946 |

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(\*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.

(c) For the nine-month periods ended September 30, 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                                 | ₩ 12,433        | 8,648         |
| Severance benefits                       | 4,809           | 4,714         |
| Management achievement awards and others | 16,685          | 10,660        |
| Total                                    | <u>₩ 33,927</u> | <u>24,022</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 recognized expense related to stock appreciation rights which decreased by ₩ 7,931 million and increased by ₩ 21,316 million for the nine-month periods ended September 30, 2010 and 2009, respectively. (note 18)

#### **24. Revenue Information**

The Company has main plants in Pohang and in Gwangyang in the Republic of Korea. Sales of the plants for the nine-month periods ended September 30, 2010 and 2009 were as follows:

| <i>(in millions of Won)</i> | <u>2010</u>         | <u>2009</u>       |
|-----------------------------|---------------------|-------------------|
| Pohang                      | ₩ 12,414,851        | 11,267,283        |
| Gwangyang                   | 10,916,913          | 8,326,593         |
| Others                      | 74,497              | 71,937            |
| Total                       | <u>₩ 23,406,261</u> | <u>19,665,813</u> |

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**25. Cost of goods sold**

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

| <i>(in millions of Won)</i>                        | For the three-month periods<br>ended September 30 |                  | For the nine-month periods<br>ended September 30 |                   |
|--|---|------------------|--|-------------------|
|  | 2010  | 2009             | 2010   | 2009              |
| Finished goods, semi-finished goods and by-product |   |                  |  |                   |
| Beginning balance of inventories                   | ₩ 1,763,919                                       | 1,494,965        | ₩ 1,191,502                                      | 2,749,541         |
| Cost of goods manufactured                         | 7,091,232   | 5,374,410        | 18,517,279                                       | 15,724,177        |
| Transfer from other assets, net                    | 284,938   | (100,219)        | 295,015  | (17,016)          |
| Refund of customs                                  | (9,571)   | (6,564)          | (22,750)   | (11,684)          |
| Ending balance of inventories                      | (2,119,002)                                       | (1,274,233)      | (2,119,002)                                      | (1,274,233)       |
|  | <u>7,011,516</u>                                  | <u>5,488,359</u> | <u>17,862,044</u>                                | <u>17,170,785</u> |
| Others   | 16,953  | 11,495           | 55,610   | 37,819            |
| Total  | <u>₩ 7,028,469</u>                                | <u>5,499,854</u> | <u>₩ 17,917,654</u>                              | <u>17,208,604</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 the 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 the 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 September 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**  
**September 30, 2010**  
**(Unaudited)**

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