

# **POSCO**

**Non-Consolidated Financial Statements  
December 31, 2010 and 2009**

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

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## **Independent Auditors' Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholders of  
POSCO:

We have audited the accompanying non-consolidated statements of financial position of POSCO (the "Company") as of December 31, 2010 and 2009, and the related non-consolidated statements of income, appropriation of retained earnings, changes in equity and cash flows for the years ended December 31, 2010 and 2009. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009 and the results of its operations, appropriation of its retained earnings, the changes in its equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

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

Seoul, Korea  
February 14, 2011

This report is effective as of February 14, 2011, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**POSCO**  
**Non-Consolidated Statements of Financial Position**  
**As of December 31, 2010 and 2009**

<i>(in millions of Won)</i>	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents (notes 3 and 26)	₩ 672,426	626,782
Short-term financial instruments (note 3)	2,376,722	5,581,594
Trading securities (note 6)	182,208	505,811
Current portion of available-for-sale securities (note 7)	-	20,230
Current portion of held-to-maturity securities (note 7)	1,978	20,000
Trade accounts and notes receivable, net of allowance for doubtful accounts (notes 4, 16, 26 and 30)	3,327,583	2,683,909
Inventories (note 5)	5,988,758	2,996,326
Other accounts receivable, net of allowance for doubtful accounts (notes 4, 26 and 30)	164,376	126,942
Deferred income tax assets (note 27)	245,755	286,075
Other current assets (note 11)	48,901	70,395
<b>Total current assets</b>	<b>13,008,707</b>	<b>12,918,064</b>
Property, plant and equipment at cost (notes 8 and 31)	43,731,189	40,071,426
Less accumulated depreciation	(25,183,332)	(23,425,832)
property, plant and equipment, net	18,547,857	16,645,594
Investment securities, net (note 7)	16,076,056	10,187,813
Intangible assets, net (notes 9 and 31)	172,643	151,829
Long-term trade accounts receivable, net of allowance for doubtful accounts (notes 4, 26 and 30)	24	1,307
Long-term financial instruments (note 3)	40	40
Other long-term assets, net of allowance for doubtful accounts (notes 11 and 26)	384,918	88,118
<b>Total non-current assets</b>	<b>35,181,538</b>	<b>27,074,701</b>
<b>Total assets</b>	<b>₩ 48,190,245</b>	<b>39,992,765</b>

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

# POSCO

## Non-Consolidated Statements of Financial Position, Continued As of December 31, 2010 and 2009

(in millions of Won)

	<u>2010</u>	<u>2009</u>
<b>Liabilities</b>		
Trade accounts payable (notes 26 and 30)	₩ 1,310,877	739,746
Short-term borrowings (notes 12 and 26)	1,119,071	430,910
Current portion of long-term debt, net of discount on debentures issued (notes 12, 13 and 26)	1,776,427	1,065
Accrued expenses	209,490	145,484
Other accounts payable (notes 26 and 30)	734,143	993,120
Withholdings	30,792	51,075
Income tax payable (note 27)	594,539	290,638
Other current liabilities (note 15)	48,255	33,804
<b>Total current liabilities</b>	<u>5,823,594</u>	<u>2,685,842</u>
Long-term debt, net of current portion and discount on debentures issued (notes 13 and 26)	6,297,058	5,681,509
Provision for severance benefits, net (note 14)	292,023	185,187
Deferred income tax liabilities (note 27)	648,184	400,276
Other long-term liabilities	47,196	88,660
<b>Total non-current liabilities</b>	<u>7,284,461</u>	<u>6,355,632</u>
<b>Total liabilities</b>	13,108,055	9,041,474
<b>Shareholders' Equity</b>		
Capital stock (note 19)	482,403	482,403
Capital surplus (note 20)	4,421,191	4,404,069
Capital adjustments (note 21)	(2,403,263)	(2,403,263)
Accumulated other comprehensive income	1,129,106	524,824
Retained earnings (note 22)	31,452,753	27,943,258
<b>Total shareholders' equity</b>	<u>35,082,190</u>	<u>30,951,291</u>
<b>Total liabilities and shareholders' equity</b>	<u>₩ 48,190,245</u>	<u>39,992,765</u>

See accompanying notes to non-consolidated financial statements.

**POSCO**  
**Non-Consolidated Statements of Income**  
**For the years ended December 31, 2010 and 2009**

<i>(in millions of Won, except per share amounts)</i>	<b>2010</b>	<b>2009</b>
<b>Sales</b> (notes 30 and 31)	₩ 32,582,037	26,953,945
<b>Cost of goods sold</b> (notes 24 and 31)	26,018,332	22,574,304
Gross profit	6,563,705	4,379,641
<b>Selling and administrative expenses</b> (note 25)	1,516,659	1,231,642
Operating profit	5,047,046	3,147,999
<b>Non-operating income</b>		
Interest income (note 7)	230,456	208,473
Dividend income	84,520	60,114
Gain on disposal of trading securities	15,373	21,103
Gain on valuation of trading securities	1,882	5,811
Gain on foreign currency transactions	438,918	649,733
Gain on foreign currency translation	85,054	422,225
Equity in earnings of equity method accounted investments (note 7)	612,932	585,436
Gain on disposal of property, plant and equipment	24,599	21,274
Gain on disposal of derivatives transactions (note 17)	26,737	33,458
Gain on valuation of derivatives (note 17)	1,248	7,065
Reversal of allowance for doubtful accounts	665	417
Gain on disposal of other long-term assets	368	1,893
Reversal of stock compensation expense (note 18)	10,436	-
Others	47,537	49,256
	<u>1,580,725</u>	<u>2,066,258</u>
<b>Non-operating expenses</b>		
Interest expense	318,638	288,575
Other bad debt expense	-	21
Loss on foreign currency transactions	437,815	722,956
Loss on foreign currency translation	259,051	15,406
Donations	59,647	106,410
Equity in losses of equity method accounted investments (note 7)	275,224	235,407
Loss on disposal of property, plant and equipment	92,209	73,822
Loss on disposal of derivatives transactions (note 17)	-	19,281
Loss on disposal of trade accounts and notes receivable	3,199	5,458
Loss on impairment of investments (note 7)	-	131,126
Others	31,876	33,270
	<u>1,477,659</u>	<u>1,631,732</u>
Income before income taxes	5,150,112	3,582,525
Income tax expense (note 27)	947,321	410,261
Net income	<u>₩ 4,202,791</u>	<u>3,172,264</u>
Basic earnings per share (note 29)	<u>₩ 54,558</u>	<u>41,380</u>

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

# POSCO

## Non-Consolidated Statements of Appropriation of Retained Earnings

For the years ended December 31, 2010 and 2009

(Dates of Appropriation : February 25, 2011 and February 26, 2010

for the years ended December 31, 2010 and 2009, respectively)

(in millions of Won)

	<u>2010</u>	<u>2009</u>
<b>Retained earnings before appropriation</b>		
Unappropriated retained earnings carried over from prior year	₩ 201,315	237,624
Interim dividends (note 23)	(192,582)	(114,855)
Dividends (ratio) per share		
₩2,500 (50%) in 2010		
₩1,500 (30%) in 2009		
Net income	<u>4,202,791</u>	<u>3,172,264</u>
	<u>4,211,524</u>	<u>3,295,033</u>
<b>Transfer from discretionary reserve</b>		
Reserve for technology and human resource development	<u>195,000</u>	<u>391,667</u>
<b>Appropriation of retained earnings</b>		
Cash dividends (note 23)	577,747	500,714
Dividends (ratio) per share		
₩7,500 (150%) in 2010		
₩6,500 (100%) in 2009		
Reserve for research and manpower development	400,000	800,000
Appropriated retained earnings for business expansion	2,950,000	2,000,000
Appropriated retained earnings for dividends	<u>231,099</u>	<u>184,671</u>
	<u>4,158,846</u>	<u>3,485,385</u>
<b>Unappropriated retained earnings carried forward to subsequent year</b>	<u>₩ 247,678</u>	<u>201,315</u>

See accompanying notes to non-consolidated financial statements.

# POSCO

## Non-Consolidated Statements of Changes in Equity For the years ended December 31, 2010 and 2009

<i>(in millions of Won)</i>	<b>Capital Stock</b>	<b>Capital Surplus</b>	<b>Capital Adjustments</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Retained Earnings</b>	<b>Total</b>
<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	-	-	-	-	3,172,264	3,172,264
Interim dividends	-	-	-	-	(114,855)	(114,855)
Changes in capital surplus of equity method accounted investments	-	(4,578)	-	-	-	(4,578)
Disposal of treasury stock	-	117,292	98,751	-	-	216,043
Loss on valuation of available-for-sale securities, net	-	-	-	426,519	-	426,519
Changes in capital adjustments arising from equity method accounted investments	-	-	-	46,515	-	46,515
<b>Balance as of December 31, 2009</b>	<b>₩ 482,403</b>	<b>₩ 4,404,069</b>	<b>₩ (2,403,263)</b>	<b>₩ 524,824</b>	<b>₩ 27,943,258</b>	<b>₩ 30,951,291</b>
<i>(in millions of Won)</i>	<b>Capital Stock</b>	<b>Capital Surplus</b>	<b>Capital Adjustments</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Retained Earnings</b>	<b>Total</b>
<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	-	-	-	-	4,202,791	4,202,791
Interim dividends	-	-	-	-	(192,582)	(192,582)
Changes in capital surplus of equity method accounted investments	-	17,122	-	-	-	17,122
Loss on valuation of available-for-sale securities, net	-	-	-	376,986	-	376,986
Changes in capital adjustments arising from equity method accounted investments	-	-	-	227,296	-	227,296
<b>Balance as of December 31, 2010</b>	<b>₩ 482,403</b>	<b>₩ 4,421,191</b>	<b>₩ (2,403,263)</b>	<b>₩ 1,129,106</b>	<b>₩ 31,452,753</b>	<b>₩ 35,082,190</b>

See accompanying notes to non-consolidated financial statements.

**POSCO**  
**Non-Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2010 and 2009**

(in millions of Won)

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>		
Net income	₩ 4,202,791	3,172,264
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,303,459	2,059,548
Accrual of severance benefits	262,496	3,320
Gain on valuation of trading securities	(1,882)	(5,811)
Gain on disposal of trading securities	(15,373)	(21,103)
Gain on disposal of investments, net	(1,029)	(10,548)
Loss on disposal of property, plant and equipment, net	67,610	52,548
Gain on valuation of derivatives	(1,248)	(7,065)
Equity in losses of equity method accounted investments, net	(337,708)	(350,029)
(Reversal of) stock compensation expense	(10,436)	36,100
Loss (gain) on foreign currency translation, net	173,997	(408,522)
Loss on disposal of trade accounts and notes receivable	3,199	5,458
Provision for (reversal of) allowance for doubtful accounts, net	(7,291)	8,465
Loss on impairment of investments	-	131,126
Other employee benefit	9,644	6,822
Interest expense	19,083	19,396
Interest income	(429)	(906)
Loss on valuation of inventories	593	691
Others, net	(32,333)	(8,796)
	<u>2,432,352</u>	<u>1,510,694</u>
<b>Changes in operating assets and liabilities</b>		
Trade accounts and notes receivable	(644,862)	528,932
Other accounts receivable	(37,140)	152,419
Accrued income	21,099	(15,591)
Prepaid expenses	(5,183)	318
Inventories	(2,993,026)	3,413,323
Trade accounts payable	571,969	(365,649)
Other accounts payable	(259,137)	296,883
Accrued expenses	41,336	5,121
Income tax payable	303,901	(1,337,623)
Advances received	7,627	452
Payment of severance benefits	(65,668)	(70,354)
Deferred income tax assets and liabilities	73,355	(171,287)
Deposits for severance benefits trust	(89,992)	(8,149)
Other current liabilities	4,652	(3,256)
Dividends from equity method accounted investments	49,082	30,711
Others, net	(7,829)	4,249
	<u>(3,029,816)</u>	<u>2,460,499</u>
Net cash provided by operating activities	<u>3,605,327</u>	<u>7,143,457</u>

See accompanying notes to non-consolidated financial statements.

# POSCO

## Non-Consolidated Statements of Cash Flows, Continued For the years ended December 31, 2010 and 2009

(in millions of Won)

	2010	2009
<b>Cash flows from investing activities</b>		
Disposal of short-term financial instruments	₩ 16,971,778	7,107,347
Disposal of trading securities	1,121,184	2,697,287
Disposal of current portion of available-for-sale securities	20,248	-
Redemption of current portion of held-to-maturity securities	20,000	40,000
Disposal of available-for-sale securities	105,138	17,093
Disposal of other long-term assets	3,616	16,495
Disposal of property, plant and equipment	40,989	23,095
Acquisition of short-term financial instruments	(13,766,906)	(11,164,342)
Acquisition of trading securities	(780,326)	(1,940,000)
Acquisition of available-for-sale securities	(232,295)	(568,241)
Acquisition of equity method accounted investments	(4,637,869)	(239,946)
Acquisition of current portion of held-to-maturity securities	-	(40,000)
Acquisition of other long-term assets	(275,938)	(12,273)
Acquisition of property, plant and equipment	(4,245,572)	(4,228,840)
Cost of removal of property, plant and equipment	(62,791)	(52,103)
Acquisition of intangible assets	(16,849)	(14,797)
Others, net	(25,022)	(17,005)
Net cash used in investing activities	(5,760,615)	(8,376,230)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	2,685,645	2,256,539
Proceeds from long-term borrowings	401,931	28,866
Proceeds from issuance of debentures	1,775,568	1,449,728
Proceeds from treasury stock	-	249,124
Increase in other long-term liabilities	54,655	25,363
Repayment of short-term borrowings	(1,972,787)	(2,158,046)
Repayment of current portion of long-term debts	(1,065)	(203,807)
Payment of cash dividends	(693,296)	(689,129)
Decrease in other long-term liabilities	(48,645)	(39,727)
Others, net	(1,074)	(1,043)
Net cash provided by financing activities	2,200,932	917,868
Net increase (decrease) in cash and cash equivalents	45,644	(314,905)
<b>Cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the year	626,782	941,687
Cash and cash equivalents at end of the year (note 3)	₩ 672,426	626,782

See accompanying notes to non-consolidated financial statements.

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**December 31, 2010 and 2009**

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**1. The Company**

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

As of December 31, 2010 the Company’s major shareholders are as follows:

	<u>Number of Shares</u>	<u>Percentage of Ownership (%)</u>
National Pension Service	4,646,245	5.33
Nippon Steel Corporation (*1)	4,394,712	5.04
SK Telecom Co., Ltd.	2,481,310	2.85
Pohang University of Science and Technology	1,955,836	2.24
Shinhan Financial Group Co.,Ltd. (*2)	1,848,503	2.12
Others	71,860,229	82.42
	<u>87,186,835</u>	<u>100.00</u>

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

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

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements**

**Basis of Presenting Financial Statements**

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

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

**Revenue Recognition**

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

**Allowance for Doubtful Accounts**

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

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

**Inventories**

The costs of inventories are determined using the moving-weighted average method. Valuation losses incurred when the market price of inventories falls below their carrying amount are reported as a contra inventory account and added to the cost of goods sold and losses incurred because of the difference between the quantity of inventories recorded in the financial statements and the actual quantity found shall be added to the cost of goods sold if it is incurred in the ordinary course of business. Loss on valuation of inventories amounting to ₩593 million for the year ended December 31, 2010, is added to the cost of goods sold.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

**Investments in Securities**

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

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

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

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

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

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

**Equity Method Investments**

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

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

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

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

**Property, Plant and Equipment, and Related Depreciation**

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

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

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

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

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

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

**Leases**

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

**Intangible Assets**

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

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

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

**Discounts on Debentures**

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

**Provision for Severance Benefits**

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

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

**Valuation of Receivables at Present Value**

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

**Foreign Currency Translation**

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

**Derivatives**

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

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

**Provisions and Contingent Liabilities**

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**2. Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued**

**Treasury Stock**

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

**Sale of Receivables**

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

**Income Tax and Deferred Income Tax**

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

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

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

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

**Use of Estimates**

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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

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

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>	<u>2010</u>	<u>2009</u>
<b>Cash and cash equivalents</b>			
Checking accounts	-	₩ 886	817
Money market deposit accounts	2.60 ~ 2.90	371,540	245,500
Time deposits	3.00 ~ 3.35	300,000	70,000
Time deposits in foreign currency	-	-	310,465
		<u>₩ 672,426</u>	<u>626,782</u>
<b>Short-term financial instruments</b>			
Ordinary deposits (*1)	-	14,101	10,667
Time deposits	0.70 ~ 4.70	2,060,830	2,850,000
Certificates of deposit	3.01 ~ 4.75	240,000	2,370,000
Repurchase agreement	-	-	290,000
Specified money in trust	-	61,791	60,927
		<u>₩ 2,376,722</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 Korea Government, these deposits are restricted in use.

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**4. Accounts and Notes Receivable**

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

<i>(in millions of Won)</i>	<b>2010</b>	<b>2009</b>
Trade accounts and notes receivable	₩ 3,332,270	2,695,161
Less: Allowance for doubtful accounts	(4,687)	(11,252)
	<u>₩ 3,327,583</u>	<u>2,683,909</u>
Other accounts receivable	₩ 174,965	137,560
Less: Allowance for doubtful accounts	(10,589)	(10,618)
	<u>₩ 164,376</u>	<u>126,942</u>
Long-term trade accounts receivable	₩ 252	1,875
Less: Allowance for doubtful accounts	(228)	(568)
	<u>₩ 24</u>	<u>1,307</u>

**5. Inventories**

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

<i>(in millions of Won)</i>	<b>2010</b>	<b>2009</b>
Finished goods	₩ 698,219	344,192
By-products	5,542	4,281
Semi-finished goods	1,431,341	843,720
Raw materials	1,704,830	696,492
Fuel and materials	524,077	405,003
Materials-in-transit	1,624,765	702,807
Others	577	522
	<u>5,989,351</u>	<u>2,997,017</u>
Less: Provision for valuation loss	(593)	(691)
	<u>₩ 5,988,758</u>	<u>2,996,326</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**6. Trading Securities**

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

(in millions of Won)

	2010			2009	
	Acquisition Cost	Fair Value	Book Value	Book Value	
Beneficiary certificates	₩ 180,326	₩ 182,208	₩ 182,208	₩	505,811

**7. Investment Securities**

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

(in millions of Won)

	2010	2009
Available-for-sale securities		
Marketable equity securities	₩ 4,195,360	3,650,351
Non-marketable equity securities	815,840	767,174
Investments in bonds	11	125,125
Investments in capital	500	500
	5,011,711	4,543,150
Less: Current portion	-	(20,230)
	5,011,711	4,522,920
<b>Held-to-maturity securities</b>	31,808	51,675
Less: Current portion	(1,978)	(20,000)
	29,830	31,675
<b>Equity method accounted investments</b>	11,034,515	5,633,218
	₩ 16,076,056	10,187,813

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**7. Investment Securities, Continued**

**Available-for-sales Securities**

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

(in millions of Won)

Company	2010			2009		
	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	Fair Value	Book Value	Book Value
SK Telecom Co., Ltd. (*1)	4,452,057	5.51	₩ 1,236,858	₩ 809,280	₩ 809,280	₩ 743,845
Hana Financial Group Inc.	4,663,776	2.20	29,998	201,942	201,942	153,438
Hyundai Heavy Industries Co., Ltd.	1,477,000	1.94	343,505	654,311	654,311	256,260
Hanil Iron & Steel Co., Ltd.	206,798	10.14	2,413	3,433	3,433	2,575
HISteel Co., Ltd.	135,357	9.95	1,609	2,133	2,133	1,895
Moonbae Steel Co., Ltd.	1,849,380	9.02	3,588	4,133	4,133	5,419
Dong Yang Steel Pipe Co., Ltd.	1,564,250	1.92	3,911	1,893	1,893	1,877
Shinhan Financial Group Co., Ltd.	4,369,881	0.92	228,778	231,167	231,167	188,779
SeAH Steel Corporation	610,103	10.17	18,792	31,664	31,664	22,055
Union Steel Co., Ltd.	1,005,000	9.80	40,212	29,095	29,095	22,110
Hanjin Shipping Co., Ltd.	65,132	0.08	2,538	2,508	2,508	1,185
Hanjin Shipping Holdings Co., Ltd.	11,033	0.03	298	203	203	151
KB Financial Group Inc.	13,115,837	3.39	574,524	786,950	786,950	783,015
LG Uplus Corporation (Formerly, LG Powercom Corporation (*2))	2,671,688	0.52	22,683	19,155	19,155	21,924
Seoul Semiconductor Co., Ltd.	591,000	1.01	24,999	24,024	24,024	-
Nippon Steel Corporation (*1)	238,352,000	3.50	719,622	972,351	972,351	1,128,734
Thainox Stainless Public Company Limited	1,200,000,000	15.39	42,301	70,724	70,724	67,658
MacArthur Coal Limited	21,215,700	7.25	420,805	314,446	314,446	249,431
PT.Krakatau Steel	236,625,000	1.50	25,385	35,948	35,948	-
			₩ 3,742,819	₩ 4,195,360	₩ 4,195,360	₩ 3,650,351

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

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**7. Investment Securities, Continued**

**Available-for-sales Securities, Continued**

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

(in millions of Won)

Company	2010			2009	
	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	Book Value	Book Value
Nacional Minerios S.A. (*1)	30,784,625	6.48	₩ 668,635	₩ 534,735	₩ 535,357
THE SIAM UNITED STEEL (*1)	11,071,000	12.30	34,658	69,014	65,135
Dongbu Metal Co., Ltd.	3,000,000	10.00	98,242	98,242	-
POSCO-China Yantai Processing Center Co., Ltd. (*2,3)	-	90.00	14,492	14,492	-
POSFINE Co., Ltd. (*2)	2,700,000	69.23	13,500	13,500	6,750
POSCO-South Asia Co., Ltd. (*2)	3,500,000	100.00	12,611	12,611	-
Busan E&E Co., Ltd. (*2)	1,917,300	70.00	9,587	9,587	-
SamwonSteel Co., Ltd.	1,786,000	19.00	8,930	8,930	8,930
PT.POSNESIA (*2,5)	29,610,000	70.00	9,474	1,567	1,567
POSUK TITANIUM B.V (*2)	9,000	50.00	1,740	1,740	-
POSCO Maharashtra Steel Private Limited (*4)	-	-	-	-	63,872
POSCO-Turkey Nilufer Processing Center Co., Ltd. (*4)	-	-	-	-	19,983
POSCO (Liaoning) Automotive Processing Center Co., Ltd. (*4)	-	-	-	-	16,952
POSCO India Chennai Steel Processing Centre Pvt. Ltd. (*4)	-	-	-	-	14,925
Others (*5)	-	-	58,805	51,422	33,703
			<u>₩ 930,674</u>	<u>₩ 815,840</u>	<u>₩ 767,174</u>

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

(\*2) Those investments were not accounted for using the equity method as their total assets were under ₩10,000 million as of December 31, 2009 and they are also small sized entities or under construction.

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

(\*4) This investment was reclassified to equity method accounted investments from available-for-sale securities, since its total assets were greater than ₩10,000 million as of December 31, 2009.

(\*5) There is no impairment losses related to others in the current year, and the accumulated impairment losses as of December 31, 2010 were ₩15,290 million.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**7. Investment Securities, Continued**

**Available-for-sales Securities, Continued**

(c) Investments in bonds as of December 31, 2010 and 2009 are as follows:

(in millions of Won)

	Maturity	2010		2009	
		Acquisition Cost	Fair Value	Book Value	Book Value
Current bonds					
Industrial financial debentures	Less than 1 year	₩ -	₩ -	₩ -	₩ 20,230
Non-current bonds					
Government bonds	1~5 years	11	11	11	4,317
Industrial financial debentures	1~5 years	-	-	-	100,578
		11	11	11	104,895
		₩ 11	₩ 11	₩ 11	₩ 125,125

(d) Investments in capital as of December 31, 2010 and 2009 are as follows:

(in millions of Won)

	2010		2009	
	Acquisition Cost	Book Value	Book Value	Book Value
Purunichildcare	₩ 500	₩ 500	₩ 500	₩ 500

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**7. Investment Securities, Continued**

**Available-for-sales Securities, Continued**

(e) Available-for-sale securities are stated at fair value, and the difference between the acquisition cost and fair value are accounted for in the capital adjustment account. The movements of such differences for the years ended December 31, 2010 and 2009 are as follows:

(in millions of Won)

Company	2010			2009		
	Beginning Balance	Increase (Decrease)	Ending Balance	Beginning Balance	Increase (Decrease)	Ending Balance
<b>Marketable equity securities</b>						
SK Telecom Co., Ltd.	₩ (373,374)	₩ 39,862	₩ (333,512)	₩ (247,137)	₩ (126,237)	₩ (373,374)
Hana Financial Group Inc.	96,283	37,833	134,116	47,537	48,746	96,283
Hyundai Heavy Industries	(68,052)	310,480	242,428	(38,098)	(29,954)	(68,052)
Hanil Iron & Steel Co., Ltd.	(46)	842	796	(809)	763	(46)
HI Steel Co., Ltd.	223	185	408	123	100	223
Munbae Steel Co., Ltd.	1,258	(832)	426	90	1,168	1,258
Dong Yang Steel Pipe Co., Ltd.	(1,586)	12	(1,574)	(1,958)	372	(1,586)
Shinhan Financial Group Co., Ltd.	(31,199)	33,062	1,863	(82,790)	51,591	(31,199)
SeAH Steel Corporation	2,545	7,495	10,040	3,664	(1,119)	2,545
Union Steel Co., Ltd.	(14,119)	5,447	(8,672)	(20,077)	5,958	(14,119)
Hanjin Shipping Co., Ltd.	(1,036)	1,012	(24)	(1,105)	69	(1,036)
Hanjin Shipping Holdings Co., Ltd.	10	(83)	(73)	-	10	10
KB Financial Group Inc.	162,624	3,068	165,692	(13,843)	176,467	162,624
LG Uplus Corporation (Formerly, LG Powercom Corporation (*2))	-	(2,751)	(2,751)	(101,088)	101,088	-
Seoul Semiconductor Co., Ltd.	-	(761)	(761)	-	-	-
Nippon Steel Corporation	319,107	(121,979)	197,128	190,214	128,893	319,107
Thainox Stainless Public Company Limited	19,779	2,391	22,170	(1,562)	21,341	19,779
Macarthur Coal Limited	(58,179)	50,711	(7,468)	(209,113)	150,934	(58,179)
PT.Krakatau Steel	-	8,239	8,239	-	-	-
Korea Line Corporation	-	-	-	4,898	(4,898)	-
	54,238	374,233	428,471	(471,054)	525,292	54,238
<b>Non-marketable equity securities</b>						
THE SIAM UNITED STEEL	23,771	3,026	26,797	18,492	5,279	23,771
Nacional Minerios S.A.	(103,957)	(485)	(104,442)	-	(103,957)	(103,957)
Investments in bonds, etc.	(95)	212	117	-	(95)	(95)
	(80,281)	2,753	(77,528)	18,492	(98,773)	(80,281)
	₩ (26,043)	₩ 376,986	₩ 350,943	₩ (452,562)	₩ 426,519	₩ (26,043)

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**7. Investment Securities, Continued**

**Held-to-Maturity Securities**

(a) Held-to-maturity securities as of December 31, 2010 and 2009 are as follows:

*(in millions of Won)*

	<b>Maturity</b>	<b>2010</b>		<b>2009</b>	
		<b>Acquisition Cost</b>	<b>Book Value</b>	<b>Book Value</b>	<b>Book Value</b>
<b>Current portion of held-to-maturity securities</b>					
Government bonds and others (*)	Less than 1 year	₩ 2,000	₩ 1,978	₩ 20,000	
<b>Held-to-maturity securities</b>					
Government bonds and others (*)	1 ~ 5 years	30,000	29,830	31,675	
		<u>₩ 32,000</u>	<u>₩ 31,808</u>	<u>₩ 51,675</u>	

(\*) The Company provided government bonds and bonds issued by Seoul Metropolitan Rapid Transit Corp, amounting to ₩29,830 million and ₩ 1,978 million, respectively, to the Gyeongsangbuk-Do Province Office as guarantee for environmental remediation of POSCO No. 4 disposal site. (note 10)

(b) Total interest income earned from investment securities amounted to ₩8,993 million and ₩4,835 million for the years ended December 31, 2010 and 2009, respectively.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**7. Investment Securities, Continued**

**Equity Method Accounted Investments**

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

(in millions of Won)

Investees (*1)	2010			2009		
	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	Net Asset Value	Book Value	Book Value
<b>Domestic</b>						
Daewoo International Corporation (*2)	68,681,566	67.96	₩ 3,382,543	₩ 2,279,779	₩ 3,401,177	₩ -
POSCO E&C Co., Ltd.	32,876,418	89.53	813,416	2,288,324	1,519,729	1,063,089
POSCO Specialty Steel Co., Ltd.	26,000,000	100.00	260,000	740,625	739,039	628,842
POSCO Power Corp.	40,000,000	85.71	597,170	683,980	688,279	649,148
Posteel Co., Ltd.	17,155,000	95.31	113,393	518,732	480,761	421,927
Sungjin Geotec Co., Ltd (*2)	12,345,110	30.96	160,031	92,441	169,436	-
SNNC Co., Ltd	18,130,000	49.00	90,650	168,798	153,304	100,655
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	3,544,200	60.00	41,210	144,586	125,760	100,535
POSCO Coated & Color Steel Co., Ltd.	3,412,000	56.87	82,017	114,711	102,519	108,421
Samjung Packing & Aluminum Co., Ltd.	2,034,246	48.85	104,069	80,011	74,949	5,989
POSCO ICT Co., Ltd.	99,403,282	72.54	102,571	154,344	46,241	-
POSCON Co., Ltd. (*3)	-	-	-	-	-	70,990
Others	-	-	392,200	559,044	459,073	303,270
			6,139,270	7,825,375	7,960,267	3,452,866
<b>Foreign</b>						
POSCO Australia Pty. Ltd.	761,775	100.00	37,352	585,729	715,316	330,623
Zhangjiagang Pohang Stainless Steel Co., Ltd. (*4)	-	58.60	216,542	320,607	312,571	283,845
POSCO-China Holding Corp. (*4)	-	100.00	164,418	227,700	224,910	208,413
POSCO WA PTY LTD. (*2)	188,752,130	100.00	205,885	211,856	211,856	-
Nickel Mining Company SAS	3,234,698	49.00	157,585	188,126	181,812	189,197
KOBRASCO	2,010,719,185	50.00	32,950	140,759	140,778	98,962
POSCO Investment Co., Ltd.	5,000,000	100.00	53,189	86,679	90,638	85,521
Guangdong Pohang Coated Steel Co., Ltd. (*4)	-	89.35	79,080	92,365	89,444	31,299
POSCO-India Private. Ltd.	450,000,000	100.00	110,287	87,681	87,681	108,538
BX STEEL POSCO Cold Rolled Sheet Co., Ltd. (*4)	-	25.00	61,961	82,826	87,057	63,865
POSCO-Vietnam Co., Ltd. (*4)	-	85.00	198,578	107,066	83,359	154,691
POSCO America Corporation	374,532	99.45	316,941	110,896	80,674	113,510
POSCO Maharashtra Steel Private Limited (*5)	1,455,308	100.00	80,627	80,336	80,337	-
POSCO VST Co., Ltd. (*4)	-	92.97	110,515	57,539	78,359	71,901
POSCO-Japan Co., Ltd.	90,438	100.00	50,558	107,017	74,185	68,436
Qingdao Pohang Stainless Steel Co., Ltd. (*4)	-	70.00	71,463	72,392	70,720	65,982
POSCO (Suzhou) Automotive Processing Center Co., Ltd. (*4)	-	90.00	31,023	63,205	59,466	49,429
POSCO-Mexico Co., Ltd.	1,304,955,672	84.67	117,950	66,807	48,513	62,581
POSCO Asia Co., Ltd.	9,360,000	100.00	7,425	35,580	37,664	32,189
POSCO (Thailand) Co., Ltd.	12,721,734	85.62	39,677	38,492	34,616	25,945
Others	-	-	301,350	323,794	284,292	135,425
			2,445,356	3,087,452	3,074,248	2,180,352
			₩ 8,584,626	₩ 10,912,827	₩ 11,034,515	₩ 5,633,218

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**7. Investment Securities, Continued**

**Equity Method Accounted Investments, Continued**

- (\*1) Due to the difference in the closing schedule of investees' financial statements, the Company used the unaudited or unreviewed financial statements of these companies as of December 31, 2010, when applying the equity method of accounting.
- (\*2) These subsidiaries are newly acquired for the year ended December 31, 2010.
- (\*3) On January 22, 2010, POSCO ICT Co., Ltd. merged with POSCON Co., Ltd.
- (\*4) No shares have been issued in accordance with the local laws or regulations.
- (\*5) 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.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**7. Investment Securities, Continued**

**Equity Method Accounted Investments, Continued**

(b) The valuations of equity method accounted investments as of and for the years ended December 31, 2010 and 2009 are as follows:

(in millions of Won)

Investees	Dec. 31, 2008 Book Value	Equity method Profits (Losses)	Other Increase (Decrease) (*)	Dec. 31, 2009 Book Value	Equity method Profits (Losses)	Other Increase (Decrease) (*)	Dec. 31, 2010 Book Value
<b>Domestic</b>							
Daewoo International Corporation	₩ -	₩ -	₩ -	₩ -	₩ 11,809	₩ 3,389,368	₩ 3,401,177
POSCO E&C Co., Ltd.	864,030	216,571	(17,512)	1,063,089	13,038	443,602	1,519,729
POSCO Specialty Steel Co., Ltd.	564,515	66,650	(2,323)	628,842	116,442	(6,245)	739,039
POSCO Power Corp.	619,037	27,036	3,075	649,148	(29,227)	68,358	688,279
Posteel Co., Ltd.	319,914	65,851	36,162	421,927	41,233	17,601	480,761
Sungjin Geotec Co., Ltd	-	-	-	-	(15,983)	185,419	169,436
SNNC Co., Ltd	67,410	33,245	-	100,655	65,130	(12,481)	153,304
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	74,329	28,885	(2,679)	100,535	27,892	(2,667)	125,760
POSCO Coated & Color Steel Co., Ltd.	103,912	4,509	-	108,421	(5,902)	-	102,519
Samjung Packing & Aluminum Co., Ltd.	4,035	1,183	771	5,989	836	68,124	74,949
POSCO ICT Co., Ltd	39,544	(41,799)	2,255	-	4,239	42,002	46,241
POSCON Co., Ltd.	49,099	19,964	1,927	70,990	-	(70,990)	-
Others	205,190	5,782	92,298	303,270	21,775	134,028	459,073
	2,911,015	427,877	113,974	3,452,866	251,282	4,256,119	7,960,267
<b>Foreign</b>							
POSCO Australia Pty. Ltd.	165,573	26,029	139,021	330,623	77,041	307,652	715,316
Zhangjiagang Pohang Stainless Steel Co., Ltd.	323,170	(17,344)	(21,981)	283,845	26,021	2,705	312,571
POSCO-China Holding Corp.	228,489	(3,728)	(16,348)	208,413	14,757	1,740	224,910
POSCO WA PTY LTD.	-	-	-	-	(12,560)	224,416	211,856
Nickel Mining Company SAS	219,879	(4,335)	(26,347)	189,197	13,709	(21,094)	181,812
KOBRASCO	60,429	21,206	17,327	98,962	49,772	(7,956)	140,778
POSCO Investment Co., Ltd.	91,303	641	(6,423)	85,521	6,569	(1,452)	90,638
Guangdong Pohang Coated Steel Co., Ltd.	20,901	11,271	(873)	31,299	23,731	34,414	89,444
POSCO-India Private. Ltd.	54,651	-	53,887	108,538	(21,892)	1,035	87,681
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	92,064	(23,603)	(4,596)	63,865	22,473	719	87,057
POSCO-Vietnam Co., Ltd.	232,647	(48,542)	(29,414)	154,691	(60,495)	(10,837)	83,359
POSCO America Corporation	133,944	(19,938)	(496)	113,510	(34,184)	1,348	80,674
POSCO Maharashtra Steel Private Limited	-	-	-	-	(716)	81,053	80,337
POSCO VST Co., Ltd.	-	(3,999)	75,900	71,901	(22,802)	29,260	78,359
POSCO-Japan Co., Ltd.	65,457	13,975	(10,996)	68,436	(4,461)	10,210	74,185
Qingdao Pohang Stainless Steel Co., Ltd.	75,888	(4,742)	(5,164)	65,982	4,157	581	70,720
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	48,401	5,375	(4,347)	49,429	14,735	(4,698)	59,466
POSCO-Mexico Co., Ltd.	103,485	(40,694)	(210)	62,581	(15,948)	1,880	48,513
POSCO Asia Co., Ltd.	29,158	5,495	(2,464)	32,189	4,517	958	37,664
POSCO (Thailand) Co., Ltd.	32,934	(6,682)	(307)	25,945	6,211	2,460	34,616
Others	124,347	11,767	(689)	135,425	(4,209)	153,076	284,292
	2,102,720	(77,848)	155,480	2,180,352	86,426	807,470	3,074,248
	₩ 5,013,735	₩ 350,029	₩ 269,454	₩ 5,633,218	₩ 337,708	₩ 5,063,589	₩ 11,034,515

(\*) Other increase (decrease) represents the changes in investment securities primarily due to acquisitions (disposals), dividends received, changes in capital adjustments arising from equity method accounted investments and others. In 2010, the changes in investment securities are primarily due to acquisitions and dividends received which amounted to ₩4,637,869 million and ₩49,082 million, respectively.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**7. Investment Securities, Continued**

**Equity Method Accounted Investments, Continued**

(c) Details of differences between the initial purchase price and the Company's initial proportionate ownership in the book value of the investee for the years ended December 31, 2010 and 2009 are as follows:

*(in millions of Won)*

Investees	Dec 31, 2009 Balance	Increase (Decrease)	Amortization (Recovery)	Dec 31, 2010 Balance
Daewoo International Corporation	₩ -	₩ 1,159,977	₩ 14,500	₩ 1,145,477
POSCO Power Corp.	26,500	-	21,203	5,297
Samjung Packing & Aluminum Co., Ltd.	(213)	882	(125)	794
Sungjin Geotec Co., Ltd	-	90,857	12,114	78,743
SNNC Co., Ltd	104	-	42	62
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	6,904	-	2,673	4,231
POSCO VST Co., Ltd.	36,954	-	7,919	29,035
Others	(2,535)	(2,404)	578	(5,517)
	₩ 67,714	₩ 1,249,312	₩ 58,904	₩ 1,258,122

*(in millions of Won)*

Investees	Dec 31, 2008 Balance	Increase (Decrease)	Amortization (Recovery)	Dec 31, 2009 Balance
POSCO Power Corp.	₩ 47,703	₩ -	₩ 21,203	₩ 26,500
Samjung Packing & Aluminum Co., Ltd.	(639)	-	(426)	(213)
SNNC Co., Ltd	146	-	42	104
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	9,577	-	2,673	6,904
POSCO VST Co., Ltd.	-	39,594	2,640	36,954
Others	9,900	(11,468)	967	(2,535)
	₩ 66,687	₩ 28,126	₩ 27,099	₩ 67,714

(d) Details on changes in unrealized profit from intercompany transactions for the years ended December 31, 2010 and 2009 are as follows:

*(in millions of Won)*

	2010	2009
Allowance for doubtful accounts	₩ 3,346	2,539
Inventories	(152,853)	147,400
Property, plant and equipment and intangible assets	(122,791)	(64,195)
	₩ (272,298)	85,744

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**7. Investment Securities, Continued**

**Equity Method Accounted Investments, Continued**

(e) Market values of equity method accounted investments in marketable equity securities as of December 31, 2010 and 2009 are as follows:

<i>(in millions of Won except, per share information)</i>		<b>2010</b>			
<b>Investees</b>	<b>Number of Shares</b>	<b>Share Price</b>	<b>Fair Value</b>	<b>Book Value</b>	
Daewoo International Corporation	68,681,566	₩ 36,150	₩ 2,482,839	₩ 3,401,177	
Sungjin Geotec Co., Ltd	12,345,110	15,300	188,880	169,436	
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	3,544,200	149,500	529,858	125,760	
POSCO Coated & Color Steel Co., Ltd.	3,412,000	29,100	99,289	102,519	
Samjung Packing & Aluminum Co., Ltd.	2,034,246	65,500	133,243	74,949	
POSCO ICT Co., Ltd	99,403,282	9,630	957,254	46,241	
<i>(in millions of Won except per share information)</i>		<b>2009</b>			
<b>Investees</b>	<b>Number of Shares</b>	<b>Share Price</b>	<b>Fair Value</b>	<b>Book Value</b>	
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	3,544,200	₩ 50,100	₩ 177,564	₩ 100,535	
POSCO Coated & Color Steel Co., Ltd.	3,412,000	24,300	82,912	108,421	
Samjung Packing & Aluminum Co., Ltd.	270,000	19,950	5,387	5,989	
POSCO ICT Co., Ltd	50,440,720	6,530	329,378	-	

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**7. Investment Securities, Continued**

**Equity Method Accounted Investments, Continued**

(f) A summary of financial information on equity method investees as of and for the year ended December 31, 2010 is as follows:

(in millions of Won)

Investees	Total Assets	Total Liabilities	Net Assets (*)	Sales	Net Income
<b>Domestic</b>					
Daewoo International Corporation	₩ 4,789,621	₩ 3,213,270	₩ 1,576,351	₩ 15,672,004	₩ 112,309
POSCO E&C Co., Ltd.	5,191,112	2,662,512	2,528,600	6,237,953	(84,959)
POSCO Specialty Steel Co., Ltd.	1,268,574	527,949	740,625	1,543,122	117,498
POSCO Power Corp.	2,532,887	1,691,819	841,068	881,671	42,510
Posteel Co., Ltd.	950,280	404,360	545,920	2,062,495	(96,644)
Sungjin Geotec Co., Ltd	590,484	423,971	166,513	387,177	2,930
SNNC Co., Ltd	649,696	305,210	344,486	519,871	150,450
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	375,475	141,346	234,129	756,053	55,434
POSCO Coated & Color Steel Co., Ltd. Samjung Packing & Aluminum Co., Ltd.	503,664	248,319	255,345	1,001,773	5,380
POSCO ICT Co., Ltd.	282,929	123,828	159,101	524,625	7,635
	742,921	493,582	249,339	840,883	17,812
<b>Foreign</b>					
POSCO Australia Pty. Ltd.	1,176,301	501,302	674,999	89,827	27,058
Zhangjiagang Pohang Stainless Steel Co., Ltd.	1,472,886	839,336	633,550	2,461,020	54,301
POSCO-China Holding Corp.	302,095	55,510	246,585	148,503	14,538
POSCO WA PTY LTD.	211,856	-	211,856	-	(12,560)
Nickel Mining Company SAS	529,304	95,166	434,138	178,301	27,233
KOBRASCO	346,735	65,217	281,518	127,718	85,696
POSCO Investment Co., Ltd.	680,589	587,339	93,250	-	6,566
Guangdong Pohang Coated Steel Co., Ltd.	183,036	79,665	103,371	250,722	25,878
POSCO-India Private. Ltd.	92,865	181	92,684	-	(21,612)
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	1,043,610	712,305	331,305	1,422,452	101,351
POSCO-Vietnam Co., Ltd.	752,873	619,297	133,576	813,637	(66,486)
POSCO America Corporation	268,513	143,384	125,129	287,360	(17,203)
POSCO Maharashtra Steel Private Limited	159,734	79,398	80,336	-	(657)
POSCO VST Co., Ltd.	195,191	131,450	63,741	210,656	(8,333)
POSCO-Japan Co., Ltd.	779,544	660,509	119,035	1,475,360	10,644
Qingdao Pohang Stainless Steel Co., Ltd.	242,342	124,372	117,970	542,446	7,906
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	219,427	149,199	70,228	352,367	13,688
POSCO-Mexico Co., Ltd.	441,014	347,059	93,955	302,402	(25,163)
POSCO Asia Co., Ltd.	515,340	481,379	33,961	2,335,842	3,064
POSCO (Thailand) Co., Ltd.	163,287	118,332	44,955	224,630	10,117
Others	3,534,788	2,149,508	1,385,280	4,711,591	117,048

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**7. Investment Securities, Continued**

**Equity Method Accounted Investments, Continued**

(\*) The effects of the changes in the accounting principles and estimates of equity method investees when applying the equity method accounting for the year ended December 31, 2010 are as follows:

(in millions of Won)

<u>Investees</u>	<u>Reasons for Changes</u>	<u>Net Assets before Adjustment</u>	<u>Adjustment Amount</u>	<u>Net Assets after Adjustment</u>
<b>Domestic</b>				
Daewoo International Corporation	Adjustment of the fair value	₩ 1,071,363	₩ 1,208,416	₩ 2,279,779
POSCO E&C Co., Ltd.	Reversal of provision liability for construction losses	2,263,740	24,584	2,288,324
POSCO Power Corp.	Capitalized costs	720,915	(36,935)	683,980
Posteel Co., Ltd.	Capitalized costs	520,292	(1,560)	518,732
Sungjin Geotec Co., Ltd	Adjustment of the fair value	51,545	40,896	92,441
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	Depreciation method	140,477	4,109	144,586
POSCO Coated & Color Steel Co., Ltd.	Capitalized costs	145,206	(30,495)	114,711
Samjung Packing & Aluminum Co., Ltd.	Depreciation method	77,726	2,285	80,011
POSCO ICT Co., Ltd.	Assets revaluation	180,867	(26,523)	154,344
<b>Foreign</b>				
POSCO Australia Pty. Ltd.	Non-application of equity method	674,998	(89,269)	585,729
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Capitalized costs, Salvage value	371,262	(50,655)	320,607
POSCO-China Holding Corp.	Non-application of equity method	246,585	(18,885)	227,700
Nickel Mining Company SAS	Organization costs	212,728	(24,602)	188,126
POSCO Investment Co., Ltd.	Provision for allowance for doubtful accounts	93,250	(6,571)	86,679
POSCO-India Private. Ltd.	Organization costs	92,684	(5,003)	87,681
POSCO-Vietnam Co., Ltd.	Capitalized costs	113,546	(6,480)	107,066
POSCO America Corporation	Non-application of equity method	124,438	(13,542)	110,896
POSCO VST Co., Ltd.	Adjustment of the fair value	59,259	(1,720)	57,539
POSCO-Japan Co., Ltd.	Salvage value	119,035	(12,018)	107,017
Qingdao Pohang Stainless Steel Co., Ltd.	Capitalized costs	82,579	(10,187)	72,392
POSCO-Mexico Co., Ltd.	Capitalized costs	79,554	(12,747)	66,807
POSCO Asia Co., Ltd.	Non-application of equity method	33,960	1,620	35,580
Others		152,593	10,194	162,787

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**7. Investment Securities, Continued**

**Equity Method Accounted Investments, Continued**

(g) 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.

Business information of the investee company:

<b>Investee</b>	<b>Business Information</b>
Daewoo International Corporation	export and import trade, brokerage, drawing, retail, resource development, distribution and others

Changes in goodwill for the year ended December 31, 2010 are as follows:

<i>(in millions of Won)</i>	<b>Beginning Balance</b>	<b>Acquisition</b>	<b>Depreciation</b>	<b>Ending Balance</b>
Goodwill	₩ -	₩ 1,159,977	₩ (14,500)	₩ 1,145,477

(\*) Goodwill is calculated as the excess of the acquisition cost of an investment over the Company's share of the fair value of the identifiable net assets acquired and is amortized using the straight-line method over 20 years.

The summary of financial statements for the prior fiscal year, and for the year 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

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

(\*) This financial information was not audited.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**7. Investment Securities, Continued**

**Equity Method Accounted Investments, Continued**

b. Summarized statements of income

<i>(in millions of Won)</i>	<b>For the nine-month period ended September 30, 2010(*)</b>	<b>For the year ended December 31, 2009</b>
Sales	₩ 11,577,047	11,147,952
Cost of goods sold	10,919,446	10,390,672
Gross profit	657,601	757,280
Selling and administrative expenses	516,560	585,943
Operating profit	141,041	171,337
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	₩ 23,319	124,614

(\*) This financial information was not audited.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**8. Property, Plant and Equipment**

(a) Property, plant and equipment as of December 31, 2010 and 2009 are as follows:

<i>(in millions of Won)</i>	<b>2010</b>	<b>2009</b>
<b>Buildings and structures</b>	₩ 7,970,492	6,634,738
<b>Machinery and equipment</b>	31,455,066	28,119,425
<b>Tools</b>	158,895	146,097
<b>Vehicles</b>	182,137	172,312
<b>Furniture and fixtures</b>	208,772	183,807
<b>Capital lease assets</b>	11,466	11,466
	<u>39,986,828</u>	<u>35,267,845</u>
<b>Less: Accumulated depreciation</b>	<u>(25,183,333)</u>	<u>(23,425,832)</u>
	14,803,495	11,842,013
<b>Construction-in-progress</b>	2,634,189	3,841,712
<b>Land</b>	1,110,173	961,869
	<u>₩ 18,547,857</u>	<u>16,645,594</u>

(b) Changes in property, plant and equipment for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Won)</i>	<b>2010</b>					
	<b>Beginning Balance</b>	<b>Acquisition (*1)</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others (*2)</b>	<b>Ending Balance</b>
Land	₩ 961,869	₩ 155,701	₩ (7,397)	₩ -	₩ -	₩ 1,110,173
Buildings	1,998,510	755,864	(8,841)	(194,870)	-	2,550,663
Structures	1,479,920	564,933	(4,229)	(125,473)	29,051	1,944,202
Machinery and equipment	8,270,432	3,868,276	(22,273)	(1,911,648)	(21,979)	10,182,808
Vehicles	16,803	14,094	(154)	(7,989)	-	22,754
Tools	16,737	19,389	(1)	(8,318)	-	27,807
Furniture and fixtures	50,057	34,825	(60)	(18,478)	-	66,344
Capital lease assets	9,555	-	-	(637)	-	8,918
Construction-in-progress	3,841,711	4,245,572	-	-	(5,453,095)	2,634,188
	<u>₩ 16,645,594</u>	<u>₩ 9,658,654</u>	<u>₩ (42,955)</u>	<u>₩ (2,267,413)</u>	<u>₩ (5,446,023)</u>	<u>₩ 18,547,857</u>

(\*1) Includes acquisition cost transferred from construction-in-progress in relation to the expansion of Gwangyang sintering plates and coke establishment plates and others amounting to ₩5,413,082 million.

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**8. Property, Plant and Equipment, Continued**

<i>(in millions of Won)</i>	2009						Ending Balance
	Beginning Balance	Acquisition (*1)	Disposal	Depreciation	Others (*2)		
Land	₩ 908,306	₩ 51,692	₩ -	₩ -	₩ 1,871	₩ 961,869	
Buildings	1,978,609	198,670	(2,330)	(175,507)	(932)	1,998,510	
Structures	1,490,098	103,342	(6,219)	(123,655)	16,354	1,479,920	
Machinery and equipment	7,346,339	2,640,058	(14,812)	(1,684,717)	(16,436)	8,270,432	
Vehicles	20,302	5,396	(15)	(8,886)	6	16,803	
Tools	17,317	9,230	(72)	(9,731)	(7)	16,737	
Furniture and fixtures	54,025	14,177	(20)	(18,130)	5	50,057	
Capital lease assets	10,192	-	-	(637)	-	9,555	
Construction-in-progress	2,640,730	4,228,840	-	-	(3,027,859)	3,841,711	
	₩ 14,465,918	₩ 7,251,405	₩ (23,468)	₩ (2,021,263)	₩ (3,026,998)	₩ 16,645,594	

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

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

(c) The value of the land based on the posted price issued by the Korean tax authority amounted to ₩3,620,434 million and ₩ 3,347,426 million as of December 31, 2010 and 2009, respectively.

(d) In 2007, the Company entered into a capital lease contract with Ilshin Shipping Co., Ltd. acquiring a ro-ro ship for the exclusive use of transporting plates. As of December 31, 2010, future minimum lease payments under such a capital lease are as follows:

<i>(in millions of Won)</i>	Minimum Lease Payments	
Less than 1 year	₩	1,048
1~5 year		4,702
Over 5 year		4,133
		<u>9,883</u>

(e) As of December 31, 2010 and 2009, property, plant and equipment are insured against fire and other casualty losses for up to ₩15,251,864 million and ₩11,617,320 million, respectively.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**9. Intangible Assets**

(a) The changes in the carrying value of intangible assets for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Won)</i>	<b>2010</b>				
	<b>Beginning Balance</b>	<b>Increase (Decrease)</b>	<b>Amortization</b>	<b>Others</b>	<b>Ending Balance</b>
Intellectual property rights	₩ 3,028	₩ 2,458	₩ (567)	₩ -	₩ 4,919
Port facilities usage rights	100,144	28,165	(15,626)	-	112,683
Other intangible assets	48,657	26,237	(19,853)	-	55,041
	<u>₩ 151,829</u>	<u>₩ 56,860</u>	<u>₩ (36,046)</u>	<u>₩ -</u>	<u>₩ 172,643</u>

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

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

<i>(in millions of Won)</i>	<b>2010</b>	<b>2009</b>
Manufacturing costs	₩ 20,475	22,191
Selling and administrative expenses	15,571	16,094
Total	<u>₩ 36,046</u>	<u>38,285</u>

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

<i>(in millions of Won)</i>	<b>Description</b>	<b>2010</b>	<b>2009</b>	<b>Residual Useful Lives</b>
Port facilities usage rights	Masan distribution base usage rights	₩ 19,096	₩ 20,978	10 years

(d) Research costs related to development of software and others, recorded as other intangible assets, amounted to ₩ 32,308 million and ₩15,046 million as of and for the years ended December 31, 2010 and 2009, respectively. Research and development expenses incurred for the years ended December 31, 2010 and 2009 were ₩ 476,043 million and ₩ 407,291 million, respectively.

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**Notes to Non-Consolidated Financial Statements, Continued**  
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**10. Pledged Assets**

- (a) As of December 31, 2010, government bonds and bonds issued by Seoul Metropolitan Rapid Transit Corp, amounting to ₩29,830 million and ₩ 1,978 million, respectively, were provided as collateral to the Gyeongsangbuk-Do Province Office as a guarantee for environmental remediation of POSCO No. 4 disposal site. (note 7)
- (b) As of December 31, 2010, 2,110,486 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 (note 13) 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 December 31, 2010 and 2009 were as follows:

<i>(in millions of Won)</i>	<b>2010</b>		<b>2009</b>					
Korea Development Bank	EUR	3,327,892	₩	5,037	EUR	3,964,242	₩	6,637

- (d) As of December 31, 2010, Seoul Guarantee Insurance Co., Ltd. has provided guarantees amounting to ₩28,806 million for the company’s execution of contracts and others.

**11. Other Assets**

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

<i>(in millions of Won)</i>	<b>2010</b>		<b>2009</b>	
<b>Other current assets</b>				
Accrued income	₩	28,888		49,987
Advanced payments		6,218		11,943
Prepaid expense		13,648		8,465
Others		147		-
	₩	48,901		70,395
<b>Other long-term assets</b>				
Long-term loans receivable	₩	48,984		24,554
Guarantee deposits		2,213		1,771
Other investment assets		333,777		62,485
		384,974		88,810
Less: Allowance for doubtful accounts		(56)		(692)
	₩	384,918		88,118

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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

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

<i>(in millions of Won)</i>	<b>Annual Interest Rate (%)</b>		<b>2010</b>		<b>2009</b>	
Foreign currency borrowings	0.88 ~ 1.64	USD	982,589,470	₩ 1,119,071	369,055,984	430,910

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

<i>(in millions of Won)</i>	<b>Annual Interest Rate (%)</b>		<b>2010</b>		<b>2009</b>	
Domestic debentures	5.00	KRW	800,000	₩ 800,000	-	-
Domestic borrowings	2.25	KRW	750	750	-	-
1st Samurai Private Equity Bonds	Tibor+1.60	JPY	50,000,000,000	698,540	-	-
Yen dominated FRN	Tibor+2.60	JPY	20,000,000,000	279,416	-	-
Loans from foreign financial institutions	2.00	EUR	636,350	963	636,350	1,065
				1,779,669		1,065
Less: Discount on debentures issued				(3,242)		-
				₩ 1,776,427		1,065

**13. Long-Term Debts**

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

<i>(in millions of Won)</i>	<b>Issue date</b>	<b>Maturity</b>	<b>Annual Interest Rate (%)</b>		<b>2010</b>		<b>2009</b>	
Domestic debentures	Mar. 28, 2006~ Nov. 16, 2010	Mar. 28, 2011~ Nov. 16, 2015	4.38 ~ 6.52	KRW	3,300,000	₩ 3,300,000	2,300,000	2,300,000
9th Samurai Bonds	Jun. 28, 2006	Jun. 28, 2013	2.05	JPY	50,000,000,000	698,540	50,000,000,000	631,410
Euro Bonds	Aug. 10, 2006	Aug. 10, 2016	5.88	USD	300,000,000	341,670	300,000,000	350,280
Exchangeable bonds(*1)	Aug. 19, 2008	Aug. 19, 2013	-	JPY	52,795,000,000	737,588	52,795,000,000	666,706
Yen dominated FRN	Nov. 11, 2008	Nov. 11, 2013	6 Months Tibor+2.60	JPY	20,000,000,000	279,416	20,000,000,000	252,564
1st Samurai Private Equity Bonds	Dec. 29, 2008	Dec. 29, 2011	6 Months Tibor+1.60	JPY	50,000,000,000	698,540	50,000,000,000	631,410
1st Global Bonds	Mar. 26, 2009	Mar. 26, 2014	8.75		700,000,000	797,230	700,000,000	817,320
2nd Global Bonds	Oct. 28, 2010	Oct. 28, 2020	4.25	USD	700,000,000	797,230	-	-
						7,650,214		5,649,690
Add: Premium on bond redemption						11,138		10,067
Less: Current portion						(1,777,956)		-
Discount on debentures issued						(58,215)		(64,917)
						₩ 5,825,181		5,594,840

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**13. Long-Term Debts, Continued**

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

Issuance date:	August 19, 2008
Maturity date:	August 19, 2013
Rate:	Interest rate of zero percent
Face value:	JPY 52,795,000,000
Issuance price:	JPY 52,424,229,136
Premium on bond redemption :	JPY 797,204,500 (redeemed on put date or maturity date)
Exchangeable price:	JPY 2,999.11/ADR
Fair value of an exchangeable right at issuance date:	JPY 2,867,605,334
Fair value of an exchangeable right as of December 31, 2010:	JPY 63,354,000
ADRs exchangeable as of December 31, 2010:	ADR 18,994,379
Exercise period of exchangeable right:	Commercing ten business days following the issuance date until ten business days prior to maturity date
Exercisable date of put by bondholders:	August 19, 2011

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

(b) Long-term domestic borrowings as of December 31, 2010 and 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(*)-2.25	₩	55,114	55,114
Woori Bank	Representative-Borrowing Rate(*)-1.25		35,488	20,405
National Forestry Cooperative Federation	1.50		746	-
			91,348	75,519
Less: Current portion			(750)	-
		₩	90,598	75,519

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**13. Long-Term Debts, Continued**

(c) Long-term foreign currency borrowings as of December 31, 2010 and 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 (*4)	USD	7,027,711	₩	8,429	4,549,590	5,578
The Export-Import Bank (*2)	4.50	USD	153,000,000		174,252	-	-
The Export-Import Bank (*3)	4.09	USD	170,800,000		194,524	-	-
				₩	377,205		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.
- (\*4) The average yield of a 3-year government bond, which is rounded off to the nearest 0.25%, is utilized for the annual interest rate calculation.

(d) Loans from foreign financial institutions as of December 31, 2010 and 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	3,327,892	₩	5,037	3,964,241	6,637
Less: Current portion		EUR	(636,350)		(963)	(636,350)	(1,065)
				₩	4,074		5,572

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

<i>(in millions of Won)</i>			<b>Foreign Currency</b>		<b>Loans From Foreign</b>				
Period	<b>Debentures (*)</b>		<b>Borrowings</b>		<b>Borrowings</b>		<b>Financial Institutions</b>		<b>Total</b>
2011	₩	1,777,956	₩	750	₩	-	₩	963	₩ 1,779,669
2012		500,000		7,571		-		963	508,534
2013		1,947,266		10,853		23,960		963	1,983,042
2014		1,297,230		12,421		128,781		963	1,439,395
Thereafter		2,138,900		59,753		224,464		1,185	2,424,302
	₩	7,661,352	₩	91,348	₩	377,205	₩	5,037	₩ 8,134,942

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**14. Severance Benefits**

Changes in provision for severance benefits for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
<b>Estimated severance benefits at the beginning of period</b>	₩ 784,357	851,391
Provision for severance benefits	262,496	3,320
Payment	<u>(65,668)</u>	<u>(70,354)</u>
<b>Estimated severance benefits at the end of period</b>	<u>₩ 981,185</u>	<u>784,357</u>
Transferred to National Pension Fund	(82)	(82)
Deposits for severance benefits trust	<u>(689,080)</u>	<u>(599,088)</u>
<b>Net balance at the end of period</b>	<u>₩ 292,023</u>	<u>185,187</u>

As of December 31, 2010 and 2009, the Company has funded approximately 70% and 76%, respectively, of the total severance benefits through group severance insurance deposits with Samsung Life Insurance Company and others. The beneficiaries of the severance insurance deposits are the Company's employees.

**15. Other Current Liabilities**

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

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Other current liabilities		
Advances received	₩ 33,242	25,615
Unearned revenue	4,182	2,012
Others	<u>10,831</u>	<u>6,177</u>
	<u>₩ 48,255</u>	<u>33,804</u>

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**16. Commitments and Contingencies**

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

<i>(in millions of Won)</i>		2010		2009			
Company	Financial Institution	Guaranteed	Won Equivalent	Guaranteed	Won Equivalent		
<b>Related companies</b>							
POSCO Investment Co., Ltd.	HSBC and others	USD	477,000,000		USD	346,000,000	
		MYR	240,000,000	740,574	MYR	280,000,000	
		CNY	630,000,000		CNY	630,000,000	
POSCO-Vietnam Co., Ltd.	The Export-Import Bank of Korea and others	USD	230,000,000	329,101	USD	230,000,000	
POSCO Maharashtra Steel Private Limited	The Export-Import Bank of Korea	JPY	4,806,750,000		JPY	4,806,750,000	
		USD	69,000,000	78,584	USD	-	
				1,148,259		936,433	
<b>Others</b>							
Zeus (Cayman) Ltd.	Related creditors	JPY	52,795,000,000	737,588	JPY	52,795,000,000	
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Bank of China and others	USD	11,760,000	21,802	USD	13,800,000	
		CNY	48,744,470		CNY	359,180,000	
United Spiral Pipe, LLC	Comerica Bank	USD	25,000,000	28,473	USD	-	
				787,863		744,260	
				₩	1,936,122	₩	1,680,693

(b) As of December 31, 2010, the Company has provided five blank promissory notes to Korea Resources Corporation as collateral for long-term domestic borrowings, and has provided six blank promissory notes to KNOC as collateral for long-term foreign currency borrowings.

(c) As of December 31, 2010, the Company acquired certain tools and equipment under operating lease agreements from Macquarie Capital Korea Company Limited and others. The Company's rent expenses with respect to these lease agreements amounted to ₩6,959 million for the year ended December 31, 2010. Future lease payments under these lease agreements are as follows:

<i>(in millions of Won)</i>		Amount	
Period			
2011		₩	6,587
2012			3,695
2013			2,058
		₩	12,340

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**16. Commitments and Contingencies, Continued**

- (d) The Company is involved in twelve lawsuits and claims for alleged damages aggregating to ₩8,035 million as of December 31, 2010 which arose in the ordinary course of business. The Company is unable to predict the possible outcome of the above claims. However, in the opinion of management, the foregoing lawsuits and claims will not have a material adverse effect on the Company's financial position, operating results or cash flows. No provision is recorded in connection with the above lawsuits and claims as of December 31, 2010.
- (e) The Company entered into long-term contracts to purchase iron ore, coal, nickel, chrome and other raw materials. These contracts generally have terms of more than three years and provide for periodic price adjustments to the market price. As of December 31, 2010, 308 million tons of iron ore and 52 million tons of coal remained to be purchased under such long-term contracts.
- (f) The Company entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia regarding the commitment to purchase 550 thousand tons of LNG annually for 20 years commencing in August 2005. Purchase price is subject to change, following the change of the monthly standard oil price (Japanese Crude Cocktail) and also price ceiling is applicable.
- (g) The Company has bank overdraft agreements of up to ₩200,000 million with Woori Bank and six other banks as of December 31, 2010. In addition, the Company entered into a credit purchase loan agreement with Industrial Bank of Korea and four other banks for credit lines of up to ₩770,000 million and a short-term borrowing agreement of up to ₩150,000 million with Woori Bank.
- (h) As of December 31, 2010, the Company has an agreement with Woori Bank and thirteen other banks to open letters of credit, documents against acceptance and documents against payment amounting to US\$ 1,000 million and to borrow US\$ 1,300 million in foreign short-term borrowings.
- (i) The outstanding balance of accounts receivable in foreign currency sold to financial institutions as of December 31, 2010 amounted to US\$ 194 million for which the Company is contingently liable upon the issuers' default.
- (j) The Company entered into commitments of foreign currency long-term borrowings which are limited up to the amount of US\$ 6.86 million and US\$ 3.54 million with KNOC related to the exploration of gas fields in the Aral Sea, Uzbekistan and Namangan-Tergachi, respectively. The Company is not liable for the repayment of full or part of money borrowed if the project fails and also the Company has agreed to pay a certain portion of its profits under certain conditions as defined by the borrowing agreement.
- (k) The Company has provided a supplemental funding agreement, as the largest shareholder, as requested from the creditors, including Korea Development Bank, for seamless funding to POSCO Power Corp. under construction of new power plants.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**17. Derivatives**

(a) Details of derivatives for the year ended December 31, 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 as exchangeable rights to investors related to exchangeable bonds issued in August 19, 2008 met the criteria of embedded derivatives. Fair values of exchangeable right as of December 31, 2010 and 2009 are ₩885 million (JPY 63,354,000) and ₩2,133 million (JPY 168,994,000), respectively. This exchangeable right is included in other long-term liabilities (note 13).

(b) Details of the gains (losses) on derivatives, net for the years ended December 31, 2010 and 2009 are as follows:

*(in millions of Won)*

<b>Type of Transaction</b>	<b>Valuation Gain</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	1,248	7,065	-	-
	<u>₩ 1,248</u>	<u>7,065</u>	<u>₩ 26,737</u>	<u>14,177</u>

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

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**Notes to Non-Consolidated Financial Statements, Continued**  
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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	60,000	22,000	141,500	218,600	90,000	1,030,100
Exercise price per share	₩ 98,400	₩ 135,800	₩ 115,600	₩ 102,900	₩ 151,700	₩ 194,900	
<b>After the modifications (*)</b>							
Grant date	July 23, 2001	April 27, 2002	2002	April 26, 2003	July 23, 2004	April 28, 2005	
Exercise price	₩ 98,900	₩ 136,400	₩ 116,100	₩ 102,900	₩ 151,700	₩ 194,900	
Number of shares granted	453,576	55,896	20,495	135,897	214,228	90,000	970,092
Number of shares cancelled	19,409	-	-	-	-	-	19,409
Number of shares exercised	434,167	55,896	20,495	135,897	144,964	64,000	855,419
Number of shares outstanding	-	-	-	-	69,264	26,000	95,264
Exercise period	July 24, 2003~ July 23, 2008	April 28, 2004~ April 27, 2009	Sept. 19, 2004~ Sept. 18 2009	April 27, 2005~ April 26, 2010	July 24, 2006~ July 23, 2011	April 29, 2007~ April 28, 2012	

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

(b) Expenses (or income) related to stock appreciation rights granted to executives incurred for the year ended December 31, 2010 are 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)	(7,533)	(2,871)	(10,436)
	<u>₩ 59,945</u>	<u>₩ 10,780</u>	<u>₩ 6,071</u>	<u>₩ 31,864</u>	<u>₩ 73,706</u>	<u>₩ 28,823</u>	<u>₩ 211,189</u>

(c) As of December 31, 2010 and 2009, liabilities related to stock appreciation rights which are stated as long-term accrued expenses amounted to ₩30,057 million and ₩55,141 million, respectively.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**19. Capital Stock**

Under the Articles of Incorporation, the Company is authorized to issue 200 million shares of capital stock with par value of ₩5,000 per share. As of December 31, 2010, exclusive of retired stock, 87,186,835 shares of common stock have been issued.

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

As of December 31, 2010, total shares of ADRs are 67,255,792 equivalents to 16,813,948 of common shares.

As of December 31, 2010, ending balance of capital stock amounts to ₩482,403 million; however, it is different from par value of issued common stock, which amounted to ₩435,934 million, due to retirement of treasury stock.

**20. Capital Surplus**

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

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

**21. Capital Adjustments**

(a) Details of capital adjustments of the Company as of December 31, 2010 and 2009 are as follows:

*(in millions of Won)*

	2010		2009
	Number of Shares	Book Value	Book Value
Treasury stock	7,792,072	₩ 1,662,068	1,662,068
Specified money in trust	2,361,885	741,195	741,195
	10,153,957	₩ 2,403,263	2,403,263

(b) The voting rights of treasury stock are restricted in accordance with the Korean Commercial Code of the Republic of Korea.

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**Notes to Non-Consolidated Financial Statements, Continued**  
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**22. Retained Earnings**

Retained earnings as of December 31, 2010 and 2009 are as follows:

<i>(in millions of Won)</i>	<b>2010</b>	<b>2009</b>
Appropriated		
Legal reserve	₩ 241,202	241,202
Appropriated retained earnings for business rationalization	918,300	918,300
Reserve for technology and human resource development	1,128,333	720,000
Appropriated retained earnings for business expansion	23,557,500	21,557,500
Appropriated retained earnings for dividends	1,395,894	1,211,224
	<u>27,241,229</u>	<u>24,648,226</u>
Unappropriated	4,211,524	3,295,032
	<u>₩ 31,452,753</u>	<u>27,943,258</u>

**Legal Reserve**

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**23. Dividends**

(a) Details of interim and year-end dividends in 2010 and 2009 are as follows:

**Interim Cash Dividends**

<i>(in millions of Won)</i>	<b>2010</b>		<b>2009</b>	
	<b>Dividend Ratio (%)</b>	<b>Dividend Amount</b>	<b>Dividend Ratio (%)</b>	<b>Dividend Amount</b>
Common shares	50	₩ 192,582	30	114,855

**Year-end Cash Dividends**

<i>(in millions of Won)</i>	<b>2010</b>		<b>2009</b>	
	<b>Dividend Ratio (%)</b>	<b>Dividend Amount</b>	<b>Dividend Ratio (%)</b>	<b>Dividend Amount</b>
Common shares	150	₩ 577,747	130	500,714

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

<i>(in millions of Won)</i>	<b>2010</b>		<b>2009</b>	
	<b>Dividend Payout Ratio (%)</b>	<b>Dividend Yield Ratio (%)</b>	<b>Dividend Payout Ratio (%)</b>	<b>Dividend Yield Ratio (%)</b>
Common shares	18.33	2.05	19.40	1.29

**24. Cost of Goods Sold**

Costs of goods sold for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Won)</i>	<b>2010</b>	<b>2009</b>
Finished goods, semi-finished goods and by-products		
Beginning balance of inventories	₩ 1,191,502	2,749,541
Cost of goods manufactured	26,521,423	20,889,203
Transfer from other accounts	389,877	83,486
Refund of customs	(33,028)	(21,222)
Ending balance of inventories	(2,134,509)	(1,191,502)
	25,935,265	22,509,506
Others	83,067	64,798
	₩ 26,018,332	22,574,304

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**25. Selling, General and Administrative Expenses**

Details of selling, general and administrative expenses for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Won)</i>	<u>2010</u>	<u>2009</u>
Selling expenses	₩ 783,796	637,793
Fees and charges	146,370	112,852
Salaries and wages	148,969	94,600
Advertising	84,720	72,103
Research and development (note 9)	94,241	53,947
Depreciation	16,530	14,704
Amortization (note 9)	15,571	16,094
Bad debt expenses	(6,626)	8,861
Rent	26,844	19,821
Other employee benefits	55,255	78,527
Accrual for severance benefits	38,709	5,831
Supplies	7,445	4,147
Travel	20,795	12,580
Training	21,744	12,088
Repairs	13,051	10,536
Communications	8,486	7,315
Vehicle expenses	6,320	5,572
Taxes and public dues	4,477	4,379
Entertainment	5,084	3,559
Subscriptions and printing	3,077	2,665
Utilities	1,210	455
Insurance	684	735
Stock compensation expense (note 18)	-	36,100
Others	19,907	16,378
	<u>₩ 1,516,659</u>	<u>1,231,642</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**26. Assets and Liabilities Denominated in Foreign Currencies**

Monetary assets and liabilities denominated in foreign currencies as of December 31, 2010 and 2009 are as follows:

(in millions of Won)

	2010		2009		
	Foreign Currency	Won Equivalent	Foreign currency	Won Equivalent	
<b>Assets</b>					
Cash and cash equivalents	USD	406	₩ 480	USD 266,156	310,764
	EUR	125	189	EUR 188	314
	Others	-	127	Others -	140
Trade accounts and notes receivable	USD	536,828	611,393	USD 327,506	382,396
	JPY	4,026,440	56,253	JPY 3,541,836	44,727
	EUR	11,900	18,012	EUR 17,147	28,709
Other accounts receivable	USD	5,997	6,831	USD 6,662	7,779
	JPY	8,879	124	JPY 8,879	112
	Others	-	5	Others -	-
Guarantee deposits	USD	43	48	USD 45	53
	EUR	136	205	EUR 135	226
	Others	-	98	Others -	95
		₩ 693,765			₩ 775,315
<b>Liabilities</b>					
Trade accounts payable	USD	502,383	₩ 572,369	USD 277,543	324,059
	JPY	1,138,321	15,903	JPY 1,140,474	14,402
	EUR	282	426	EUR 871	1,458
Other accounts payable	USD	25,068	28,550	USD 7,484	8,739
	JPY	194,919	2,723	JPY 366,221	4,625
	EUR	3,639	5,508	EUR 3,183	5,329
Debentures	Others	-	562	Others -	61
	USD	1,700,000	1,936,130	USD 1,000,000	1,167,600
	JPY	173,592,205	2,425,222	JPY 173,592,205	2,192,157
Foreign currency	USD	982,589	1,119,071	USD 369,056	430,910
Foreign currency	USD	330,828	377,205	USD 4,550	5,578
Loans from foreign financial institutions	EUR	3,328	5,037	EUR 3,964	6,637
		₩ 6,488,706			₩ 4,161,555

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**27. Income Taxes**

(a) Income tax expense for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Won)</i>	<b>2010</b>	<b>2009</b>
Current income taxes (*)	₩ 874,309	581,548
Deferred income tax due to temporary differences	288,228	(12,639)
Items charged directly to shareholders' equity	(215,216)	(158,648)
	<u>₩ 947,321</u>	<u>410,261</u>

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

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

<i>(in millions of Won)</i>	<b>2010</b>	<b>2009</b>
Net income before income tax expense	₩ 5,150,112	3,582,525
Income tax expense computed at statutory rate	1,246,305	866,947
Adjustments:		
Tax credit	(256,138)	(349,190)
Tax penalty (returns) (*)	33,417	(140,442)
Others, net	(76,263)	32,946
Income tax expense	<u>₩ 947,321</u>	<u>410,261</u>
Effective rate (%)	<u>18.4%</u>	<u>11.5%</u>

(\*) The Company paid income tax amounting to ₩43,534 million according to the result of tax investigation, and recognized ₩33,417 million excluding adjusted amount in deferred income tax assets (liabilities) as income tax expense. In the previous year, the Company received tax refunds amounting to ₩144,248 million from the additional tax payments in 2005, according to the decision of the Tax Tribunal, and recognized ₩140,442 million excluding adjusted amount in deferred income tax assets (liabilities) as tax returns.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**27. Income Taxes, Continued**

- (c) Changes in temporary differences and deferred income taxes for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Won)</i>	Accumulated temporary differences			Deferred income tax		
	Dec. 31, 2009	Inc. (dec.) (*1)	Dec. 31, 2010	Dec. 31, 2009	Inc. (dec.)	Dec. 31, 2010
Reserve for special repairs	₩ (173,990)	₩ 48,447	₩ (125,543)	₩ (39,500)	₩ 11,724	₩ (27,776)
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)	68,348	(288,716)	(78,445)	13,316	(65,129)
Valuation of equity method accounted investments (*2)	(2,147,187)	(828,249)	(2,975,436)	(380,246)	(136,351)	(516,597)
Prepaid expenses	73,375	4,521	77,896	17,756	1,095	18,851
Impairment loss on property, plant and equipment	35,696	(2,135)	33,561	7,998	(555)	7,443
Gain on foreign currency translation	190,953	179,814	370,767	39,783	41,283	81,066
Gain on valuation of available-for-sale securities	(835,211)	(256,121)	(1,091,332)	(183,746)	(56,347)	(240,093)
Loss on valuation of available-for-sale securities	868,159	(227,194)	640,965	190,995	(49,885)	141,110
Tax credit	-	-	-	286,556	(47,030)	239,526
Others	474,039	50,957	524,996	99,140	11,724	110,864
	<u>₩ (2,209,831)</u>	<u>₩ (1,312,530)</u>	<u>₩ (3,522,361)</u>	<u>₩ (114,201)</u>	<u>₩ (288,228)</u>	<u>₩ (402,429)</u>

(\*1) The adjustments reflect the effect of the finalized tax assessment for the year ended December 31, 2009 and as a result, the deferred income tax balances as of December 31, 2009 have been adjusted.

(\*2) As the Company is unlikely to dispose of its investee shares within five years, the income tax effect of ₩505,213 million in 2010 is not recognized as it is more likely than not that the deferred tax asset will not be realized.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**27. Income Taxes, Continued**

(in millions of Won)

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

(d) Changes in deferred income tax and others which are directly recognized in equity due to changes in valuation of available-for-sale securities for the years ended December 31, 2010 and 2009 amounted to ₩215,216 million and ₩158,648 million, respectively.

(e) A summary of deferred tax assets and liabilities as of December 31, 2010 and 2009 are as follows:

(in millions of Won)

	2010		2009	
	Current	Non-current	Current	Non-current
Deferred tax assets	₩ 258,377	₩ 473,364	₩ 307,865	₩ 747,057
Deferred tax liabilities	(12,622)	(1,121,548)	(21,790)	(1,147,333)
Net deferred tax assets (liabilities)	<u>₩ 245,755</u>	<u>₩ (648,184)</u>	<u>₩ 286,075</u>	<u>₩ (400,276)</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**28. Comprehensive Income**

For the years ended December 31, 2010 and 2009, comprehensive incomes are as follows:

<i>(in millions of Won)</i>	<b>2010</b>	<b>2009</b>
Net income	₩ 4,202,791	3,172,264
Gain on valuation of available-for-sale securities	483,218	546,820
Less: tax effect	(106,232)	(120,301)
Changes in capital adjustments arising from	304,535	42,192
Less: tax effect	(77,239)	4,323
Other comprehensive income	<u>604,282</u>	<u>473,034</u>
Comprehensive income	<u>₩ 4,807,073</u>	<u>3,645,298</u>

**29. Earnings per Share**

(a) Basic earnings per share for the years ended December 31, 2010 and 2009 were as follows:

<i>(in millions of Won, except per share information)</i>	<b>2010</b>	<b>2009</b>
Net income	₩ 4,202,791	3,172,264
Weighted-average number of common shares outstanding (*)	<u>77,032,878</u>	<u>76,661,240</u>
Basic earnings per share	<u>₩ 54,558</u>	<u>41,380</u>

(\*) Basic earnings per share are computed by dividing net income allocated to common stock, by the weighted-average number of common shares outstanding for the year ended December 31, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	<u>(10,153,957)</u>	<u>(10,525,595)</u>
Weighted-average number of common shares outstanding	<u>77,032,878</u>	<u>76,661,240</u>

# POSCO

## Notes to Non-Consolidated Financial Statements, Continued

### December 31, 2010 and 2009

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### 30. Related Party Transactions

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

<b>Domestic (36)</b>	POSCO E&C Co., Ltd., Posteel Co., Ltd., POSCO Coated & Color Steel Co., Ltd., POSCO Plant Engineering Co., Ltd (Formerly, POSCO Machinery & Engineering Co., Ltd.), POSCOICT CO., Ltd., POSCO Research Institute, Seung Kwang Co., Ltd., POSCO A&C Co., Ltd.(Formerly, POSCO Architects & Consultants Co., Ltd.), POSCO Specialty Steel Co., Ltd., POSTECH Venture Capital Corp, eNtoB Corporation, 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 feul cell co., 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 Corporation, POSCO-LED Co., Ltd., POSCO-NST Co., Ltd.
<b>Foreign (76)</b>	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-JOPC Co., Ltd., POSCO Investment Co., Ltd., POSCO-MKPC SDN BHD., Qingdao Pohang Stainless Steel Co., Ltd., POSCO (Suzhou) Automotive Processing Center Co., Ltd., POSEC-Hawaii Inc., 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., Zhangjiagang 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, POSCO-Poland Wroclaw Steel Processing Center Co., Ltd., Xenesys Incorporation, Posco Zhangjiagang Stainless Steel Processing Center Co., Ltd.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**30. Related Party Transactions, Continued**

(b) Significant transactions, which occurred in the ordinary course of business, with related companies for the years ended December 31, 2010 and 2009 and the related account balances as of December 31, 2010 and 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.	₩ 7,441	₩ 4,548	₩ 2,292,524	₩ 2,247,673	₩ 293	₩ 480	₩ 190,081	₩ 437,818
Posteel Co., Ltd.	1,082,903	1,167,949	455,976	159,216	129,133	114,783	6,842	3,484
POSCO Coated & Color Steel Co., Ltd.	685,698	494,938	3,178	1,477	104,755	109,615	437	199
POSCO Plant Engineering Co.,Ltd (Formerly, POSCO Machinery & Engineering Co., Ltd.),	3,479	10,352	274,846	256,829	-	11	48,058	35,558
POSCO ICT Co., Ltd.	1,212	1,121	485,525	435,901	-	13	63,627	73,171
POSCO A&C Co., Ltd.(Formerly, POSCO Architects & Consultants Co., Ltd.)	32	264	52,908	35,146	4	7	8,263	2,557
POSCO Specialty Steel Co., Ltd.,	199	225	46,725	8,635	63	-	8,885	3,418
eNtoB Corporation	2	-	287,014	223,075	-	-	2,419	6,561
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	142,677	86,927	573,973	473,402	33,743	6,880	62,669	66,008
POSCO Terminal Co., Ltd.	18,281	14,965	1,011	638	2,316	1,809	20	193
POSMATE Co., Ltd.	1,141	1,185	47,152	37,882	1,396	48	6,391	5,222
Samjung Packing & Aluminum Co.,Ltd.	29,083	18,945	252,946	206,918	3,260	1,472	29,117	24,942
POSCO TMC Co., Ltd.(formerly, POSCORE Co., Ltd.)	151,323	130,964	91	483	11,823	11,678	15	24
PNR Co., Ltd.	9,389	2,137	27,070	-	2,656	644	3,886	-
POSCO AST Co., Ltd.	267,323	83,245	54,840	21,489	19,065	17,492	8,255	7,572
Daewoo International Corporation.	867,916	-	-	-	139,756	-	-	-
POSCO America Corporation	233,594	169,274	-	-	3,505	531	-	-
POSCO Australia Pty. Ltd.	22,522	9,490	-	-	3,963	151	-	-
POSCO Canada Ltd.	-	-	170,842	84,404	-	-	-	-
POSCO Asia Co., Ltd.	1,377,802	1,093,589	148,706	79,844	122,626	40,548	3,767	1,170
POSCO-JKPC Co., Ltd.	65,938	30,088	201	-	1,496	34	-	-
POSCO (Thailand) Co., Ltd.	119,274	70,129	58	5	2,413	1,768	-	-
POSCO-MKPC SDN BHD.	59,361	54,766	-	-	-	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	78,064	185,002	-	-	4,023	2,353	-	-
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	79,258	113,392	-	-	-	-	-	-
POSCO-Japan Co., Ltd.	1,161,919	690,289	272,282	75,973	28,515	25,972	4,412	6,701
POSCO-India Pune Steel Processing Centre Pvt. Ltd.	144,837	110,901	-	-	85	-	-	1
POSCO-JNPC Co., Ltd.	46,630	-	-	-	-	-	-	-
POSCO-Foshan SteelProcessing Center Co., Ltd.	60,422	58,413	-	-	-	-	-	-
POSCO-MPC S.A. de C.V.	122,734	98,476	-	-	-	-	-	-
POSCO-Vietnam Co., Ltd.	188,595	117,296	-	-	364	1,934	-	-
POSCO-Mexico Co., Ltd.	273,241	125,057	-	-	1,841	-	-	-
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	69,853	76,997	115	498	-	-	-	-
POSCO (Chongqing) Automotive Processing Center Co., Ltd.	34,303	43,401	-	-	-	-	-	-
POSCO-JYPC Co., Ltd.	56,398	-	-	-	-	-	-	-
POSCO-Malaysia SDN. BHD.	41,013	51,191	-	-	-	-	-	-
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	81,905	83,526	-	-	-	-	-	-
Others	162,411	103,807	42,607	39,784	25,664	2,717	6,090	3,306
	<u>7,748,173</u>	<u>5,302,849</u>	<u>5,490,590</u>	<u>4,389,272</u>	<u>642,758</u>	<u>340,940</u>	<u>453,234</u>	<u>677,905</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**30. Related Party Transactions, Continued**

(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>Equity method investees</b>								
SNNC Co.,Ltd.	1,763	1,437	519,871	368,261	182	1,974	57,512	26,963
USS-POSCO Industries	308,998	241,921	264	56	8	18,310	-	-
Poschrome (Proprietary) Limited	-	-	80,282	48,822	-	176	-	-
Guangdong Xingpu Steel Center Co., Ltd.	-	10,801	-	-	-	820	-	-
Others	11,890	5,973	779	3,038	-	-	-	78
	<u>322,651</u>	<u>260,132</u>	<u>601,196</u>	<u>420,177</u>	<u>190</u>	<u>21,280</u>	<u>57,512</u>	<u>27,041</u>
	<u>₩ 8,070,824</u>	<u>₩ 5,562,981</u>	<u>₩ 6,091,786</u>	<u>₩ 4,809,449</u>	<u>₩ 642,948</u>	<u>₩ 362,220</u>	<u>₩ 510,746</u>	<u>₩ 704,946</u>

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

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

(c) For the years ended December 31, 2010 and 2009, details of compensation to key management officers are as follows:

(in millions of Won)

	2010	2009
Salaries	₩ 16,346	11,716
Severance benefits	5,696	5,490
Management achievement awards and others	21,415	14,196
	<u>₩ 43,457</u>	<u>31,402</u>

Key management officers include directors (including non-executive directors) and internal audit officer who have significant influence and responsibilities in the Company's business plans, operations and controls. Other than the compensation which is described above, the Company granted stock appreciation rights to its key management officers. The Company recognized expense related to stock appreciation rights which were decreased by ₩10,436 million, and increased by ₩36,100 million for the years ended December 31, 2010 and 2009, respectively (note 18).

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**31. Segment Information**

(a) The Company has plants in Pohang and in Gwangyang in the Republic of Korea. General information of the plants as of December 31, 2010 is as follows:

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

(b) Operating results and long-lived assets as of and for the years ended December 31, 2010 and 2009 are as follows:

(in millions of Won)

	<b>2010</b>			
	<b>Pohang</b>	<b>Gwangyang</b>	<b>Others</b>	<b>Total</b>
Sales (*1)	₩ 17,092,501	₩ 15,363,671	₩ 125,865	₩ 32,582,037
Property, plant and equipment (*2)	₩ 9,214,779	₩ 9,333,078	₩ -	₩ 18,547,857
Intangible assets (*2)	143,878	28,765	-	172,643
	₩ 9,358,657	₩ 9,361,843	₩ -	₩ 18,720,500
Depreciation and amortization	₩ 1,253,613	₩ 1,049,846	₩ -	₩ 2,303,459

(in millions of Won)

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

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

(\*2) Presented at net book value.

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**32. Value Added Information**

Details of accounts included in the computation of value added for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Won)</i>		<b>2010</b>	<b>2009</b>
Salaries and wages	₩	1,083,280	812,217
Provision for severance benefits		262,496	3,219
Other employ benefit		311,052	471,186
Rent		48,954	45,446
Depreciation and amortization (*)		2,303,459	2,057,668
Taxes and dues		67,251	59,737
	₩	<u>4,076,492</u>	<u>3,449,473</u>

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

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

Significant operating results of the Company for the three-month periods ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Won, except per share information)</i>		<b>Q4 2010</b>	<b>Q4 2009</b>
Sales	₩	9,175,775	7,288,132
Operating income		653,330	1,586,780
Net income		525,369	1,275,327
Basic earnings per share (in Won)		6,820	16,577

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

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**34. The Company's Plan and Status for Applying the Korean International Financial Reporting Standards**

The Company plans to prepare its financial statements under the Korean International Financial Reporting Standards (K-IFRS) from 2011. To manage the matters associated with adoption of the K-IFRS, the Company has organized a separate task force, which has analyzed the impact of the adoption of the K-IFRS and the Company has been in the process of modification of its system. Also, the Company has trained persons in charge of adoption of the 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 the K-IFRS as of December 31, 2010 are as follows:

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

The significant differences between the Company's current policy and the K-IFRS which impact on the Company's financial statements as of December 31, 2010 are as follows:

<u>Classification</u>	<u>K-IFRS</u>	<u>Current Policy</u>
<b>First-time Adoption of K-IFRS</b>		
Deemed cost at the date of transition (Property, plant & equipment)	Measure the certain individual item of PP&E at fair value and use this value as deemed cost at the date of transition.	—
Investments in subsidiaries, jointly controlled entities and associates	Applying carrying amount of its investments in subsidiaries, jointly controlled entities and associates in accordance with previous GAAP at the date of transition as deemed cost at the date of transition.	—
Capitalization of borrowing costs	Capitalize the borrowing costs for the purpose of obtaining a qualifying asset after the date of transition.	—

**POSCO**  
**Notes to Non-Consolidated Financial Statements, Continued**  
**December 31, 2010 and 2009**

**34. The Company's Plan and Status for Applying the Korean International Financial Reporting Standards, Continued**

<u>Classification</u>	<u>K-IFRS</u>	<u>Current Policy</u>
<b>Adoption of K-IFRS</b>		
Derecognition of financial assets	Derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the transferor transfers the contractual rights to receive the cash flows of the financial asset and transfers substantially all the risks and rewards of ownership of the financial asset or the entity neither transfers nor retains all the risks and rewards of ownership.	Derecognize a financial asset when the Company transfer the financial assets to financial institutions based on assumption that Company cannot exercise its rights and efficient control.
A method of accounting for an investment presented by separate financial statements	Apply cost method	Apply equity method accounting
Reclassification of investment property	Property held to earn rentals or for capital appreciation or both is classified and accounted as Investment property.	—
Borrowing costs	Borrowing costs that are directly attribute to the acquisition, construction or production of a qualifying asset form part of the cost of that asset.	Recognized as an expense.
Membership	Classified as an intangible asset with an indefinite useful life should not be amortized.	Classified as an other long-term assets.
Employee benefits	Defined benefit obligations represent the present value of projected benefit obligation using the Projected Unit Credit Method and actuarial assumptions.	Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment at the end of reporting
Deferred income tax	Classified as non-current assets and liabilities.	Classify deferred tax balances as current assets and liabilities or as noncurrent assets and liabilities in accordance with related assets and liabilities, otherwise, expected future periods when the carrying amount of the asset or liability is recovered or settled.

## **Independent Accountants' Review Report on Internal Accounting Control System**

### English translation of a Report Originally Issued in Korean

To the President of  
POSCO:

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ("IACS") of POSCO (the "Company") as of December 31, 2010. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of IACS, the Company's management stated: "Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2010, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee."

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

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

Based on our review, nothing has come to our attention that the Report on the Operations of Internal Accounting Control System as of December 31, 2010 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2010. We did not review the Company's IACS subsequent to December 31, 2010. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

Seoul, Korea

February 14, 2011

Notice to Readers

This report is annexed in relation to the audit of the non-consolidated financial statements as of December 31, 2010 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Report on the Operations of Internal Accounting Control System

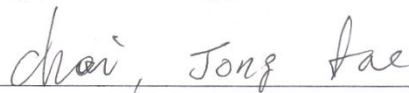
To the Board of Directors and Audit Committee of  
POSCO:

I, as the Internal Accounting Control Officer ( "IACO" ) of POSCO (the Company" ), have assessed the status of the design and operations of the Company' s internal accounting control system( "IACS" ) as of December 31, 2010.

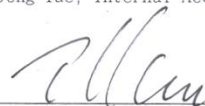
The Company' s management, including IACO, is responsible for the design and operations of its IACS. I, as the IACO, have assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for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

Based on the assessment of the operations of the IACS, the Company' s IACS has been effectively designed and is operating as of December 31, 2010, in all material respects, in accordance with the IACS Standards issued by the IACS Operations Committee.

January 13, 2011



Choi Jong-Tae, Internal Accounting Control Officer



Chung Joon-Yang, Chief Executive Officer

