

**POSCO**  
**and Subsidiaries**  
**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

POSCO:

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

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

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

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

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

As discussed in note 32 to the consolidated financial statements, POSCO acquired a controlling financial interest in Daewoo International Corporation in 2010, and the results of operations of Daewoo International Corporation for the year ended December 31, 2010 are consolidated in their entirety into in each line items of POSCO's consolidated statement of income as if the acquisition has occurred on January 1, 2010, with the pre-acquisition net earnings deducted in determining POSCO's consolidated net income for 2010. Therefore, comparability with POSCO's consolidated financial statements for prior years is impacted accordingly.

Seoul, Korea

March 21, 2011

<p>This report is effective as of March 21, 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 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.</p>
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**POSCO and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2010 and 2009**

(In millions of won)

	Notes	2010	2009
<b>Assets</b>			
Cash and cash equivalents, net of government grants	3	₩ 3,598,822	2,196,731
Short-term financial instruments	3, 11	2,954,351	5,820,447
Trading securities	4	183,953	505,811
Current portion of investment securities, net	7	46,566	56,463
Trade accounts and notes receivable, net of allowance for doubtful accounts and present value discount	5, 11	7,995,649	5,145,022
Other accounts and notes receivable, net of allowance for doubtful accounts	5	685,069	447,693
Advance payments		892,957	588,354
Inventories	6, 11, 31	9,803,453	5,152,839
Deferred income tax assets	26	383,869	404,401
Other current assets, net of allowance for doubtful accounts	12	562,434	316,389
<b>Total current assets</b>		<b>27,107,123</b>	<b>20,634,150</b>
Property, plant and equipment	9, 11, 31	53,921,182	47,506,269
Less accumulated depreciation		(28,222,033)	(25,666,484)
Property, plant and equipment, net		25,699,149	21,839,785
Investment securities, net	7, 11	9,317,705	6,211,966
Intangible assets, net	10, 31, 32	3,161,452	629,969
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts and present value discount	5	12,629	15,685
Long-term loans receivable, net of allowance for doubtful accounts and present value discount	5	140,446	103,607
Deferred income tax assets	26	438,833	294,441
Guarantee deposits		118,516	51,269
Long-term financial instruments	3	22,748	18,634
Resource development investments	8	1,164,015	-
Other long-term assets, net of allowance for doubtful accounts	12	763,317	512,242
<b>Total non-current assets</b>		<b>40,838,810</b>	<b>29,677,598</b>
<b>Total assets</b>		<b>₩ 67,945,933</b>	<b>50,311,748</b>

See accompanying notes to consolidated financial statements.

**POSCO and Subsidiaries**  
**Consolidated Statements of Financial Position, Continued**  
**As of December 31, 2010 and 2009**

(In millions of won)

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
<b>Liabilities</b>			
Trade accounts and notes payable	₩	4,125,253	2,734,900
Short-term borrowings	13	5,838,370	3,225,801
Current portion of long-term debts, net of discount on debentures issued	13	3,430,562	786,887
Accrued expenses		477,322	344,274
Other accounts and notes payable		910,018	642,446
Withholdings		115,681	200,894
Income tax payable		769,475	393,719
Advances received		997,728	811,644
Deferred income tax liabilities	26	3,895	71
Other current liabilities	16	424,923	134,182
<b>Total current liabilities</b>		<b>17,093,227</b>	<b>9,274,818</b>
Long-term debt, net of current portion and discount on debentures issued	14	10,608,584	8,229,781
Provision for severance benefits, net	15	439,102	300,421
Deferred income tax liabilities	26	1,541,388	531,927
Other long-term liabilities	16	1,062,211	310,487
<b>Total non-current liabilities</b>		<b>13,651,285</b>	<b>9,372,616</b>
<b>Total liabilities</b>		<b>30,744,512</b>	<b>18,647,434</b>
<b>Parent shareholders' equity</b>			
Capital stock	1, 18	482,403	482,403
Capital surplus	19	4,411,018	4,446,032
Capital adjustments, net	22	(2,402,702)	(2,410,668)
Accumulated other comprehensive income	28	1,009,099	455,471
Retained earnings	20	31,395,470	27,935,726
		34,895,288	30,908,964
<b>Non-controlling interest</b>		<b>2,306,133</b>	<b>755,350</b>
<b>Total shareholders' equity</b>		<b>37,201,421</b>	<b>31,664,314</b>
<b>Total liabilities and shareholders' equity</b>	₩	<b>67,945,933</b>	<b>50,311,748</b>

See accompanying notes to consolidated financial statements.

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

<i>(In millions of won, except per share information)</i>				
	<b>Notes</b>		<b>2010</b>	<b>2009</b>
<b>Sales</b>	31	₩	60,637,860	36,855,001
<b>Cost of goods sold</b>	31		51,560,675	31,037,425
Gross profit			9,077,185	5,817,576
<b>Selling and administrative expenses</b>	25		3,338,876	1,949,414
Operating income			5,738,309	3,868,162
<b>Non-operating income</b>	31			
Interest and dividend income			431,623	351,553
Gain on disposal of trading securities			15,373	21,298
Gain on valuation of trading securities			1,882	5,811
Gain on foreign currency transactions			1,055,832	814,758
Gain on foreign currency translation			225,657	541,007
Gain on derivative transaction	24		438,170	77,879
Gain on valuation of derivatives	24		94,617	51,101
Gain on disposal of property, plant and equipment			30,595	82,000
Equity in earnings of equity method accounted investees	7		371,228	75,250
Gain on recovery of allowance for doubtful accounts			3,861	7,736
Reversal of stock compensation expense	23		10,436	-
Others			177,488	334,000
			2,856,762	2,362,393
<b>Non-operating expenses</b>	31			
Interest expense			656,769	532,090
Other bad debt expense			27,302	11,253
Loss on disposal of trading securities			1,331	1,164
Loss on valuation of trading securities			34	21
Loss on foreign currency transactions			1,035,834	884,347
Loss on foreign currency translation			428,271	105,219
Loss on derivative transaction			422,882	67,697
Loss on valuation of derivatives			118,609	94,346
Donations			75,530	128,925
Loss on impairment of investments			52,138	285,961
Loss on disposal of property, plant and equipment			75,289	54,992
Loss on impairment of intangible assets			1,120	50,493
Equity in losses of equity method accounted investees			67,850	82,130
Others			294,426	192,642
			3,257,385	2,491,280
Net income before income tax expense and net income of consolidated subsidiaries before acquisition			5,337,686	3,739,275
<b>Income tax expense</b>	26, 31		1,112,896	535,996
<b>Net income (loss) of consolidated subsidiaries before acquisition</b>	31		7,095	(39,032)
<b>Net income</b>		₩	4,217,695	3,242,311
Net income attribute to parent		₩	4,181,285	3,218,425
Net income attributable to non-controlling interest	31	₩	36,410	23,886
Basic and diluted earnings per share	27	₩	54,279	41,982

*See accompanying notes to consolidated financial statements.*

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

*See accompanying notes to consolidated financial statements.*



**POSCO and Subsidiaries**  
**Consolidated Statements of Changes in Equity, Continued**  
**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 (Loss) Income</b>	<b>Retained Earnings</b>	<b>Non-controlling Equity</b>	<b>Total Equity</b>
<b>Balance as of January 1, 2010</b>	₩	482,403	4,446,032	(2,410,668)	455,471	27,935,726	755,350	31,664,314
Net income		-	-	-	-	4,181,285	36,410	4,217,695
Effect of changes in scope of consolidation		-	-	-	-	-	1,139,505	1,139,505
Effect of changes in percentage of ownership of investees		-	(36,404)	-	-	-	-	-
Dividends		-	-	-	-	(693,296)	-	(693,296)
Unrealized gain on available-for-sale securities, net		-	-	-	544,988	-	-	544,988
Changes in capital adjustments of equity method accounted investees		-	-	-	(94,826)	-	-	-
Foreign currency translation adjustments		-	-	-	103,466	-	-	-
Effect of changes in percentage of non-controlling interest		-	-	-	-	-	404,805	-
Others		-	1,390	7,966	-	(28,245)	(29,937)	(48,826)
<b>Balance as of December 31, 2010</b>	₩	<u>482,403</u>	<u>4,411,018</u>	<u>(2,402,702)</u>	<u>1,009,099</u>	<u>31,395,470</u>	<u>2,306,133</u>	<u>36,824,380</u>

*See accompanying notes to consolidated financial statements.*

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

*(In millions of won)*

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Net income	₩ 4,217,695	3,242,311
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,950,883	2,552,777
Provision for severance benefits	376,970	79,186
Bad debt expense	87,767	45,537
Loss on impairment of intangible assets	1,120	50,493
Loss on valuation of derivatives, net	23,991	43,245
Loss on impairment of investments	52,138	285,961
Gain on derivatives transaction, net	(15,288)	(10,182)
Gain (loss) on disposal of property, plant and equipment	44,694	(27,008)
Gain (loss) on foreign currency translation, net	199,001	(462,724)
Gain on disposal of trading securities, net	(14,042)	(20,134)
Gain on valuation of trading securities, net	(1,848)	(5,790)
Equity in earnings (losses) of equity method accounted investees, net	(303,378)	6,880
Other employee benefit	9,644	6,822
Net income (loss) of consolidated subsidiaries before acquisition	7,095	(39,032)
Stock compensation expense, net	(10,436)	36,100
Others, net	226,219	(62,605)
	<u>3,634,530</u>	<u>2,479,526</u>
<b>Changes in operating assets and liabilities</b>		
Trade accounts and notes receivable	(2,254,772)	713,418
Inventories	(4,216,445)	3,344,506
Other accounts and notes receivable	(211,512)	97,462
Accrued income	18,671	(5,092)
Advance payments	(271,058)	426,459
Prepaid expenses	(4,732)	32,837
Trade accounts and notes payable	359,614	(296,400)
Other accounts and notes payable	158,682	55,564
Advances received	101,883	247,127
Accrued expenses	121,481	110,736
Income tax payable	363,724	(1,677,482)
Deferred income tax	(67,853)	(23,475)
Payment of severance benefits	(114,020)	(144,007)
Group severance insurance deposits	(140,615)	(19,913)
Other current liabilities	223,509	(107,223)
Others, net	105,783	156,500
	<u>(5,827,660)</u>	<u>2,911,017</u>
Net cash provided by operating activities	<u>2,024,565</u>	<u>8,632,854</u>

*See accompanying notes to consolidated financial statements.*

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

(In millions of won)

	<b>2010</b>	<b>2009</b>
<b>Cash flows from investing activities</b>		
Acquisition of trading securities	₩ (811,419)	(2,061,180)
Acquisition of short-term financial instruments	(14,360,040)	(11,946,832)
Acquisition of available-for-sale securities	(703,219)	(553,486)
Acquisition of property, plant and equipment	(5,895,960)	(6,406,503)
Acquisition of intangible assets	(208,895)	(101,202)
Acquisition of other long-term assets	(821,322)	(95,821)
Short-term loans provided	(326,367)	(94,042)
Long-term loans provided	(57,540)	(32,239)
Payment for business acquisition, net of cash acquired	(3,206,145)	(80,380)
Disposal of interest in subsidiaries	10412	244,785
Disposal of trading securities	1169172	2,823,359
Disposal of short-term financial instruments	17,240,470	7,934,977
Disposal of available-for-sale securities	316,840	201,395
Disposal of long-term financial instruments	5,168	1,824
Disposal of property, plant and equipment	253,178	378,978
Collection of short-term loans	227,309	29,655
Others	278,431	39,783
Net cash used in investing activities	<u>(6,889,927)</u>	<u>(9,716,929)</u>
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	5,294,625	5,828,483
Proceeds from long-term debt	4,687,849	2,695,932
Proceeds from other long-term liabilities	262,505	96,279
Disposal of treasury stock	-	249,124
Repayment of current portion of long-term debt	(471,486)	(763,504)
Repayment of short-term borrowings	(3,325,397)	(5,836,058)
Repayment of long-term debt	(317,502)	(585,629)
Payment of cash dividends	(693,296)	(689,129)
Repayment of other long-term liabilities	(49,311)	(60,651)
Others	291,208	(72,749)
Net cash provided by financing activities	<u>5,679,195</u>	<u>862,098</u>
Effect of changes in exchange rate on cash and cash equivalents	10,496	(40,865)
Net increase in cash and cash equivalents from changes in consolidated subsidiaries	<u>576,414</u>	<u>(28,699)</u>
Net increase (decrease) in cash and cash equivalents	1,400,743	(291,541)
<b>Cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the year	<u>2,199,170</u>	<u>2,490,711</u>
Cash and cash equivalents at end of the year	<u>₩ 3,599,913</u>	<u>2,199,170</u>

See accompanying notes to consolidated financial statements.

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

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#### 1. Consolidated Companies

General descriptions of POSCO, the controlling company, and its controlled subsidiaries (collectively the “Company”), which consist of 37 domestic subsidiaries including POSCO Engineering & Construction Co., Ltd. and 76 foreign subsidiaries, whose accounts are included in the consolidated financial statements, and 42 equity-method investees, which are excluded from the consolidation, are as follows:

##### The Controlling Company

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

As of December 31, 2010, POSCO’s shareholders are as follows:

	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
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
	<b>87,186,835</b>	<b>100.00</b>

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

(\*2) Includes number of shares held by its subsidiaries according to the Korean Commercial Code of the Republic of Korea.

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

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

#### Consolidated Subsidiaries

The consolidated financial statements include the accounts of POSCO and its controlled subsidiaries. The following table sets forth certain information with regard to consolidated subsidiaries as of December 31, 2010:

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
Domestic								
POSCO E&C Co., Ltd.	Engineering and construction	36,723,000	32,876,418	-	32,876,418	89.53	-	Pohang
POSCO P&S Co., Ltd. (formerly, Posteel Co., Ltd.)	Steel sales and service	18,000,000	17,155,000	-	17,155,000	95.31	-	Seoul
POSCO Coated & Color Steel Co., Ltd.	Coated steel manufacturing	6,000,000	3,412,000	-	3,412,000	56.87	-	Pohang
POSCO Plant Engineering Co., Ltd.	Steel work maintenance and machinery installation	2,700,000	2,700,000	-	2,700,000	100.00	-	Pohang
POSCO ICT Co., Ltd.	Computer hardware and software distribution	137,034,729	99,403,282	-	99,403,282	72.54	-	Sungnam
POSCO Research Institute	Economic research and consulting	3,800,000	3,800,000	-	3,800,000	100.00	-	Seoul
Seung Kwang Co., Ltd.	Athletic facilities operation	3,945,000	2,737,000	1,208,000	3,945,000	100.00	POSCO E&C (30.62)	Suncheon
POSCO A&C Co., Ltd. (formerly POSCO Architects Consultants Co., Ltd.)	Architecture and consulting	340,000	340,000	-	340,000	100.00	-	Seoul
POSCO Specialty Steel Co., Ltd.	Specialty steel manufacturing	26,000,000	26,000,000	-	26,000,000	100.00	-	Changwon
POSTECH Venture Capital Corp.	Investment in venture companies	6,000,000	5,700,000	-	5,700,000	95.00	-	Pohang
eNtoB Corporation (*1)	Electronic commerce	3,200,000	1,030,000	966,300	1,996,300	62.38	POSCO E&C and others (30.19)	Seoul
POSCO Chemtec Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	Refractories manufacturing and sellings	5,907,000	3,544,200	-	3,544,200	60.00	-	Pohang
POSCO Terminal Co., Ltd.	Transporting and warehousing	5,000,000	2,550,000	-	2,550,000	51.00	-	Gwangyang
Metapolis Co., Ltd.	Construction	10,560,000	-	4,229,280	4,229,280	40.05	POSCO E&C (40.05)	Seoul
POSMATE Co., Ltd. (*2)	Facilities management	714,286	214,286	-	214,286	30.00	-	Seoul
POSCO M-TECH Co., Ltd. (formerly, Samjung Packing & Aluminum Co., Ltd.)	Packing materials manufacturing	4,164,000	2,034,246	-	2,034,246	48.85	-	Pohang
POSCO Power Corp.	Generation of electricity	46,666,667	40,000,000	-	40,000,000	85.71	-	Seoul
Postech 2006 Energy Fund (*2)	Investment in new technology	570	-	126	126	22.11	POSCO Power (11.58) POSTECH Venture Capital (10.53)	Seoul
PHP Co., Ltd.	Rental houses construction and managemet	400,000	-	400,000	400,000	100.00	POSCO E&C (100.00)	Incheon

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
POSCO TMC Co., Ltd. (formerly, POSCORE Co., Ltd.)	Components manufacturing and sales	5,937,607	2,030,456	1,992,647	4,023,103	67.76	POSCO P&S (33.56)	Cheonan
PNR Co., Ltd.	Steel by-products processing and sales	7,810,980	5,467,686	-	5,467,686	70.00	-	Pohang
Megaasset Co., Ltd.	Real estate rental and sales	2,000,000	-	2,000,000	2,000,000	100.00	POSCO E&C (100.00)	Cheonan
Daewoo Engineering Company	Construction and engineering service	5,000,000	-	4,612,947	4,612,947	92.26	POSCO P&S (92.26)	Sungnam
POSCO FuelCell Co. Ltd.	Generation of electricity	800,000	-	800,000	800,000	100.00	POSCO Power (75.00) POSCO E&C (25.00)	Pohang
POSCO AST Co., Ltd.	Production of diverse stainless steel	4,468,000	4,468,000	-	4,468,000	100.00	-	Ansan
DaiMyung TMS Co., Ltd.	Cold-rolling of stainless steel, nickel alloy	250,080	-	250,080	250,080	100.00	POSCO AST (100.00)	Siheung
POS-HiMetal Co., Ltd.	Ferromanganese manufacturing	10,000,000	6,500,000	-	6,500,000	65.00	-	Gwangyang
POSCO E&E Co., Ltd.	Generation of electricity	3,480,000	3,480,000	-	3,480,000	100.00	-	Seoul
Gwangyang SPFC Co., Ltd. (*1)	Steel manufacturing	2,000,000	-	2,000,000	2,000,000	100.00	POSCO P&S (100.00)	Gwangyang
9Digit Co., Ltd. (*1)	Rare metals and special metals manufacturing	3,620,000	-	3,131,000	3,131,000	86.49	Sanjung P&A (86.49)	Incheon
Sungjin Geotec Co., Ltd. (*1)	Industrial machinery manufacturing	39,880,120	12,345,110	4,848,400	17,193,510	43.11	POSCO E&C (12.16)	Ulsan
Postech Early Stage Fund (*1,2)	Financial investment	2,000,000	-	200,000	200,000	10.00	POSTECH Venture Capital Corp. (10.00)	Pohang
POSCO Family Strategy Fund (*1)	Financial investment	28,600,000	20,000,000	8,600,000	28,600,000	100.00	POSCO E&C and others (30.07)	Pohang
Daewoo International Corporation (*1)	Trading, Energy & resource development	101,054,636	68,681,566	-	68,681,566	67.96	-	Seoul
POSCO LED Co., Ltd. (*1)	LED lightning	6,000,000	1,000,000	3,800,000	4,800,000	80.00	POSCO ICT (63.33)	Sungnam
POSCO NST Co., Ltd. (*1)	Steel manufacturing	1,885,000	1,885,000	-	1,885,000	100.00	-	Busan
Pohang SRDC Co., Ltd. (*1)	Steel manufacturing	2,984,272	-	1,521,979	1,521,979	51.00	POSCO P&S (51.00)	Pohang
<b>Foreign</b>								
POSCO America Corporation (POSAM)	Steel trading	376,593	374,532	2,061	376,593	100.00	POSCAN (0.55)	USA
POSCO Australia Pty. Ltd. (POSA)	Steel sellings and mine development	761,775	761,775	-	761,775	100.00	-	Australia
POSCO Canada Ltd. (POSCAN)	Coal trading	1,099,885	-	1,099,885	1,099,885	100.00	POSCO P&S (100.00)	Canada

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
POSCAN Elkview Coal Ltd.	Mine development	304,061	-	304,061	304,061	100.00	POSCAN (100.00)	Canada
POSCO Asia Co., Ltd. (POA)	Steel intermediate trading	9,360,000	9,360,000	-	9,360,000	100.00	-	China
VSC POSCO Steel Corporation (*3)	Steel manufacturing	-	-	-	-	50.00	POSCO P&S (5.00) POSCO Specialty Steel (10.00)	Vietnam
Dalian POSCO-CFM Coated Steel Co., Ltd. (*3)	Coated steel manufacturing	-	-	-	-	85.00	POSCO P&S (15.00) POSCO-China (40.00)	China
POSCO-CTPC Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	POSCO P&S (43.40)	China
POSCO-JKPC Co., Ltd.	Steel service center	9,800	-	9,310	9,310	95.00	POSCO-Japan (95.00)	Japan
International Business Center Corporation (*3)	Real estate rental	-	-	-	-	60.00	POSCO E&C (60.00)	Vietnam
POSCO E&C Vietnam Co., Ltd. (formerly, POSILAMA E&C Co., Ltd.) (*3)	Steel structure fabrication and sales	-	-	-	-	100.00	POSCO E&C (85.71) POSCO P&S (14.29)	Vietnam
Zhangjiagang Pohang Stainless Steel Co., Ltd. (*3)	Stainless steel manufacturing	-	-	-	-	82.48	POSCO-China (23.88)	China
Guangdong Pohang Coated Steel Co., Ltd. (*3)	Coated steel manufacturing	-	-	-	-	95.46	POSCO-China (6.11)	China
POSCO (Thailand) Co., Ltd.	Steel service center	14,857,921	12,721,734	2,136,187	14,857,921	100.00	POSCO P&S (14.38)	Thailand
Myanmar-POSCO Steel Co., Ltd.	Specialty steel manufacturing and sales	19,200	13,440	-	13,440	70.00	-	Myanmar
POSCO-JOPC Co., Ltd.	Steel processing and sellings	4,900	-	2,785	2,785	56.84	POSCO-Japan (56.84)	Japan
POSCO Investment Co., Ltd.	Finance	5,000,000	5,000,000	-	5,000,000	100.00	-	China
POSCO-MKPC SDN. BHD.	Steel service center	56,550,200	25,269,900	14,315,238	39,585,138	70.00	POSCO P&S (25.31)	Malaysia
Qingdao Pohang Stainless Steel Co., Ltd. (*3)	Stainless steel manufacturing	-	-	-	-	100.00	Zhangjiagang Pohang Stainless Steel (20.00) POSCO-China (10.00) POSCO-China (10.00)	China
POSCO (Suzhou) Automotive Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	POSCO-China (10.00)	China
POSCO Bio Ventures L.P. (*1,3)	Investment in bio tech ventures	-	-	-	-	100.00	POSAM (100.00)	USA
POSEC-Hawaii Inc.	Construction and sales	24,400	-	24,400	24,400	100.00	POSCO E&C (100.00)	USA
POS-Qingdao Coil Center Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	POSCO P&S (100.00)	China
POS-Ore Pty. Ltd.	Iron ore mining and trading	17,500,001	-	17,500,001	17,500,001	100.00	POSA (100.00)	Australia
POSCO-China Holding Corp. (*3)	Holding company	-	-	-	-	100.00	-	China

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
POSCO-Japan Co., Ltd.	Steel trading	90,438	90,438	-	90,438	100.00	-	Japan
POS-CD Pty. Ltd.	Coal trading	12,550,000	-	12,550,000	12,550,000	100.00	POSA (100.00)	Australia
POS-GC Pty. Ltd.	Coal trading	11,050,000	-	11,050,000	11,050,000	100.00	POSA (100.00)	Australia
POSCO-India Private Ltd.	Steel manufacturing	450,000,000	450,000,000	-	450,000,000	100.00	-	India
POS-India Pune Steel Processing Centre Pvt. Ltd.	Steel service center	115,057,046	74,787,080	-	74,787,080	65.00	-	India
POSCO-JNPC Co., Ltd.	Steel service center	99,000	-	89,100	89,100	90.00	POSCO-Japan (90.00)	Japan
POSCO-Foshan Steel Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	POA (24.20) POSCO-China (36.20)	China
POSCO E&C (Beijing) Co., Ltd. (*3)	Construction and engineering	-	-	-	-	100.00	POSCO E&C (100.00)	China
POS-MPC S.A. de C.V. (*3)	Steel service center	-	-	-	-	90.00	POSAM (61.00) Daewoo International (29.00)	Mexico
Zhangjiagang Pohang Port Co., Ltd. (*3)	Harbor loading & unloading	-	-	-	-	100.00	ZPSS (75.00) POSCO-China (25.00)	China
Qingdao Pos-metal Co., Ltd. (*1,3)	Distribution center	-	-	-	-	100.00	POA (100.00)	China
POSCO-Vietnam Co., Ltd. (*3)	Cold-rolled steel manufacturing and sales	-	-	-	-	85.00	-	Vietnam
POSCO-Mexico Co., Ltd.	Cold-rolled steel manufacturing and sales	1,541,191,740	1,304,955,672	236,236,068	1,541,191,740	100.00	POSCAN (15.33)	Mexico
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	Steel service center	55,673,970	42,532,980	-	42,532,980	76.40	-	India
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd. (*1)	Steel service center	100,000	60,000	-	60,000	60.00	-	Poland
POS-NP Pty. Ltd.	Coal trading	35,000,000	-	35,000,000	35,000,000	100.00	POSA (100.00)	Australia
POSCO-Vietnam Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	86.86	-	Vietnam
POSCO (Chongqing) Automotive Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	POSCO-China (10.00)	China
Suzhou POS-CORE Technology Co., Ltd. (*3)	Components manufacturing and sales	-	-	-	-	100.00	POSCO P&S (15.15) POA (15.15) POSCO TMC (69.70)	China
POSCO-JYPC Co., Ltd.	Steel service center	99,000	-	81,550	81,550	82.37	POSCO-Japan (82.37)	Japan
POSCO-Malaysia SDN. BHD. (*4)	Steel service center	123,000,000	98,486,000	16,414,000	114,900,000	93.41	Daewoo International (13.34)	Malaysia
POS-Minerals Corporation	Mine development and operation	100	-	100	100	100.00	POSCAN (85.00) Samjung P&A (15.00)	USA



# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
POSCO (Wuhu) Automotive Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	POSCO-China (31.43)	China
POSCO-Philippine Manila Processing Center Inc. (*3)	Steel service center	-	-	-	-	100.00	POSCO P&S (100.00)	Philippines
POSCO Mexico East Steel Distribution Center Co., Ltd. (*1)	Distribution center	117,627,000	-	77,963,180	77,963,180	66.28	POSCO-Mexico (66.28)	Mexico
POSCO VST Co., Ltd. (*3)	Stainless cold steel manufacturing	-	-	-	-	92.97	-	Vietnam
POSCO Maharashtra Steel Pvt. Ltd. (*1)	Steel service center	1,455,308	1,455,308	-	1,455,308	100.00	-	India
POSCO India Chennai Steel Processing Centre Pvt. Ltd. (*1)	Steel service center	58,209,443	58,209,443	-	58,209,443	100.00	-	India
POSCO Turkey Nilufer Processing Center Co., Ltd. (*1)	Steel service center	242,444	242,444	-	242,444	100.00	-	Turkey
POSCO Vietnam Ha Noi Processing Center Co., Ltd. (*1,3)	Steel service center	-	-	-	-	70.00	-	Vietnam
POSCO (Liaoning) Automotive Processing Center Ltd. (*1,3)	Steel service center	-	-	-	-	100.00	POSCO-China (10.00)	China
POSCO-Indonesia Jakarta Processing Center, PT (*1)	Steel service center	12,521,722	8,139,119	2,504,344	10,643,463	85.00	Daewoo International (20.00)	Indonesia
POSCO China Dalian Plate Processing Center Ltd. (*1,3)	Steel service center	-	-	-	-	90.00	POSCO-China (10.00)	China
POSCO-NCR Coal Ltd. (*1,3)	Coal trading	-	-	-	-	100.00	POSCAN (100.00)	Canada
POSCO WA Pty. Ltd. (*1)	Iron ore mining and trading	188,752,130	188,752,130	-	188,752,130	100.00	-	Australia
Daewoo International America Corp. (*1)	Trading	555,000	-	555,000	555,000	100.00	Daewoo International (100.00)	USA
Daewoo International Deutschland GmbH (*1,3)	Trading	-	-	-	-	100.00	Daewoo International (100.00)	Germany
Daewoo International Japan Corp. (*1)	Trading	9,600	-	9,600	9,600	100.00	Daewoo International (100.00)	Japan
Daewoo International Singapore Pte. Ltd. (*1,3)	Trading	-	-	-	-	100.00	Daewoo International (100.00)	Singapore
Daewoo Italia S.r.l. (*1)	Trading	2,040,000	-	2,040,000	2,040,000	100.00	Daewoo International (100.00)	Italy
Daewoo Cement (Shandong) Co., Ltd. (*1,3)	Cement manufacturing	-	-	-	-	100.00	Daewoo International (100.00)	China
Daewoo (China) Co., Ltd. (*1,3)	Holding company	-	-	-	-	100.00	Daewoo International (100.00)	China
PT. RISMAR Daewoo Apparel (*1)	Clothes manufacturing and sales	40,000	-	40,000	40,000	100.00	Daewoo International (100.00)	Indonesia

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
Daewoo Textile Fergana LLC (*1,3)	Spinning and weaving	-	-	-	-	100.00	Daewoo International (100.00)	Uzbekistan
Daewoo Textile Bukhara LLC (*1,3)	Spinning and weaving	-	-	-	-	100.00	Daewoo International (100.00)	Uzbekistan
Daewoo International Australia Holdings Pty. Ltd. (*1)	Energy & Resource development	111,480,911	-	111,480,911	111,480,911	100.00	Daewoo International (100.00)	Australia
Daewoo Paper Manufacturing Co. Ltd. (*1,3)	Paper manufacturing	-	-	-	-	66.50	Daewoo International (33.80) Daewoo-China (32.70)	China
POSCO Mauritius Ltd. (*1,3)	Iron ore mining and trading	-	-	-	-	100.00	POSA (100.00)	Mauritius
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd. (*1,3)	Steel service center	-	-	-	-	100.00	ZPSS (100.00)	China
DAEWOO INT'L MEXICO S.A. de C.V. (*1)	Trading	53,078	-	53,078	53,078	100.00	Daewoo International (100.00)	Mexico
Xenesys Inc. (*1)	Steel service center	1,301,731	385,000	278,000	663,000	50.93	POSCO-Japan (21.36)	Japan

(\*1) These subsidiaries are newly included in the consolidation.

(\*2) These subsidiaries are included in the consolidated financial statements as the controlling company has control over them in consideration of board of directors' composition and other factors.

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

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

Summary of financial information of consolidated subsidiaries as of and for the year ended December 31, 2010 is as follows:

Subsidiaries	Summary of Financial Information (In millions of won) (*)				
	Total Assets	Total Liabilities	Net Assets	Sales	Net Income (Loss)
<b>Domestic</b>					
POSCO E&C Co., Ltd.	5,187,914	2,659,275	2,528,639	6,237,953	162,939
POSCO P&S Co., Ltd. (formerly, Posteel Co., Ltd.)	938,696	393,285	545,411	2,062,495	66,841
POSCO Coated Steel Co., Ltd.	503,328	248,265	255,063	1,001,774	4,936
POSCO Plant Engineering Co., Ltd.	191,891	102,890	89,001	439,529	12,356
POSCO ICT Co., Ltd.	628,421	379,214	249,207	840,995	17,501
POSCO Research Institute	27,503	3,615	23,888	23,207	278
Seung Kwang Co., Ltd.	79,903	34,269	45,634	15,567	2,609
POSCO A&C Co., Ltd. (Formerly, POSCO Architects & Consultants Co., Ltd.)	87,968	41,164	46,804	127,835	4,611
POSCO Specialty Steel Co., Ltd.	1,267,956	527,844	740,112	1,543,122	117,005
POSTECH Venture Capital Corp.	36,557	863	35,694	-	128
eNtoB Corporation	66,043	36,745	29,298	603,640	2,504
POSCO Chemtech Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	355,865	120,930	234,935	756,053	56,083
POSCO Terminal Co., Ltd.	68,508	8,516	59,992	78,478	14,434
Metapolis Co., Ltd.	626,152	518,914	107,238	170,682	(10,806)
POSMATE Co., Ltd.	93,889	23,690	70,199	98,503	28,194
POSCO M-TECH Co., Ltd. (formerly, Samjung Packing & Aluminum Co., Ltd.)	291,438	137,164	154,274	524,625	7,949
POSCO Power Corp.	2,546,306	1,705,246	841,060	881,671	42,503
Postech 2006 Energy Fund	26,274	324	25,950	-	(964)
PHP Co., Ltd.	593,758	614,337	(20,579)	1,825	(14,801)
POSCO TMC Co., Ltd. (formerly, POSCORE Co., Ltd.)	140,657	53,952	86,705	189,686	7,512
PNR Co., Ltd.	170,059	151,142	18,917	27,281	(17,973)
Megaasset Co., Ltd.	67,826	58,885	8,941	100,865	4,580
Daewoo Engineering Company	354,797	199,066	155,731	750,599	40,012
POSCO FuelCell Co. Ltd.	13,091	9,337	3,754	4,049	(276)
POSCO AST Co., Ltd.	236,570	132,041	104,529	330,425	7,179
DaiMyung TMS Co., Ltd.	21,692	43,090	(21,398)	15,985	(4,057)

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

Summary of Financial Information (In millions of won) (*)					
Subsidiaries	Total Assets	Total Liabilities	Net Assets	Sales	Net Income (Loss)
POS-HiMetal Co., Ltd.	85,738	43,296	42,442	-	(6,389)
POSCO E&E Co., Ltd.	17,787	69	17,718	-	416
Gwangyang SPFC Co., Ltd.	10,065	13	10,052	-	52
9digit Co., Ltd.	17,545	10,508	7,037	19,145	1,396
Sungjin Geotec Co., Ltd.	586,335	434,595	151,740	370,625	(11,843)
Postech Early Stage Fund	10,000	-	10,000	-	-
POSCO Family Strategy Fund	28,538	-	28,538	-	(62)
Daewoo International Corporation	4,791,018	3,207,025	1,583,993	15,672,004	122,017
POSCO LED Co., Ltd.	28,591	325	28,266	138	(1,734)
POSCO NST Co., Ltd.	94,543	56,674	37,869	33,164	169
Pohang SRDC Co., Ltd.	14,921	-	14,921	-	-
<b>Foreign</b>					
POSCO America Corporation	260,418	139,360	121,058	288,907	(23,596)
POSCO Australia Pty. Ltd.	1,195,886	515,913	679,973	106,475	47,552
POSCO Canada Ltd.	424,570	96,062	328,508	170,421	56,029
POSCAN Elkview Coal Ltd.	66,913	2,130	64,783	-	9,085
POSCO Asia Co., Ltd.	515,340	481,379	33,961	2,335,842	3,064
VSC POSCO Steel Corporation	54,899	35,880	19,019	189,354	5,445
Dalian POSCO – CFM Coated Steel Co., Ltd.	155,703	155,589	114	68,149	(4,932)
POSCO-CTPC Co., Ltd.	77,281	47,763	29,518	149,810	2,398
POSCO-JKPC Co., Ltd.	86,912	70,353	16,559	75,831	2,385
International Business Center Corporation	95,860	55,905	39,955	28,354	13,560
POSCO E&C Vietnam Co., Ltd. (formerly, POSLILAMA E&C Co., Ltd.)	53,600	72,731	(19,131)	72,865	3,688
Zhangjiagang Pohang Stainless Steel Co., Ltd.	1,471,851	838,301	633,550	2,461,020	54,301
Guangdong Pohang Coated Steel Co., Ltd.	183,036	79,330	103,706	250,722	25,547
POSCO (Thailand) Co., Ltd.	163,287	118,332	44,955	224,630	10,117
Myanmar-POSCO Steel Co., Ltd.	21,556	10,245	11,311	24,127	3,481
POSCO-JOPC Co., Ltd.	71,955	68,233	3,722	76,947	766
POSCO Investment Co., Ltd.	680,589	587,339	93,250	-	6,566
POSCO-MKPC SDN. BHD.	116,837	69,179	47,658	135,852	3,395
Qingdao Pohang Stainless Steel Co., Ltd.	242,342	124,372	117,970	542,446	7,906

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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Subsidiaries	Summary of Financial Information (In millions of won) (*)				
	Total Assets	Total Liabilities	Net Assets	Sales	Net Income (Loss)
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	219,427	149,199	70,228	352,367	13,688
POSCO Bio Ventures L.P.	20,553	72	20,481	-	(10,536)
POSEC-Hawaii Inc.	1,331	509	822	-	(693)
POS-Qingdao Coil Center Co., Ltd.	60,395	45,576	14,819	149,653	1,058
POS-Ore Pty. Ltd.	105,583	14,579	91,004	118,687	55,028
POSCO-China Holding Corp.	302,623	55,538	247,085	148,503	14,510
POSCO-Japan Co., Ltd.	794,459	675,363	119,096	1,490,633	10,719
POS-CD Pty. Ltd.	69,703	66,119	3,584	15,214	(2,102)
POS-GC Pty. Ltd.	34,031	9,698	24,333	12,476	(488)
POSCO-JNPC Co., Ltd.	153,189	138,864	14,325	179,031	2,499
POS-India Private Ltd.	92,856	181	92,684	-	(21,612)
POSCO-Foshan Steel Processing Center Co., Ltd.	129,474	88,799	40,675	518,268	6,229
POSCO E&C (Beijing) Co., Ltd.	76,377	53,679	22,698	118,167	1,403
POS-MPC S.A. de C.V.	178,641	160,551	18,090	240,277	(2,161)
Zhangjigang Pohang Port Co., Ltd.	26,905	12,502	14,403	5,200	(789)
Qingdao Pos-metal Co., Ltd.	7,092	5,019	2,073	73,408	114
POSCO-Vietnam Co., Ltd.	753,100	619,297	133,803	813,637	(66,251)
POSCO-Mexico Co., Ltd.	441,014	346,865	94,149	302,595	(24,970)
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	92,826	70,928	21,898	113,056	8,919
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	48,413	33,788	14,625	53,941	717
POS-NP Pty. Ltd.	57,687	13,301	44,386	45,032	5,438
POSCO-Vietnam Processing Center Co., Ltd.	58,283	36,039	22,244	85,698	4,419
POSCO (Chongqing) Automotive Processing Center Co, Ltd.	73,258	62,378	10,880	84,385	473
Suzhou POS-CORE Technology Co., Ltd.	56,772	32,854	23,918	89,248	1,593
POSCO-JYPC Co., Ltd.	56,347	53,870	2,477	74,565	(1,222)
POSCO-Malaysia SDN. BHD.	78,028	78,170	(142)	125,209	(5,954)
POS-Minerals Corporation	113,105	-	113,105	-	(1,188)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	85,772	63,854	21,918	124,687	2,872
POSCO-Philippine Manila Processing Center Inc.	25,448	15,888	9,560	37,558	1,462

**POSCO and Subsidiaries**  
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Subsidiaries	Summary of Financial Information (In millions of won) (*)				
	Total Assets	Total Liabilities	Net Assets	Sales	Net Income (Loss)
POSCO Mexico East Steel Distribution Center Co., Ltd.	13,872	2,370	11,502	5,547	696
POSCO VST Co., Ltd.	195,191	131,450	63,741	210,656	(8,333)
POSCO Maharashtra Steel Pvt. Ltd.	159,681	79,556	80,125	-	(867)
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	78,906	64,492	14,414	52,228	73
POSCO Turkey Nilufer Processing Center Co., Ltd.	37,307	21,919	15,388	3,032	(2,228)
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	42,885	36,710	6,175	39,675	(836)
POSCO (Liaoning) Automotive Processing Center Ltd.	75,631	56,670	18,961	45,933	1,416
POSCO-Indonesia Jakarta Processing Center, PT	34,309	27,026	7,283	42,882	1,023
POSCO China Dalian Plate Processing Center Ltd.	55,692	17,056	38,636	-	(3,631)
POSCO-NCR Coal Ltd.	25,063	-	25,063	-	-
POSCO WA Pty. Ltd.	212,080	808	211,272	-	(13,096)
Daewoo International America Corp.	224,042	187,747	36,295	675,675	729
Daewoo International Deutschland GmbH	111,227	101,437	9,790	495,921	183
Daewoo International Japan Corp.	157,213	150,178	7,035	623,297	168
Daewoo International Singapore Pte. Ltd.	86,642	82,455	4,187	1,017,681	576
Daewoo Italia S.r.l.	99,538	95,826	3,712	223,452	258
Daewoo Cement (Shandong) Co., Ltd.	350,754	245,252	105,502	97,965	(2,633)
Daewoo (China) Co., Ltd.	42,931	6,425	36,506	3,205	(17,448)
PT. RISMAR Daewoo Apparel	15,757	17,416	(1,659)	59,168	(2,830)
Daewoo Textile Fergana LLC	106,719	95,542	11,177	122,998	17,086
Daewoo Textile Bukhara LLC	68,807	50,311	18,496	44,322	1,364
Daewoo International Australia Holdings Pty. Ltd.	132,221	4,947	127,274	379	(995)
Daewoo Paper Manufacturing Co., Ltd.	79,383	69,917	9,466	93,284	(22,118)

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

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Summary of Financial Information (In millions of won) (*)					
Subsidiaries	Total Assets	Total Liabilities	Net Assets	Sales	Net Income (Loss)
POSCO Mauritius Ltd.	21,548	-	21,548	-	-
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.	11,841	111	11,730	-	-
DAEWOO INT'L MEXICO S.A. de C.V.	50,298	46,319	3,979	152,650	983
Xenesys Inc.	18,333	2,653	15,680	935	(3,624)

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

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

#### Equity-Method Investees

The following table sets forth certain information with regard to equity-method investees as of December 31, 2010:

Investees	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
Domestic								
MIDAS Information Technology Co., Ltd.	Engineering	3,402,000	-	866,190	866,190	25.46	POSCO E&C (25.46)	Seoul
Songdo New City Development Inc.	Real estate	4,456,000	-	1,332,344	1,332,344	29.90	POSCO E&C (29.90)	Seoul
Gail International Korea Ltd.	Real estate	285,304	-	85,306	85,306	29.90	POSCO E&C (29.90)	Seoul
SNNC Co., Ltd. (*1)	Material manufacturing	37,000,000	18,130,000	-	18,130,000	49.00	POSCO E&C (29.90)	Gwangyang
Chungju Enterprise City	Construction	8,000,000	-	2,008,000	2,008,000	25.10	POSCO E&C (22.00) POSCO ICT (3.10)	Chungju
Taegisan Wind Power Corporation (*1)	Wind power plant construction and management	5,000,000	-	2,500,000	2,500,000	50.00	POSCO E&C (50.00)	Hoengseong
KOREASOLARPARK Co., Ltd. (*1)	Solar power plant construction and management	2,000,000	-	900,000	900,000	37.50	POSCO E&C (37.50)	Youngam
Cheongna International Business Town Co., Ltd. (*2)	Multiplex development	6,200,000	-	1,151,960	1,151,960	18.58	POSCO E&C (18.58)	Incheon
Garolim Tidal Power Plant Co.,Ltd. (*1)	Generation of electricity	7,230,000	-	2,322,999	2,322,999	32.13	POSCO E&C (32.13)	Seosan
Posco E&C Songdo International Building (*1)	Non-resident building lease	200,000	-	98,000	98,000	49.00	POSCO E&C (49.00)	Seoul
Universal Studio Resort Development Co., Ltd.	Construction	2,663,223	-	582,580	582,580	21.87	POSCO E&C (16.24) POSCO ICT (5.63)	Seoul
Kyobo life insurance Co., Ltd.	Life insurance	20,500,000	-	4,920,000	4,920,000	24.00	Daewoo International Corporation (24.00)	Seoul
Dongbang Special Steel Co., Ltd. (*1)	Steel processing	2,303,746	825,288	-	825,288	35.82	-	Pohang
Foreign								
KOBRASCO (*1)	Facilities lease	4,021,438,370	2,010,719,185	-	2,010,719,185	50.00	-	Brazil
USS-POSCO Industries (UPI) (*1,3)	Steel processing	-	-	-	-	50.00	POSAM (50.00)	USA
Poschrome (Proprietary) Limited (*1)	Material manufacturing	86,700	43,350	-	43,350	50.00	-	Republic of South Africa
POS-Hyundai Steel Manufacturing India Private Limited	Steel processing	23,455,600	2,345,558	4,573,842	6,919,400	29.50	POSCO P&S (19.50)	India
POSVINA Co., Ltd. (*1,3)	Steel manufacturing	-	-	-	-	50.00	-	Vietnam
PT POSMI Steel Indonesia (POSMI) (*1)	Steel service center	12,600	1,193	3,579	4,772	37.87	POSCO P&S (28.40)	Indonesia
CAML Resources Pty. Ltd. (*1)	Material processing	9,715	-	3,239	3,239	33.40	POSA (33.34)	Australia
Nickel Mining Company SAS (*1)	Material processing	6,601,426	3,234,698	-	3,234,698	49.00	-	New Caledonia
Liaoning Rongyuan Posco Refractories Co., Ltd. (*1,3)	Manufacturing and sellings	-	-	-	-	35.00	POSCO Chemtec (35.00)	China
POSC STEEL Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	20.00		



# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

Investees	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
An khan New City Development (*1,3)	Construction	-	-	-	-	50.00	POSCO E&C (50.00)	Vietnam
Henan Tsingpu Ferro Alloy Co., Ltd. (*1,3)	Material processing	-	-	-	-	49.00	ZPSS (49.00)	China
United Spiral Pipe, LLC (USP) (*1,3)	Steel pipe manufacturing and sales	-	-	-	-	35.00	POSAM (35.00)	USA
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd. (*1,3)	Specialty steel manufacturing	-	-	-	-	34.00	POSCO-China (10.00)	China
BX Steel POSCO Cold Rolled sheet Co., Ltd. (*3)	Steel manufacturing	-	-	-	-	25.00	-	China
POSS-SLPC s.r.o. (*1,3)	Steel processing	-	-	-	-	30.00	-	Slovakia
Eureka Moly LLC (*3)	Material processing	-	-	-	-	20.00	POS-Mineral Corporation (20.00)	USA
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd. (*1,3)	Steel processing	-	-	-	-	30.00	-	China
POSCO SeAH Steel Wire (Nantong) Co., Ltd. (*3)	Steel processing	-	-	-	-	25.00	POSCO-China (25.00)	China
POS-GSFC LLC (formerly, POS-JK LLC) (*1)	Steel processing	14,600,000	-	648,171,993	648,171,993	44.40	POSCO E&C (0.94) POSCO P&S (43.46)	UAE
NCR LLC (*3)	Coal trading	-	-	-	-	20.00	-	Canada
AMCI (WA) Pty. Ltd. (*1)	Iron ore mining and trading	397,493,929	-	194,772,025	194,772,025	49.00	POSCO WA (49.00)	Australia
Shanghai Lansheng Daewoo Corp. (*1,3)	Trading	-	-	-	-	49.00	Daewoo International Corporation (49.00)	China
Shanghai Waigaogiao Free Trade Zone Lansheng Daewoo Int'l Trading Co., Ltd. (*1,3)	Trading	-	-	-	-	49.00	Daewoo International Corporation (49.00)	China
Hanjung Power Pty. Ltd. (*1)	Plywood manufacturing	16,791,045	-	8,227,612	8,227,612	49.00	Daewoo International Corporation (49.00)	Papua New Guinea
Myanmar Korea Timber International Ltd. (*1)	Generation of electricity	600	-	270	270	45.00	Daewoo International Corporation (45.00)	Myanmar
General Medicines Company Ltd. (*1)	Medicine manufacturing	29,400	-	9,702	9,702	33.00	Daewoo International Corporation (33.00)	Sudan
KOREA LNG Ltd.	Gas processing	12,000	-	2,400	2,400	20.00	Daewoo International Corporation (20.00)	Korea
DMSA, AMSA (*2,3)	Energy & Resource development	-	-	-	-	4.00	Daewoo International Corporation (4.00)	Madagascar

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

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

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

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

#### Subsidiaries Excluded from Scope of Consolidation

Location	Investees	Country	Reason
Domestic	POHANG SPFC CO., LTD.	Korea	Small company
	POSWITH CO., LTD.	Korea	Small company
	BASYS INDUSTRY CO., LTD.	Korea	Small company
	POSTECH BD Newundertaking fund	Korea	Small company
	POSBRO CO., LTD.	Korea	Small company
	POMIC	Korea	Small company
	POSFINE	Korea	Small company
	MAPO HIGH BROAD PARKING CO., LTD.	Korea	Small company
	DAKOS CO., LTD.	Korea	Small company
	POSCALCIUM COMPANY, LTD.	Korea	Small company
	Plant Engineering Service Technology Co., Ltd.	Korea	Small company
	BUSAN E&E CO., LTD.	Korea	Small company
	POREKA CO., LTD.	Korea	Small company
	SONGDO SE CO., LTD.	Korea	Small company
	POS GREEN CO., LTD.	Korea	Small company
	GUNSAN SPFC CO., LTD.	Korea	Small company
	POS ECO HOUSING CO., LTD.	Korea	Small company
Foreign	DAEWOO HANDELS GmbH	Germany	Small company
	POSCO Engineering and Construction-UZ	Russia	Small company
	DAEWOO (M) SDN. BHD.	Malaysia	Small company
	DAEWOO INTERNATIONAL CORPORATION (M) SDN BHD	Malaysia	Small company
	POSCO E&C SMART	Mexico	Small company
	POSCO MEXICO HUMAN TECH	Mexico	Small company
	DWEMEX, S.A. DE C.V.	Mexico	Small company
	POS MPC Servicios de C.V.	Mexico	Small company
	POSCO-AAPC	U.S.A.	Small company
	PGSF LLC	U.S.A.	Small company
	TECHREN Solar LLC	U.S.A.	Small company
	MYANMAR DAEWOO LTD.	Myanmar	Small company
	MYANMAR DAEWOO INT'L LTD.	Myanmar	Small company
	POSCO E&C Venezuela C.A	Venezuela	Small company
	POSCO SS VINA	Vietnam	Small company
	DAEWOO STC & APPAREL VIETNAM LTD.	Vietnam	Small company
	GEZIRA TANNERY CO., LTD.	Sudan	Small company
	Europe Steel Distribution Center (POS-ESDC, Logistics, Trading and Investment d.o.o)	Slovenia	Small company
	POSCO South East Asia Pte. Ltd.	Singapore	Small company
	DAEWOO EL SALVADOR S.A. DE C.V.	El Salvador	Small company
	VECTUS LIMITED	UK	Small company
	POSCO-URUGUAY S.A.	Uruguay	Small company
	DAEWOO ENERGY CENTRAL ASIA	Uzbekistan	Small company
	POSCO E&C India Private Ltd.	India	Small company
	POSCORE-INDIA	India	Small company
	POSCO-ISDC	India	Small company
	DAEWOO INTERNATIONAL INDIA PRIVATE LTD.	India	Small company
	POSCO Foundation	India	Small company

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

Location	Investees	Country	Reason
Foreign	PT. POSNESIA	Indonesia	Small company
	PT. MRI	Indonesia	Small company
	PT. DEC Indonesia	Indonesia	Small company
	PT. KRAKATAU POSCO	Indonesia	Small company
	PT. POSCO E&C INDONESIA	Indonesia	Small company
	Dalian Poscon Dongbang Automatic Co., Ltd.	China	Small company
	San Pu Trading Co., Ltd.	China	Small company
	Zhangjiagang BLZ Pohang International Trading Co., Ltd.	China	Small company
	POSCO ICT-CHINA	China	Small company
	POSCO-CYPC	China	Small company
	Tianjin Daewoo Paper Manufacturing Co., Ltd.	China	Small company
	Daewoo Int'l Guangzhou Corp.	China	Small company
	DAEWOO INTERNATIONAL SHANGHAI CO., LTD.	China	Small company
	ZEUS (Cayman)	Cayman Islands	Small company
	DAYTEK ELECTRONICS CORP.	Canada	Small company
	DAEWOO CANADA LTD.	Canada	Small company
	POSCO South Asia	Thailand	Small company
	POSCO Australia GP Pty. Limited	Australia	Small company
	Hume Coal Pty. Ltd.	Australia	Small company
	POSCO Gulf Logistics LLC	UAE	Small company

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

### Changes in Scope of Consolidation in 2010

Investees	Location	Reason
eNtoB Corporation	Seoul	The Company's ownership exceeded 50% through additional increase in paid in capital in 2010.
Gwangyang SPFC Co., Ltd.	Gwangyang	The Company made investments to establish.
9digit Co., Ltd.	Incheon	The Company newly acquired more than 50% of interest related to this investment in 2010.
Sungjin Geotec Co., Ltd.	Ulsan	The Company newly acquired more than 50% of interest related to this investment in 2010.
Postech Early Stage Fund	Pohang	The Company made investments to establish.
POSCO Family Strategy Fund	Pohang	The Company made investments to establish.
Daewoo International Corporation	Seoul	The Company newly acquired more than 50% of interest related to this investment in 2010.
POSCO LED Co., Ltd.	Seongnam	The Company made investments to establish.
POSCO NST Co., Ltd.	Busan	The Company made investments to establish.
Pohang SRDC Co., Ltd.	Pohang	The Company made investments to establish.
POSCO Bio Ventures L.P.	U.S.A.	It was classified from equity investees to subsidiaries due to changes in control structures.
Qingdao Pos-metal Co., Ltd.	China	Total assets exceeded ₩10,000 million as of December 31, 2009.
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	Poland	The Company's ownership exceeded 50% through additional increase in paid in capital in 2010.
POSCO Mexico East Steel Distribution Center Co., Ltd.	Mexico	Total assets exceeded ₩10,000 million as of December 31, 2009.
POSCO Maharashtra Steel Pvt. Ltd.	India	Total assets exceeded ₩10,000 million as of December 31, 2009.
POSCO India Chennai Steel Processing Centre Pvt. Ltd.	India	Total assets exceeded ₩10,000 million as of December 31, 2009.
POSCO Turkey Nilufer Processing Center Co., Ltd.	Turkey	Total assets exceeded ₩10,000 million as of December 31, 2009.

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

Investees	Location	Reason
POSCO Vietnam Ha Noi Processing Center Co., Ltd.	Vietnam	Total assets exceeded ₩10,000 million as of December 31, 2009.
POSCO (Liaoning) Automotive Processing Center Ltd.	China	Total assets exceeded ₩10,000 million as of December 31, 2009.
POSCO-Indonesia Jakarta Processing Center, PT	Indonesia	Total assets exceeded ₩10,000 million as of December 31, 2009.
POSCO China Dalian Plate Processing Center Ltd.	China	The Company made investments to establish.
POSCO-NCR Coal Ltd.	Canada	The Company made investments to establish.
POSCO WA Pty. Ltd.	Australia	The Company made investments to establish.
Daewoo International America Corp.	U.S.A.	The Company newly acquired more than 50% of interest related to this investment in 2010.
Daewoo International Deutschland GmbH	Germany	The Company newly acquired more than 50% of interest related to this investment in 2010.
Daewoo International Japan Corp.	Japan	The Company newly acquired more than 50% of interest related to this investment in 2010.
Daewoo International Singapore Pte. Ltd.	Singapore	The Company newly acquired more than 50% of interest related to this investment in 2010.
Daewoo Italia S.r.l.	Italy	The Company newly acquired more than 50% of interest related to this investment in 2010.
Daewoo Cement (Shandong) Co., Ltd.	China	The Company newly acquired more than 50% of interest related to this investment in 2010.
Daewoo (China) Co., Ltd.	China	The Company newly acquired more than 50% of interest related to this investment in 2010.
PT. RISMAR Daewoo Apparel	Indonesia	The Company newly acquired more than 50% of interest related to this investment in 2010.
Daewoo Textile Fergana LLC	Uzbekistan	The Company newly acquired more than 50% of interest related to this investment in 2010.
Daewoo Textile Bukhara LLC	Uzbekistan	The Company newly acquired more than 50% of interest related to this investment in 2010.
Daewoo International Australia Holdings Pty. Ltd.	Australia	The Company newly acquired more than 50% of interest related to this investment in 2010.
Daewoo Paper Manufacturing Co., Ltd.	China	The Company newly acquired more than 50% of interest related to this investment in 2010.
POSCO Mauritius Ltd.	Mauritius	The Company made investments to establish.
POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd.	China	The Company made investments to establish.
DAEWOO INT'L MEXICO S.A. de C.V.	Mexico	The Company newly acquired more than 50% of interest related to this investment in 2010.
Xenesys Inc.	Japan	The Company newly acquired more than 50% of interest related to this investment in 2010.

The total assets, shareholders' equity, sales, and net income of the consolidated financial statements as of and for the year ended December 31, 2010, increased by ₩8,036,337 million, ₩2,788,430 million, ₩20,626,294 million, and ₩57,043 million, respectively due to the changes in scope of consolidation.

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

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**Subsidiaries Excluded from the Consolidated Financial Statements in 2010**

<b>Investees</b>	<b>Location</b>	<b>Reason</b>
POSCON Co., Ltd.	Pohang	Merged with POSCO ICT Co., Ltd.
POSCO Machinery Co., Ltd.	Gwangyang	Merged with POSCO Plant Engineering Co., Ltd.
Universal Studio Resort Development Co., Ltd.	Seoul	Decrease of percentage of shareholding
Zhangjiagang Posha Steel Port Co., Ltd.	China	Disposal of shares
POSCO E&C (Zhangjiagang) Co., Ltd.	China	Merged with POSCO E&C (Beijing) Co., Ltd.
&TV Communications	U.S.A.	Disposal of shares

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

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

The effects to the financial statements of consolidated subsidiaries resulting from the application of accounting principles and estimates of the controlling company to its subsidiaries as of and for the years ended December 31, 2010 and 2009 are as follows:

(In millions of won)

Investees	2010		
	Net Assets before Adjustment	Adjustment	Net Assets after Adjustment
POSCO P&S Co., Ltd. (formerly, Posteel Co., Ltd.)	₩ 545,411	₩ (552)	₩ 544,859
POSCO Coated Steel Co., Ltd.	255,063	(54,514)	200,549
POSCO ICT Co., Ltd.	249,207	(37,577)	211,630
POSCO Chemtech Company Ltd. (formerly, POSCO Refractories & Environment Co., Ltd.)	234,935	6,618	241,553
POSCO M-TECH Co., Ltd. (formerly, Samjung Packing & Aluminum Co., Ltd.)	154,274	4,677	158,951
POSCO Power Corp.	841,060	(68,027)	773,033
PHP Co., Ltd.	(20,579)	(26,398)	(46,977)
POSCO Asia Co., Ltd.	33,961	(4,497)	29,464
Zhangjiagang Pohang Stainless Steel Co., Ltd.	633,550	(86,440)	547,110
POSCO Investment Co., Ltd.	93,250	(6,571)	86,679
Qingdao Pohang Stainless Steel Co., Ltd.	117,970	(14,552)	103,418
POSCO-Japan Co., Ltd.	119,096	(5,403)	113,693
POSCO-Vietnam Co., Ltd.	133,803	(7,623)	126,180
POSCO-Mexico Co., Ltd.	94,149	(15,248)	78,901

(In millions of won)

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

# **POSCO and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **December 31, 2010 and 2009**

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

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

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

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

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

### **Cash and cash equivalents**

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

### **Revenue recognition**

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

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

## **POSCO and Subsidiaries**

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

#### **December 31, 2010 and 2009**

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

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

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

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

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

#### **Inventories**

The costs of inventories are determined using the moving-weighted average method while materials-in-transit are determined using the specific identification method. Amounts of inventory are written down to net realizable value due to losses occurring in the normal course of business and the allowance is reported as a contra inventory account, while the related charge is recognized in cost of goods sold. Gains and losses pertaining to physical inventory adjustments are also included in cost of goods sold.

#### **Investments in securities**

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

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



## **POSCO and Subsidiaries**

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

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

Trading securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of trading securities are included in the consolidated statement of income in the period in which they arise. Available-for-sale securities are subsequently carried at fair value.

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

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

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

#### **Equity method investments**

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

## **POSCO and Subsidiaries**

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

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

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

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

#### **Natural resources exploration investments**

Investment in exploration and development, including the Myanmar mining site, of natural resources such as natural gas and mineral reserves are initially accounted for at cost as part of non-current investment in the statement of financial position. When the reserves are proved to have commercially producible quantities of reserves, the exploration investment account is transferred to mining rights as an intangible asset and is amortized over its expected period of commercial production.

Borrowings that are directly attributable to exploration investments are initially accounted for as part of long-term withholdings. When the reserves are proved to have commercially producible quantities of reserves, the Company transfers such borrowings to long-term debt and recognizes the cumulative interest expense and gain and loss on translation of foreign currency from the date when such borrowings were first obtained up to the date when the reserve were proved. Conversely, in case of a failure in commercial production, the Company deducts such borrowings from the amount of exploration investment and recognizes any remaining balance as a loss in the current period.

# **POSCO and Subsidiaries**

## **Notes to Consolidated Financial Statements**

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#### **Property, plant and equipment**

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

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

	<b><u>Estimated Useful Lives</u></b>
Buildings and structures	5 - 60 years
Machinery and equipment	2 - 25 years
Vehicles	2 - 10 years
Tools	2 - 10 years
Furniture and fixtures	2 - 10 years
Capital lease asset (*)	2 - 18 years

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

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

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

Management reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the expected estimated undiscounted future net cash flows from the use of the asset and its eventual disposal are less than its carrying amount. However, if the recoverable amount of a tangible asset, for which impairment loss was recognized in prior periods, exceeds its carrying amount in subsequent periods, the amount of impairment loss recognized shall be reversed to the extent of an increased carrying amount of the asset that does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss was recognized in prior periods.

#### **Leases**

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

**POSCO and Subsidiaries**  
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**Intangible assets**

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

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

(\*1) The costs incurred in relation to the development of new products and new technologies, including the development cost of internally used software and related costs, are recognized as development costs only if it is probable that future economic benefits that are attributable to the asset will flow into the entity and the cost of the asset can be measured reliably. The useful life of development costs is based on its estimated useful life, not to exceed 20 years from the date when the asset is available for use.

(\*2) As of December 31, 2010, port facilities usage rights are related to the quay and inventory yard donated by POSCO in April 1987 to the local bureaus of the Maritime Affairs and Fisheries in Gwangyang, Pohang, Pyoungtaek and Masan.

(\*3) The Company recognized the electricity supply contract initially at fair value as an identifiable intangible asset when the Company acquired POSCO Power Corp. The electricity supply contract which was related to the existing agreement of supplying electric power to Korea Electric Power Corporation met the criteria of recognizing identifiable intangible assets at acquisition date.

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

# **POSCO and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **December 31, 2010 and 2009**

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#### **Discounts on debentures**

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

#### **Accrued severance benefits**

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the end of the reporting period. POSCO and its domestic subsidiaries have partially funded the accrued severance benefits through group severance insurance and the amounts funded under these insurance deposits are classified as a deduction from the accrued severance benefits liability. The Company made deposits to the National Pension Service in accordance with the National Pension Act of the Republic of Korea. Accordingly, accrued severance benefits in the accompanying consolidated statement of financial position are presented net of this deposit.

#### **Restructuring of receivables**

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

#### **Foreign currency transactions and translation**

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

#### **Derivative financial instruments**

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

## **POSCO and Subsidiaries**

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

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

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

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

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

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

However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, only disclosure regarding the contingent liability is made in the notes to the consolidated financial statements.

#### **Treasury stock**

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

#### **Sale of receivables**

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

# **POSCO and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **December 31, 2010 and 2009**

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#### **Income tax and deferred income tax**

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

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

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

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

#### **Use of estimates**

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

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

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

# **POSCO and Subsidiaries**

## **Notes to Consolidated Financial Statements**

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

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

(a) Calculation of unrealized gains and losses

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

(b) Elimination of unrealized gains and losses

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

#### **Translation of foreign subsidiary's financial statements**

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



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

Cash, 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>	<b>Annual Interest Rate (%)</b>		<b>2010</b>	<b>2009</b>
<b>Cash and cash equivalents</b>				
Cash on hand and bank deposits	0.00 ~ 3.00	₩	592,588	165,307
Checking accounts	0.00 ~ 1.00		39,874	7,427
Corporate bank deposits	0.20 ~ 5.00		666,854	417,390
Time deposits	2.64 ~ 4.83		571,874	529,564
Time deposits in foreign currency and others	0.00 ~ 3.20		613,449	382,904
Maintained by overseas affiliates	0.00 ~ 13.40		1,115,274	696,578
			3,599,913	2,199,170
Less : Government grants			(1,091)	(2,439)
		₩	<u>3,598,822</u>	<u>2,196,731</u>
<b>Short-term financial instruments</b>				
Time deposits	0.50 ~ 4.96	₩	2,476,855	2,962,298
Specified money in trust	-		61,791	71,193
Certificates of deposit	3.01 ~ 4.80		247,600	2,405,500
Others	0.10 ~ 1.40		111,739	342,643
Maintained by overseas affiliates	0.00 ~ 14.00		56,366	38,813
		₩	<u>2,954,351</u>	<u>5,820,447</u>
<b>Long-term financial instruments</b>				
Installment accounts	0.50 ~ 5.08	₩	20,748	18,522
Guarantee deposits for opening accounts	0.00 ~ 1.00		96	112
Maintained by overseas affiliates	0.36 ~ 1.44		1,904	-
			<u>22,748</u>	<u>18,634</u>

The financial assets pledged as collateral include short-term financial instruments amounting to ₩28,811 million and ₩22,343 million as of December 31, 2010 and 2009, respectively, in relation to performance guarantee deposits, short-term borrowings, long-term debts and others; short-term financial instruments amounting to ₩14,101 million and ₩10,667 million as of December 31, 2010 and 2009, respectively, in relation to government-appropriated projects; and long-term financial instruments amounting to ₩96 million and ₩112 million as of December 31, 2010 and 2009, respectively, in relation to maintaining deposits for opening checking accounts.

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**4. Trading Securities**

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

<i>(In millions of won)</i>	<b>2010</b>			<b>2009</b>
	<b>Acquisition Cost</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Book Value</b>
Beneficiary certificates and others	₩ 182,071	183,953	183,953	505,811

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

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

<i>(In millions of won)</i>	<b>2010</b>	<b>2009</b>
Trade accounts and notes receivable	₩ 8,236,522	5,344,442
Less: Allowance for doubtful accounts	(234,596)	(199,318)
Less: Present value discount	(6,277)	(102)
	<u>₩ 7,995,649</u>	<u>5,145,022</u>
Other accounts and notes receivable	₩ 738,184	470,701
Less: Allowance for doubtful accounts	(53,115)	(23,008)
	<u>685,069</u>	<u>447,693</u>
Long-term trade accounts and notes receivable	₩ 17,033	23,142
Less: Allowance for doubtful accounts	(3,982)	(6,250)
Less: Present value discount	(422)	(1,207)
	<u>12,629</u>	<u>15,685</u>
Long-term loans receivable	₩ 172,103	125,029
Less: Allowance for doubtful accounts	(31,657)	(21,395)
Less: Present value discount	-	(27)
	<u>140,446</u>	<u>103,607</u>

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(b) Accounts stated at present value under long-term deferred payment term and others as of December 31, 2010 are as follows:

<i>(In millions of won)</i>	<b>Face Value</b>	<b>Present Value Discount</b>	<b>Book Value</b>	<b>Maturity</b>	<b>Discount Rate (%)</b>
Long-term loans receivable					
KwangYang Enterprise Co., Ltd.	₩ 209	11	198	2012	7.1
	<u>₩ 209</u>	<u>11</u>	<u>198</u>		
Long-term trade accounts and notes receivable					
Essar Project (*)	₩ 81,173	5,918	75,255	2012	7.9
Others	13,857	780	13,077	2012~2016	5.2~5.9
	<u>₩ 95,030</u>	<u>6,698</u>	<u>88,332</u>		

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

**6. Inventories**

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

<i>(In millions of won)</i>	<b>2010</b>	<b>2009</b>
Finished goods	₩ 2,087,784	877,850
By-products	31,034	28,756
Semi-finished goods	2,279,766	1,585,425
Raw materials	2,503,040	1,124,060
Fuel and materials	721,266	566,344
Materials-in-transit	2,212,928	1,036,108
Others	56,315	11,186
	<u>9,892,133</u>	<u>5,229,729</u>
Less: Provision for valuation loss	<u>(88,680)</u>	<u>(76,890)</u>
	<u>₩ 9,803,453</u>	<u>5,152,839</u>

Loss on valuation of inventories for the years ended December 31, 2010 and 2009 amounted to ₩88,680 million and ₩76,890 million, respectively.

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**7. Investment Securities**

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

<i>(In millions of won)</i>	<b>2010</b>	<b>2009</b>
Available-for-sale securities	₩ 6,546,061	5,292,591
Held-to-maturity securities	36,161	91,792
Equity-method investments	2,735,483	827,583
	<u>₩ 9,317,705</u>	<u>6,211,966</u>

**Available-for-sale Securities**

(a) Available for sale securities as of December 31, 2010 and 2009 are as follows:

<i>(In millions of won)</i>	<b>2010</b>	<b>2009</b>
Current portion of available-for-sale securities		
Investments in bonds	₩ 42,909	35,746
Available-for-sale securities		
Marketable equity securities	4,944,184	3,973,531
Non-marketable equity securities	1,547,524	1,174,866
Investments in bonds	8,025	120,048
Equity investments	46,328	24,146
	<u>6,546,061</u>	<u>5,292,591</u>
	<u>₩ 6,588,970</u>	<u>5,328,337</u>

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

<i>(In millions of won)</i>	<b>2010</b>					<b>2009</b>
	<b>Number of Shares</b>	<b>Ownership (%)</b>	<b>Acquisition Cost</b>	<b>Fair Value</b>	<b>Book Value(*1)</b>	<b>Book Value</b>
<b>Company</b>						
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	343,506	654,311	654,311	256,260
Hanil Iron & Steel Co., Ltd.	206,798	10.14	2,413	3,433	3,433	2,575
HI Steel Co., Ltd.	135,357	9.95	1,609	2,132	2,132	1,895
Munbae 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 Inc.	4,369,881	0.92	228,778	231,167	231,167	188,779
SeAH Steel Corp.	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 U+	4,452,812	0.86	37,804	31,927	31,927	36,793
(Formerly, LG Powercom Corporation)						
OCI Company Ltd.	3,404	-	149	1,123	1,123	744
Korea Semiconductor System Co., Ltd.	281,924	5.25	529	1,073	1,073	671
Aromasoft Corp Co., Ltd.	150,000	1.54	143	156	156	603
i-Components Co., Ltd.	-	-	-	-	-	277
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	-
Murchison Metals Ltd.	60,567,000	13.91	53,120	89,164	89,164	132,139
Cockatoo Coal Ltd.	134,807,307	13.27	59,644	82,731	82,731	33,389
Sandfire Resources NL	23,696,338	16.68	43,250	222,526	222,526	73,598
Jupiter Mines Limited (*2)	327,210,775	20.28	77,694	287,952	287,952	9,531
Silicon Motion Technology Corp.	136,925	0.42	3,052	663	663	545
FuelCell Energy, Inc.	10,786,418	9.55	57,156	28,378	28,378	47,354
Others	-	-	34,534	22,287	22,287	9,460
			₩ 4,087,212	₩ 4,944,184	₩ 4,944,184	₩ 3,973,531

(\*1) Certain portion of those investments has been pledged as collateral. (note 11)

(\*2) This investment was not accounted for using the equity method since the percentage of its shares temporarily exceeded 20% in the process of changing shareholders.

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

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

Company	2010				2009
	Number of Shares	Ownership (%)	Acquisition Cost	Book Value	Book Value
Dongbu Metal Co., Ltd.	3,000,000	10.00	₩ 98,242	₩ 98,242	₩ -
Busan Gimhae Light Rail Transit Co., Ltd. (*1,2)	9,160,000	25.00	45,800	75,405	76,294
Korea Delphai Automotive Systems Corporation (*1)	1,835,520	7.70	9,178	45,431	50,805
TK Chemical Corporation (*1)	8,000,000	10.00	14,818	38,496	14,818
Sinbundang Railroad Co., Ltd. (*1)	2,061,000	5.00	10,305	17,655	17,500
Seoul Metro Line9 Corparation	4,090,985	12.25	20,455	20,455	30,444
U-Space Co., Ltd.	140,000	10.00	14,000	14,000	14,000
POSFINE Co., Ltd. (*3)	2,700,000	70.00	13,500	13,500	6,750
DreamHub PFV Co., Ltd.	2,400,000	1.20	12,000	12,000	12,000
ENK Co., Ltd.	500,000	8.40	10,000	10,000	10,000
Busan E&E Co., Ltd. (*3)	1,917,300	70.00	9,587	9,587	-
SAMWON STEEL Co., Ltd	1,786,000	19.00	8,930	8,930	8,930
Eco-Town	1,596,000	19.00	7,980	7,980	7,980
Gunsan SFC Co., Ltd. (*3)	300,000	100.00	15,036	14,854	-
Poongsan Special Metal Corporation	315,790	5.00	7,657	7,657	7,657
POS Eco Housing (*3)	1,178,651	85.25	5,893	5,893	5,893
Nacional Minerios S.A. (*1)	30,784,625	6.48	668,635	534,734	535,357
The siam united steel (*1)	11,071,000	12.30	34,658	69,013	65,135
Minas de Revuboe Ltd. (*4)	-	7.80	21,548	21,548	21,548
POSCO-CYPC (*3,4)	-	100	16,100	16,100	-
ACM Corporation	132	10.20	8,097	8,097	8,097
Asia Special Steel Co., Ltd.	27	18.00	7,781	7,781	4,063
Hume Coal Pty Ltd. (*3,4)	-	70.00	58,116	58,116	-
Elkview mine (*4)	-	2.50	33,659	33,659	32,723
POSCO-URUGUAY S.A. (*3)	98,261,497	98.00	5,874	5,874	-
POSCO SS-VINA Co., Ltd. (*3,4)	-	100.00	41,277	39,514	-
POSCO AAPC LLC (*4)	-	68.00	10,284	10,284	-
POSCO Maharashtra Steel Private Limited (*5)	-	-	-	-	63,872
Others	-	-	446,145	342,719	181,000
			₩ 1,655,555	₩ 1,547,524	₩ 1,174,866

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

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

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(\*3) Those investments were not accounted for using the equity method as their total assets are less than ₩10 billion as of December 31, 2009 and they are also small-sized entities or in the middle of establishment as of December 31, 2010.

(\*4) No shares have been issued in accordance with the local laws or regulations.

(\*5) This investment was reclassified to equity-method investments from available-for-sale securities since its total assets are greater than ₩10 billion as of December 31, 2009.

(d) Available-for-sale securities are stated at fair value, and the difference between the acquisition cost and fair value is accounted for in accumulated other comprehensive income. 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
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 Co., Ltd.	(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)
Korea Line Corp.	-	-	-	4,898	(4,898)	-
Shinhan Financial Group Inc.	(31,199)	33,062	1,863	(82,790)	51,591	(31,199)
SeAH Steel Corp.	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 U+ (Formerly, LG Powercom Corporation)	-	(2,751)	(2,751)	(161,460)	161,460	-
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)
The Siam United Steel	23,771	3,026	26,797	18,493	5,278	23,771
Nacional Minerios S.A.	(103,957)	(485)	(104,442)	-	(103,957)	(103,957)
Sandfire Resources NL	39,643	121,668	161,311	(4,450)	44,093	39,643
Others	73,758	54,024	127,782	21,824	51,934	73,758
	₩ 87,453	₩ 544,988	₩ 632,441	₩ (495,559)	₩ 583,012	₩ 87,453

**POSCO and Subsidiaries**  
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(e) Investments in bonds as of December 31, 2010 and 2009 are as follows:

<i>(In millions of won)</i>	<b>2010</b>			<b>2009</b>	
	<b>Maturity</b>	<b>Acquisition Cost</b>	<b>Book Value</b>	<b>Book Value</b>	
Government bonds	Less than 1 year	₩ 537	₩ 537	₩	568
	1 - 5 years	607	607		4,414
Corporate debt securities	Less than 1 year	38,081	42,371		35,178
	1 - 5 years	7,550	6,550		115,634
	Over than 5 years	861	869		-
		47,636	50,934		155,794
Less: Current portion		(38,619)	(42,909)		(35,746)
		₩ 9,017	₩ 8,025	₩	120,048

(f) Equity investments as of December 31, 2010 and 2009 are as follows:

<i>(In millions of won)</i>	<b>2010</b>		<b>2009</b>	
	<b>Acquisition Cost</b>	<b>Book Value</b>	<b>Book Value</b>	
Construction Guarantee	₩ 16,268	₩ 19,127	₩	17,876
Others	39,311	27,201		6,270
	₩ 55,579	₩ 46,328	₩	24,146

**Held-to-maturity Securities**

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

<i>(In millions of won)</i>	<b>2010</b>			<b>2009</b>	
	<b>Maturity</b>	<b>Acquisition Cost</b>	<b>Book Value</b>	<b>Book Value</b>	
Current portion of held-to-maturity securities					
Government bonds (*)	Less than 1 year	₩ 3,679	₩ 3,657	₩	20,717
Held-to-maturity securities					
Government bonds (*)	1 - 5 years	36,194	36,024		91,792
	5 - 10 years	137	137		-
		36,331	36,161		91,792
		₩ 40,010	₩ 39,818	₩	112,509

(\*) Certain portion of the government bonds has been pledged as collateral for the consolidated subsidiaries. (note 11)



# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

#### Equity-method Investments

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

<i>(In millions of won)</i>	2010					2009
	Investees (*1)	Number of Shares	Ownership (%)	Acquisition Cost	Net Asset Value	Book Value
eNtoB Corporation (*2)	-	-	-	₩ -	₩ -	₩ 7,696
Midas IT Co., Ltd.	866,190	25.46	433	9,654	9,633	8,304
Songdo New City Development Inc. (*3)	1,332,344	29.90	6,674	(39,759)	-	-
Gale International Korea Inc.	85,306	29.90	427	11,540	11,540	7,917
SNNC Co., Ltd.	18,130,000	49.00	90,650	168,208	145,539	93,263
Chungju Enterprise City	2,008,000	25.10	10,040	10,515	10,515	5,383
Taegisan Wind Power Corporation	2,500,000	50.00	12,500	7,244	5,836	10,955
Cheongna International Business Town Co., Ltd. (*4)	1,151,960	18.58	45,651	35,437	36,050	2,159
Garolim Tidal Power Plant Co., Ltd.	2,322,999	32.13	11,615	10,881	10,881	11,041
Posco E&C Songdo International Building (*3)	98,000	49.00	490	(6,089)	-	-
Kyobo Life Insurance Co., Ltd. (*5)	4,920,000	24.00	1,266,900	1,092,853	1,302,989	-
KOBRASCO	2,010,719,185	50.00	32,950	142,615	142,615	98,943
USS-POSCO Industries (UPI) (*6)	-	50.00	254,649	38,789	31,007	45,961
Poschrome (Proprietary) Limited	43,350	50.00	19,859	34,459	28,975	13,481
POSCO Bio Ventures L.P. (*2)	-	-	-	-	-	30,439
CAML Resources Pty. Ltd.	3,239	33.40	40,388	48,437	54,155	30,237
Nickel Mining Company SAS	3,234,698	49.00	157,585	210,914	178,866	190,149
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd. (*7)	-	-	-	-	-	9,899
An Khanh New City Development Joint-Ventured Company Ltd. (*6)	-	50.00	20,429	2,109	2,109	12,643
United Spiral Pipe, LLC (USP) (*6)	-	35.00	37,450	18,031	17,908	23,984
Zhongyue POSCO (Qinhuangdau) Tinplate Industrial Co., Ltd. (*6)	-	34.00	9,517	19,963	16,826	15,592
BX STEEL POSCO Cold Rolled Sheet Co., Ltd. (*6)	-	25.00	61,961	81,891	86,122	63,667
Eureka Moly LLC (*6)	-	20.00	121,209	25,048	109,177	113,105
POS-GSFC LLC (*6)	-	44.40	15,520	4,480	11,609	-
NCR LLC (*6)	-	20.00	23,744	2,831	23,931	-
AMCI (WA) Pty. Ltd.	194,772,025	49.00	213,446	(9,752)	199,881	-
Myanmar Korea Timber International Ltd. (*3,5)	270	45.00	-	(947)	-	-
KOREA LNG Ltd. (*5)	2,400	20.00	137,993	2,753	137,706	-
DMSA, AMSA (*5,8)	-	4.00	100,770	54,850	100,662	-
Others			60,099	69,126	60,951	32,765
			₩ 2,752,949	₩ 2,046,081	₩ 2,735,483	₩ 827,583

## **POSCO and Subsidiaries**

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

#### **December 31, 2010 and 2009**

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- (\*1) Due to the difference in the closing schedule of December 31, 2010, the equity method of accounting is applied based on the most recent financial information available, which has not been audited or reviewed.
- (\*2) These subsidiaries are newly consolidated due to additional acquisition of shares, and others.
- (\*3) The equity method of accounting has been suspended for investment in Songdo New City Development Inc., PSIB Co., Ltd. and Myanmar Korea Timber International Ltd. as the Company's net investments have been reduced to zero. Unrecorded changes in equity interests in these investments in 2010 amounted to ₩9,717 million and the accumulated unrecorded changes in equity interest prior to 2010 amounted to ₩75,689 million which ₩31,097 is accounted as loss in the current year.
- (\*4) Those investments were accounted for using the equity method because it has more than 40% of voting rights of the investee to exercise significant influence on the investees and its percentage of shares has increased to 18.58%, according to the option contracts with foreign investors.
- (\*5) These subsidiaries are newly included in equity method investments as a result of acquisition of Daewoo International Corporation.
- (\*6) No shares have been issued in accordance with the local laws or regulations.
- (\*7) All of its shares are sold during the current year.
- (\*8) Although the Company owns less than 20% equity interest in these investees, these investments were accounted for using the equity method because they are under joint control.

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

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

(In millions of won)

Investees	Dec. 31 2008 Balance	Equity method Profits (Losses)	Other Increase (Decrease) (*)	Dec. 31 2009 Balance	Equity method Profits (Losses)	Other Increase (Decrease) (*)	Dec. 31 2010 Balance
eNtoB Corporation	₩ 7,519	₩ 418	₩ (241)	₩ 7,696	₩ 333	₩ (8,029)	₩ -
Midas IT Co., Ltd.	6,926	1,229	149	8,304	1,329	-	9,633
Gale International Korea Inc.	6,983	5,038	(4,104)	7,917	3,623	-	11,540
SNNC Co., Ltd.	59,020	34,244	(1)	93,263	64,967	(12,691)	145,539
Chungju Enterprise City	7,686	(2,303)	-	5,383	5,132	-	10,515
Taegisan Wind Power Corporation	5,273	(3,722)	9,404	10,955	(5,119)	-	5,836
Cheongna International Business Town Co., Ltd.	3,354	(1,212)	17	2,159	(7,850)	41,741	36,050
Garolim Tidal Power Plant Co., Ltd.	-	(208)	11,249	11,041	(160)	-	10,881
Kyobo Life Insurance Co., Ltd	-	-	-	-	174,879	1,128,110	1,302,989
KOBRASCO	57,656	25,611	15,676	98,943	51,378	(7,706)	142,615
USS-POSCO Industries (UPI)	51,330	(18,530)	13,161	45,961	(9,165)	(5,789)	31,007
Poschrome (Proprietary) Limited	5,004	6,237	2,240	13,481	361	15,133	28,975
POSCO Bio Ventures L.P.	39,584	(5,037)	(4,108)	30,439	-	(30,439)	-
CAML Resources Pty. Ltd.	31,959	(6,561)	4,839	30,237	13,673	10,245	54,155
Nickel Mining Company SAS	220,553	(3,634)	(26,770)	190,149	7,744	(19,027)	178,866
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd.	10,552	122	(775)	9,899	(852)	(9,047)	-
An Khanh New City Development Joint-Ventured Company Ltd.	21,184	(6,509)	(2,032)	12,643	(10,475)	(59)	2,109
United Spiral Pipe LLC (USP)	32,260	(5,523)	(2,753)	23,984	(13,662)	7,586	17,908
Zhongyue POSCO (Qinhuangdao) Timplat Industrial Co., Ltd.	16,944	(159)	(1,193)	15,592	1,146	88	16,826
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	90,776	(23,086)	(4,023)	63,667	21,739	716	86,122
Eureka Moly LLC	121,209	(305)	(7,799)	113,105	(1,165)	(2,763)	109,177
POS-GSFC LLC	-	(1,931)	1,931	-	(2,796)	14,405	11,609
NCR LLC	-	-	-	-	(40)	23,971	23,931
AMCI (WA) Pty. Ltd.	-	-	-	-	(12,459)	212,340	199,881
Myanmar Korea Timber International	-	-	-	-	(1,538)	1,538	-
KOREA LNG Ltd.	-	-	-	-	15,463	122,243	137,706
DMSA, AMSA	-	-	-	-	(220)	100,882	100,662
Others	36,764	(1,059)	(2,940)	32,765	7,112	21,074	60,951
	₩ 832,536	₩ (6,880)	₩ 1,927	₩ 827,583	₩ 303,378	₩ 1,604,522	₩ 2,735,483

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

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

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

(In millions of won)

Investee	Dec. 31 2008 Balance	Increase (Decrease)	Amortization	Dec. 31 2009 Balance	Increase (Decrease)	Amortization	Dec. 31 2010 Balance
eNtoB Corporation	₩ 696	₩ -	₩ (183)	₩ 513	₩ (513)	₩ -	₩ -
SNNC Co., Ltd.	146	-	(42)	104	1	(42)	63
CAML Resources Pty. Ltd.	7,751	-	(5,764)	1,987	-	(1,987)	-
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	9,577	-	(2,673)	6,904	1	(2,673)	4,232
POS-GSFC LLC	-	1,015	(1,015)	-	8,545	(1,481)	7,064
AMCI (WA) Pty. Ltd.	-	-	-	-	209,634	-	209,634
Others	1,138	667	(956)	849	(282)	(407)	160
	₩ 19,308	₩ 1,682	₩ (10,633)	₩ 10,357	₩ 217,386	₩ (6,590)	₩ 221,153

(d) Details on the elimination of unrealized gain or loss from inter-company transactions for the years ended December 31, 2010 and 2009 are as follows:

(In millions of won)

Investee	2010			2009		
	Inventories	Property, Plant and Equipment and Intangible Assets	Total	Inventories	Property, Plant and Equipment and Intangible Assets	Total
eNtoB Corporation	₩ -	₩ -	₩ -	₩ 368	₩ 4	₩ 372
Midas IT Co., Ltd.	-	5	5	-	(8)	(8)
SNNC Co., Ltd.	(13,602)	1,115	(12,487)	(11,686)	1,195	(10,491)
POSCO E&C Songdo International Building	9,556	-	9,556	4,742	-	4,742
KOBRASCO	-	-	-	14,090	-	14,090
USS-POSCO Industries	(1,311)	-	(1,311)	2,368	-	2,368
Poscrome (Proprietary) Limited	(1,145)	-	(1,145)	9,279	-	9,279
Nickel Mining Company SAS	(4,825)	-	(4,825)	4,935	-	4,935
United Spiral Pipe LLC	(110)	-	(110)	(14)	-	(14)
Zhongyue POSCO(Qinhuangdao) Tinplate Industrial Co., Ltd.	(802)	-	(802)	(210)	-	(210)
POS-GSFC LLC	(7)	-	(7)	-	-	-
Myanmar Korea Timber International Ltd.	(9)	-	(9)	-	-	-
Others	(960)	1,411	451	(5,943)	3	(5,940)
	₩ (13,215)	₩ 2,531	₩ (10,684)	₩ 17,929	₩ 1,194	₩ 19,123

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(e) 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)

<b>Investee</b>	<b>Total Assets</b>		<b>Total Liabilities</b>		<b>Sales</b>		<b>Net Income (Loss)</b>	
SNNC Co., Ltd.	₩	648,682	₩	305,401	₩	519,871	₩	149,246
Garolim Tidal Power Plant Co., Ltd.		35,340		1,473		-		(561)
Taegisan Wind Power Corporation		81,051		66,563		9,168		(4,088)
Midas IT Co., Ltd.		61,350		23,434		40,810		5,792
Gale International Korea Inc.		59,564		20,970		36,651		12,224
Chungju Enterprise City		254,767		212,874		79,891		20,541
Cheongna International Business Town Co., Ltd.		456,044		265,318		-		(241)
POSCO E&C Songdo International Building		367,396		379,823		9,472		(12,074)
Songdo New City Development Inc.		2,929,925		3,062,899		748,068		81,960
Kyobo life insurance Co., Ltd.		57,322,654		52,769,099		12,053,412		758,781
Nickel Mining Company SAS		527,296		96,859		176,775		23,484
Eureka Moly LLC		207,968		82,728		-		(5,825)
KOBRASCO		351,211		65,981		131,859		89,254
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.		1,003,494		675,931		1,421,734		97,645
USS-POSCO Industries		459,290		381,712		1,018,389		(15,709)
CAML Resources Pty. Ltd.		210,319		65,298		265,014		46,970
United Spiral Pipe LLC		177,697		126,179		20,745		(38,719)
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.		150,510		91,795		165,117		5,811
Poschrome (Proprietary) Limited		76,611		7,693		69,126		6,306
An Khanh New City Development Joint-Ventured Company Ltd.		194,004		189,787		-		(14,122)
POS-GSFC LLC		50,132		40,041		27,691		(1,837)
NCR LLC		14,379		226		-		(201)
AMCI (WA) Pty. Ltd.		11,521		31,424		-		19,754
Myanmar Korea Timber International Ltd.		9,032		11,136		10,665		(613)
KOREA LNG Ltd.		13,850		87		79,030		77,315
DMSA, AMSA		5,301,319		3,930,064		-		(3,857)
Others		438,844		262,708		1,053,549		22,039

**POSCO and Subsidiaries**  
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**8. Natural Resources Exploration Investments**

As of December 31, 2010, investments in exploration and development, including the Myanmar mining site, of natural resources such as natural gas and mineral reserves are as follows:

<i>(In millions of won)</i>	<b>Book Value</b>
Myanmar A-1 Mining	624,708
Myanmar A-3 Mining	338,685
Australia Narrabri and others	116,221
Myanmar AD-7 Mining	44,499
Uzbekistan 35/36 Mining	25,349
Russia West Kamchatka Mining	9,573
Others	4,980
	<b>1,164,015</b>

In relation to the above investments, borrowings from Korea National Oil Corporation and others amounting to ₩153,945 million (USD145 million) are accounted as other long-term liabilities.

**9. 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>
Buildings and structures	₩ 10,466,444	8,511,720
Machinery and equipment	35,998,538	31,538,967
Vehicles	282,535	228,082
Tools	295,087	419,818
Furniture and fixtures	408,279	314,052
Capital lease assets	62,634	31,830
	47,513,517	41,044,469
Less: Accumulated depreciation	(28,083,031)	(25,664,723)
Less: Accumulated impairment loss	(130,563)	(156)
Less: Government grants	(4,640)	(1,605)
	19,295,283	15,377,985
Land	2,470,423	2,142,621
Construction-in-progress	3,937,242	4,319,179
Less: Accumulated impairment loss	(3,799)	-
	<b>₩ 25,699,149</b>	<b>21,839,785</b>

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

The value of land based on the posted price issued by the Minister of Construction and Transportation amounted to ₩5,045,356 million and ₩4,358,124 million as of December 31, 2010 and 2009, respectively.

As of December 31, 2010 and 2009, property, plant and equipment are insured against fire and other casualty losses for up to ₩22,031,048 million and ₩16,946,755 million, respectively. In addition, the Company carries general insurance for vehicles and accident compensation insurance for its employees.

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

(b) The changes in the carrying value of property, plant and equipment for the years ended December 31, 2010 and 2009, are as follows:

(In millions of won)	Beginning					Consolidation		Ending
	Balance	Acquisition (*1)	Disposal	Depreciation (*2)	Others (*3)	Adjustments	Balance	
Land	₩ 2,142,621	₩ 221,158	₩ (65,568)	₩ -	₩ 199,357	₩ (30,945)	₩ 2,466,623	
Buildings	3,429,518	1,095,756	(115,236)	(294,081)	418,681	(90,313)	4,444,325	
Structures	1,648,110	650,930	(36,982)	(144,924)	73,794	(71,552)	2,119,376	
Machinery and equipment	10,071,348	4,543,685	(37,947)	(2,286,476)	360,047	(224,618)	12,426,039	
Vehicles	51,065	23,140	(5,077)	(18,809)	15,406	(1,583)	64,142	
Tools	68,355	46,401	(2,616)	(29,135)	(7,529)	(33)	75,443	
Furniture and fixtures	86,024	76,389	(5,880)	(40,639)	14,030	(7,040)	122,884	
Financial Lease assets	23,565	32,982	(573)	(11,864)	(1,035)	-	43,075	
Construction-in-progress	4,319,179	5,591,920	(61,120)	-	(6,249,019)	336,282	3,937,242	
	₩ 21,839,785	₩ 12,282,361	₩ (330,999)	₩ (2,825,928)	₩ (5,176,268)	₩ (89,802)	₩ 25,699,149	

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

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

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

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

- (c) The Company entered into a capital lease contract with Ilshin Shipping Co., Ltd. for a Ro-Ro (roll-on roll-off) ship for the exclusive use of transporting plates and others. As of December 31, 2010, future minimum lease payments under such a capital lease are as follows:

<i>(In millions of won)</i>	<b>Minimum Lease Payments</b>
Less 1 year	₩ 14,914
1 ~5 years	19,627
Over 5 years	4,138
	<u>₩ 38,679</u>



**POSCO and Subsidiaries**  
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**10. Intangible Assets**

(a) Intangible assets, net of accumulated amortization, as of December 31, 2010 and 2009 are as follows:

<i>(In millions of won)</i>		<b>2010</b>	<b>2009</b>
Goodwill	₩	1,465,674	272,092
Negative goodwill		(9,819)	(10,352)
Intellectual property rights		144,614	51,994
Research and development costs, net of government grants		92,865	48,496
Port facilities usage rights		107,240	99,552
Long-term electricity supply contract rights		41,795	48,483
Others (*1)		1,319,083	119,704
	₩	<u>3,161,452</u>	<u>629,969</u>

(\*1) Other intangible assets include appraisal differences of ₩927,080 million related to customer relationships when acquiring Daewoo International and ₩178,376 million related to technical skills, customer relationships and new contracts remaining during acquisition of Sungjin Geotech Co., Ltd.

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

<i>(In millions of won)</i>	<b>For the year ended December 31, 2010</b>						
	<b>Beginning Balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Recovery (Amortization)</b>	<b>Others (*1)</b>	<b>Consolidation Adjustments</b>	<b>Ending Balance</b>
Goodwill	₩ 272,092	₩ 1,267,818	₩ -	₩ (68,460)	₩ (5,776)	₩ -	₩ 1,465,674
Negative goodwill	(10,352)	(2,133)	-	98	2,568	-	(9,819)
Intellectual property rights	51,994	8,496	(2,322)	(2,419)	10,331	78,534	144,614
Research and development costs, net of government grants (*2)	48,496	27,202	(11,392)	(16,211)	55,225	(10,455)	92,865
Port facilities usage rights	99,552	28,165	-	(15,626)	-	(4,851)	107,240
Long-term electricity supply contract rights	48,483	-	-	(6,688)	-	-	41,795
Others	119,704	121,365	(1,470)	(98,642)	51,266	1,126,860	1,319,083
	₩ 629,969	₩ 1,450,913	₩ (15,184)	₩ (207,948)	₩ 113,614	₩ 1,190,088	₩ 3,161,452

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

(\*2) The Company has capitalized certain costs related to the ERP system and production innovation as other intangible assets.

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

(c) The amortization expenses for the years ended December 31, 2010 and 2009 were allocated as follows:

<i>(In millions of won)</i>	2010	2009
Cost of goods sold	₩ 45,762	72,028
Selling and administrative expenses	162,186	79,639
	<u>₩ 207,948</u>	<u>151,667</u>

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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(d) Details of significant goodwill are as follows:

<i>(In millions of won)</i>	<b>Description</b>	<b>2010</b>	<b>2009</b>	<b>Remaining Useful Life</b>
Goodwill	Excess investment amount over fair value in Daewoo International Corporation	₩ 1,145,477	₩ -	19 years
	Excess investment amount over fair value in Posco Power Corp.	-	26,471	-
	Excess investment amount over fair value in Daewoo Engineering Company	187,699	198,580	17 years
	Excess investment amount over fair value in Sungjin Geotec Co., Ltd.	78,742	-	4 years
	Excess investment amount over fair value in POSCO VST Co., Ltd.	29,036	36,955	4 years
		<u>1,440,954</u>	<u>262,006</u>	

(e) Research and development costs incurred for the years ended December 31, 2010 and 2009 were ₩537,025 million and ₩452,589 million, respectively. Research and development costs amounting to ₩395,238 million and ₩368,207 million were classified to cost of goods sold, while ₩141,787 million and ₩84,382 million were classified to selling and administrative expenses for the years ended December 31, 2010 and 2009, respectively.

**POSCO and Subsidiaries**  
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**11. Pledged Assets**

(a) Details of assets pledged as collateral for short-term borrowings and long-term debts, as well as for performance guarantee, as of December 31, 2010 and 2009 are as follows:

<i>(In millions of won)</i>	<b>Beneficiaries</b>	<b>2010</b>	<b>2009</b>
Inventories	The Export-Import Bank of Korea	₩ 27,000	-
Land	Mizuho Bank and others	223,873	220,732
Buildings and structures	Korea Development Bank and others	65,820	105,465
Machinery and equipment	Kookmin Bank and others	159,549	387,828
Short-term financial instruments	Korea Development Bank	900	2,000
Trade accounts and notes receivable	Mizuho Bank and others	41,711	53,898
Available-for-sale securities (*1)	Exchangeable bond holder and others	973,797	1,233,523
Held-to-maturity securities (*2)	Gyeongsangbuk-do provincial office	31,908	31,675
Equity method investments	Related creditors	410,203	15,793
		<u>₩ 1,934,761</u>	<u>2,050,914</u>

(\*1) 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 14) and 103,951,000 shares of Nippon Steel Corporation have been pledged as collateral for the 1st samuri bonds issued.

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

(b) Details of loans from foreign financial institutions guaranteed by Korea Development Bank as of December 31, 2010 and 2009 are as follows:

<i>(In millions of won)</i>	<b>2010</b>		<b>2009</b>	
<b>Financial institution</b>	<b>Foreign Currency</b>	<b>Won Equivalent</b>	<b>Foreign Currency</b>	<b>Won Equivalent</b>
Korea Development Bank	EUR 3,327,892	₩ 5,037	EUR 3,964,242	₩ 6,637

(c) As of December 31, 2010, POSCO and its subsidiaries were provided with guarantees amounting to ₩1,593,649 million from Korea Exchange Bank and others for their contract commitments.

**POSCO and Subsidiaries**  
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**12. Other Assets**

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

(In millions of won)

		<b>2010</b>	<b>2009</b>
<b>Other current assets</b>			
Short-term loans receivable	₩	282,206	163,932
Accrued income		51,600	64,370
Prepaid expenses		65,339	45,140
Others		221,439	76,233
		620,584	349,675
Less: Allowance for doubtful accounts		(58,150)	(33,286)
	₩	<u>562,434</u>	<u>316,389</u>
<b>Other long-term assets</b>			
Other investment assets	₩	767,274	513,878
Less: Allowance for doubtful accounts		(3,957)	(1,636)
	₩	<u>763,317</u>	<u>512,242</u>

**13. Short-term Borrowings and Current Portion of Long-term Debt**

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

(In millions of won)

<b>Financial Institutions</b>	<b>Annual Interest Rate (%)</b>		<b>2010</b>		<b>2009</b>
<b>Won currency borrowings</b>					
The Export-Import Bank of Korea and others	0.99 ~ 7.61	KRW	626,710	₩ 626,710	733,867 ₩ 733,867
<b>Foreign currency borrowings</b>					
Bank of America	0.50 ~ 1.80	USD	163,126,018	213,295	87,641,601 104,833
		CNY	159,484,354		14,629,409
Shinhan Bank and others	0.71 ~ 17.00	USD	3,241,259,377	4,998,365	1,192,237,238 2,387,101
		JPY	46,424,820,531		40,030,261,210
		CNY	2,031,945,272		1,876,379,123
		MYR	229,446,223		171,400,734
		VND	875,990,790,739		252,735,770,675
		AUD	102,604,949		50,000,000
		THB	820,000,000		1,170,000,000
		MMK	400,000,000		1,184,424,000
		NTD	85,814,000		40,000,000
		EUR	1,562,970		-
		PLN	8,068		-
		INR	312,328,428		-
				<u>5,211,660</u>	<u>2,491,934</u>
				₩ 5,838,370	₩ 3,225,801

**POSCO and Subsidiaries**  
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(b) Current portion of long-term debt as of December 31, 2010 and 2009 are as follows:

(In millions of won)

(in millions of won)

Financial Institutions	Annual Interest Rate (%)	2010			2009	
Debentures						
Domestic and foreign debentures	1.55 ~ 7.51	KRW	1,180,000	₩ 2,941,300	212,000	317,084
		USD	543,100,000		90,000,000	
		JPY	79,000,000,000		-	
Less: Discount on debentures issued				(58,930)		(219)
Add: Premium on debenture redemption				42,024		-
				2,924,394		316,865
Won currency borrowings						
National Agricultural Cooperative Federation and others	1.00 ~ 8.21	KRW	195,179	195,179	226,622	226,622
Foreign currency borrowings						
The Export-Import Bank of Korea and others	0.55 ~ 13.20	USD	51,362,344	307,375	138,000,000	242,335
		JPY	4,067,628,600		10,401,835,976	
		VND	-		2,443,430,595	
		MYR	5,409,167		9,680,526	
		CNY	1,059,632,000		-	
		EUR	4,567,379		-	
		PLN	768,000		-	
Add: Premium on debentures issued				2,651		-
				505,205		468,957
Loans from foreign financial institutions						
NATIXIS	2.00	EUR	636,350	963	636,350	1,065
				₩ 3,430,562		786,887

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

#### 14. Long-term Debt

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

(In millions of won)	Issue date	Maturity	Annual Interest							
			Rate (%)	2010			2009			
Domestic Debentures (*2)	03/28/2006 ~ 12/01/2010	03/19/2010 ~ 08/27/2019	2.05 ~ 8.75	KRW	4,960,050	₩	4,960,050	3,372,050	₩	3,372,050
				USD	723,100,000		862,609	340,000,000		396,984
				JPY	9,000,000,000		125,737	9,000,000,000		113,654
9th Samurai Bonds (Public)	06/28/2006	06/28/2013	2.05	JPY	50,000,000,000		698,540	50,000,000,000		631,410
1st Samurai Bonds (Private)	12/29/2008	12/29/2011	Tibor +1.6	JPY	50,000,000,000		698,540	50,000,000,000		631,410
1th FRN	11/11/2008	11/11/2011	Tibor +2.6	JPY	20,000,000,000		279,416	20,000,000,000		252,564
1st Euro Bonds	08/10/2006	08/10/2016	5.88	USD	300,000,000		341,670	300,000,000		350,280
Exchangeable Bonds (*1)	08/19/2008	08/19/2013	-	JPY	52,795,000,000		737,588	52,795,000,000		666,706
1st Global Bonds	03/26/2009	03/26/2014	8.75	USD	700,000,000		797,230	700,000,000		817,320
2nd Global Bonds	10/28/2010	10/28/2020	4.25	USD	700,000,000		797,230	-		-
							10,298,610			7,232,378
Add: Premium on debentures issued							6,442			-
Add: Premium on bond redemption							11,138			10,067
Less: Current portion							(2,941,300)			(317,084)
Less: Discount on debentures issued							(64,930)			(70,449)
						₩	7,309,960		₩	6,854,912

(\*1) On August 19, 2008, the Company issued exchangeable bonds, which are exchangeable with 18,994,379 SK Telecom Co., Ltd. ADRs. Details of exchangeable bonds are as follows:

Issuance date:	August 19, 2008
Maturity date:	August 19, 2013
Rate:	Interest rate of zero percent
Face value:	JPY 52,795,000,000
Issuance price:	JPY 52,424,229,136
Premium on bond redemption	JPY 797,204,500 (redeemed on put date or maturity date)
Exchangeable price:	JPY 2,999.11/ADR
Fair value of an exchangeable right at issuance:	JPY 2,867,605,334
Fair value of an exchangeable right as of December 31, 2009:	JPY 63,354,000
Exercise period of exchangeable right:	Commencing ten business days following the issuance date until ten business days prior to maturity date
Exercise date of put by bondholders:	August 19, 2011

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(\*2) One of the subsidiaries, Daewoo International Corporation issued the convertible bonds with a face value of USD300 million at 100% of face value on July 6, 2009. The convertible bonds will be redeemed at 111.27% of the face value at the maturity date on July 6, 2014 (guaranteed yield to maturity: 5.25%), unless redeemed or converted early. The convertible bonds may be early redeemed on July 6, 2011 at the option of the bondholders at 104.16% of the face value and as a result, they were classified as current portion of long-term debt during the current year. Furthermore, the convertible bonds may be early redeemed at the option of the bondholders in certain events such as the change of the parties controlling Daewoo International Corporation. Also, at Daewoo International Corporation's option, the convertible bonds may be early redeemed on or after July 6, 2012, provided that the market price of Daewoo International Corporation's common stock is above 130% of the conversion price for at least 20 consecutive trading days. On the other hand, the convertible bonds can be converted into 1 common shares per the face value of ₩31,450 from July 6, 2010 to June 23, 2014.



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

(In millions of won)

(In millions of won)

Financial Institutions	Annual Interest Rate (%)		2010		2009	
<b>Won currency</b>						
The Korea Resources Corporation	Representative Borrowing Rate (*1) - 2.25	KRW	55,114 ₩	55,114	55,114 ₩	55,114
Woori Bank	Representative Borrowing Rate (*1) - 1.25	KRW	35,488	35,488	20,405	20,405
National Forestry Corporative Federation	1.50	KRW	746	746	-	-
The Korea Development Bank and others	1.00 ~ 10.48	KRW	1,536,887	1,536,887	537,418	537,418
Less: Current portion				(195,179)		(226,622)
				<u>1,433,056</u>		<u>386,315</u>
<b>Foreign currency</b>						
Korea National Oil Corporation (*2)	Representative Borrowing Rate (*1) - 2.25	USD	7,027,711	8,429	4,549,590	5,578
The Export-Import Bank of Korea (*3)	4.09 ~ 4.50	USD	323,800,000	368,776	-	-
The Korea Development Bank and others	0.55 ~ 8.00	USD	457,426,838	1,813,840	618,377,590	1,219,739
		JPY	38,557,601,262		18,409,435,976	
		CNY	2,583,696,500		1,307,960,156	
		MYR	49,409,167		149,680,526	
		VND	2,338,613,695		2,443,430,595	
		EUR	77,580,568		-	
		INR	3,373,240,000		-	
		AUD	69,358,457		-	
		PLN	2,059,356		-	
		CAD	12,276,632		-	
Less: Current portion				(307,375)		(242,335)
Less: Present value discount				(22,176)		-
				<u>1,861,494</u>		<u>982,982</u>
				<u>3,294,550</u>		<u>1,369,297</u>

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

(\*2) 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 17).

(\*3) The borrowing is related to the API iron ore, mine and other development work in Australia.

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

(In millions of won)	Annual Interest Rate		2010		2009	
	(%)					
NATIXIS	2.00	EUR	3,327,892	5,037	3,964,241	6,637
Less: Current portion				(963)		(1,065)
				<u>4,074</u>		<u>5,572</u>

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

(In millions of won)									
Period		Debtentures (*)		Borrowings		Foreign Currency Borrowings		Loans From Foreign Financial Institutions	Total
2011	₩	2,983,324	₩	195,179	₩	307,375	₩	963	3,486,841
2012		790,050		425,137		590,788		963	1,806,938
2013		2,582,268		309,291		483,958		963	3,376,480
2014		1,357,230		120,676		229,568		963	1,708,437
Thereafter		2,638,900		577,952		579,356		1,185	3,797,393
	₩	<u>10,351,772</u>	₩	<u>1,628,235</u>	₩	<u>2,191,045</u>	₩	<u>5,037</u>	<u>14,176,089</u>

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

## 15. Provision for Severance Benefits

The changes in accrued severance benefits for the years ended December 31, 2010 and 2009 are as follows:

(In millions of won)	2010	2009
<b>Estimated severance benefits at the beginning of period</b>	₩ 1,112,963	1,176,070
Provision for severance benefits	376,970	79,186
Payment	(114,020)	(144,007)
Others (*)	58,180	1,714
<b>Estimated severance benefits at the end of period</b>	<u>₩ 1,434,093</u>	<u>1,112,963</u>
Transferred to National Pension Fund	(1,579)	(1,751)
Deposits for severance benefits trust	(993,412)	(810,791)
<b>Net balance at the end of period</b>	<u>₩ 439,102</u>	<u>300,421</u>

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

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**16. Other Liabilities**

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

(In millions of won)

	<b>2010</b>	<b>2009</b>
<b>Other current liabilities</b>		
Unearned revenue	₩ 7,745	2,355
Derivatives liabilities	88,571	35,678
Others	328,607	96,149
	<u>₩ 424,923</u>	<u>134,182</u>
<b>Other long-term liabilities</b>		
Reserve for allowance	₩ 113,975	40,718
Derivatives liabilities	11,925	8,831
Liability related to stock appreciation rights	30,057	54,272
Deposit received	664,004	152,386
Others	242,250	54,280
	<u>₩ 1,062,211</u>	<u>310,487</u>

**17. Commitments and Contingencies**

(a) As of December 31, 2010, contingent liabilities on outstanding guarantees provided for the repayment of loans of affiliated companies are as follows:

<b>Entity Being Guaranteed</b>	<b>Financial Institution</b>	<b>Amount</b>	<b>Won Equivalent</b>
POSCO Investment Co., Ltd.	HSBC and others	USD 477,000,000	₩ 543,255
		MYR 240,000,000	88,644
		CNY 630,000,000	108,675
POSCO-Vietnam Co., Ltd.	The Export-Import Bank and others	USD 230,000,000	261,947
		JPY 4,806,750,000	67,154
POSCO Maharashtra Steel Private Limited.	The Export-Import Bank	USD 69,000,000	78,584
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Bank of China and others	USD 11,760,000	13,394
		CNY 48,744,470	8,408
United Spiral Pipe, LLC	Comerica Bank	USD 25,000,000	28,473
Taegisan Wind Power Corporation	Korea Development Bank	KRW 7,500	7,500
International Business Center Corporation	The Export-Import Bank	USD 20,000,000	22,778
POSCO E&C Vietnam Co., Ltd. (formerly, POSLILAMA E&C Co., Ltd.)	The Export-Import Bank and others	USD 75,500,000	85,987
POSCO E&C Songdo International Building	Hana Bank and others	KRW 360,000	360,000
Chungju Enterprise City Development Co., Ltd.	NH Bank	KRW 28,226	28,226
Daewoo Engineering Company	-	USD 445,400,000	507,266
POSCO Canada Ltd.	Hana Bank	USD 12,484,500	14,219

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Entity Being Guaranteed	Financial Institution	Amount		Won Equivalent
POSCO MPC S.A. de C.V.	BOTM	USD	70,600,000	80,406
POSCO-Malaysia SDN BHD	HSBC and others	MYR	115,011,101	42,479
POSCO-Mexico Co., Ltd.	HSBC	USD	170,000,000	193,613
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	HSBC	EUR	10,600,000	16,044
Qingdao Pohang Stainless Steel Co., Ltd.	Standard Chartered	USD	42,000,000	47,834
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Bank of China and others	CNY	630,000,000	108,675
POSCO-JKPC Co., Ltd.	Mizuho Bank and others	JPY	2,297,600,000	32,099
POSCO-JNPC Co., Ltd.	Mizuho Bank and others	JPY	3,390,000,000	47,361
POSCO-JOPC Co., Ltd.	Mizuho Bank and others	JPY	2,922,500,000	40,830
POSCO-JYPC Co., Ltd.	Mizuho Bank and others	JPY	2,907,150,190	40,615
DaiMyung TMS Co., Ltd.	Woori Bank and others	KRW	27,500	27,500
DMSA, AMSA	The Export-Import Bank and others	USD	121,340,000	138,194
POSCO-Indonesia Jakarta Processing Center, PT	POSCO Investment	USD	1,000,000	1,139
Daewoo International (America) Corp.	Korea Exchange Bank New York and others	USD	5,105,000	5,814
Daewoo International Deutschland GmbH	SHB	EUR	890,300	1,348
Daewoo International Japan Corp.	SBJ and others	JPY	2,450,000,000	34,228
Daewoo International Singapore Pte Ltd.	SCB and others	USD	14,495,000	16,508
Daewoo Cement (Shandong) Co., Ltd.	Credit Agricole	EUR	27,989,750	42,365
	The Export-Import Bank	USD	34,804,477	39,639
	China Construction Bank and others	CNY	80,000,000	13,801
Daewoo Textile Bukhara LLC	The Export-Import Bank	USD	33,250,000	37,868
Daewoo Paper Manufacturing Co., Ltd.	Hana Bank (China)	USD	2,800,000	3,189
POSCO SeAH Steel Wire (Nantong) Co., Ltd.	POSCO Investment Co., Ltd.	USD	1,875,000	2,135
Shanghai Lansheng Daewoo Corporation	Bank of Communications	USD	12,500,000	14,236
Daewoo Textile Bukhara LLC	NBU	UZS	6,519,620	5
				<u>₩ 3,588,411</u>

As of December 31, 2009, contingent liabilities on outstanding guarantees provided for the repayment of loans of affiliated companies amounted to ₩2,103,286 million.

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(b) As of December 31, 2010, contingent liabilities on outstanding guarantees provided to non-affiliated companies for the repayment of loans are as follows:

(In millions of won)

Grantors	Entity Being Guaranteed	Financial Institution		Amount Guaranteed	Won Equivalent
POSCO	Zeus (Cayman) Ltd.	Related creditors	JPY	52,795,000,000	₩ 737,588
POSCO E&C Co., Ltd.	The first district of Minrak, Busan	Kookmin Bank	KRW	34,781	34,781
	Association of the 4th district of Yongsan	NH Bank	KRW	3,000	3,000
POSCO P&S Co., Ltd. (formerly, Posteel Co., Ltd.)	GIPI	Qatar National Bank and others	USD	12,000,000	13,667
	Asia Speciality Steel Co., Ltd.	Yamaguchi Bank and others	JPY	2,700,000,000	37,721
	Sebang Steel	The Bank of Fukuoka, Ltd.	JPY	245,000,000	3,423
POSCO Plant Engineering Co., Ltd.	Halla Precision Eng. Co., Ltd. and others	Shinhan Bank and others	KRW	112,970	112,970
POSCO ICT Co., Ltd.	Jeonnonng schoo keeper co. and others	Industrial Bank of Korea and others	KRW	1,338,175	1,338,175
POSCO M-TECH Co., Ltd. (formerly, Samjung Packing & Aluminum Co., Ltd.)	Pyungsan Si Co., Ltd.	Seoul Guarantee Insurance Company	KRW	748	748
PHP Co., Ltd.	Expo apartment	Kookmin Bank	KRW	387,849	387,849
Daewoo Engineering Company	Sen Structural Engineers Co., Ltd.	Youngdong Construction Co., Ltd. and others	KRW	117	117
	Hyundai ENG Co., Ltd.	Samsung C&T Corporation and others	KRW	63,636	63,636
	Samjin Solar Light Energy Co., Ltd. and others	Hana Bank	KRW	81,393	81,393
Daewoo International Corporation	Sherritt International Corporation	The Export-Import Bank of Korea	USD	5,995,539	6,828
	Ambatovy Project Investments Ltd.	The Export-Import Bank of Korea	USD	40,279,361	45,874
					<u>₩ 2,867,770</u>

As of December 31, 2009, the Company had outstanding payment guarantees for non-affiliated companies and others amounting to ₩984,063 million.

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

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- (c) As of December 31, 2010, the Company and certain subsidiaries acquired certain tools and equipment under operating lease agreements with Macquarie Capital Korea Co., Ltd. and others. The Company's lease expenses, with respect to the above lease agreements, amounted to ₩12,116 million for the year ended December 31, 2010. Future lease payments under the above lease agreements are as follows:

(In millions of won)

Period	Amount
2011	₩ 10,552
2012	6,919
2013	3,886
2014	317
2015	71
Thereafter	1
	₩ 21,746

- (d) As of December 31, 2010, the Company and certain subsidiaries are defendants in legal actions arising from the normal course of business. Details are as follows:

(In millions of won)

Company	Plaintiff	Amount	Description
POSCO	Retired Employees and others	8,035	12 lawsuits including claim for recapture of treasury stock by retirees
POSCO E&C Co., Ltd.	Korea Development Financing Corporation and others	73,205	47 lawsuits including claim for surety obligations of Korea Development Financing Corporation
POSCO P&S Co., Ltd. (formerly, Posteel Co., Ltd.)	Samjin Line Co., Ltd. and others	1,817	3 lawsuits including claims for damages related to import and export business
POSCO ICT Co., Ltd.	NRT Korea Co., Ltd.	1,324	6 lawsuits including litigation on subcontract service fees
POSCO Plant Engineering Co., Ltd.	Taeyang Precision Enterprise Co., Ltd. and others	488	2 lawsuits including litigation on construction project payments
Daewoo Engineering Company	Hanjin Heavy Industries & Construction Co., Ltd.	5,494	8 lawsuits including claims for damage of fishing business related to construction of YangYang International Airport
Sungjin Geotec Co., Ltd.	Vision Machinery Co., Ltd.	332	Lawsuit against claim for insurance payment
Daewoo International Corporation	Industrial Development Bank of India and others	1,274	12 lawsuits including claim for surety obligations
POSCO NST Co., Ltd.	Jungwoo Machinery Co., Ltd.	285	Lawsuit on the claim for payment of supplying facilities
POSEC Hawaii Inc.	Resident committee of membership resort	900	Lawsuit on the claim for compensation and defect-repair
POSCO E&C (Beijing) Co., Ltd.	Beijing Lantian Jianzhu Gongcheng Youxiangongsi and others	654	Lawsuit against proving the truth about the evidence of subcontractor payment

Although the outcome of these matters is uncertain, the impacts of these matters are not expected to be material on the Company.

## **POSCO and Subsidiaries**

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- (e) POSCO entered into long-term contracts to purchase iron ore, coal, nickel, chrome and stainless steel scrap. These contracts generally have terms of more than three years and provide for periodic price adjustments to the market price. As of December 31, 2010, 308 million tons of iron ore and 52 million tons of coal remained to be purchased under such long-term contracts.
- (f) On August 1, 2005, POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia regarding the commitment to purchase 550 thousand tons of LNG annually for 20 years. Purchase price is subject to change, following change of monthly standard oil price (JCC) and also price of ceiling is applicable.
- (g) POSCO entered into commitments of foreign currency long-term borrowings which are limited up to the amount of USD6.86 million and USD3.54 million. The borrowings are related to the exploration of gas hydrates in Aral Sea, Uzbekistan and the exploration of gas hydrates in Namangan-Chust, respectively. The repayment of borrowings depends on the success of the project. POSCO is not liable for the repayment of full or part of money borrowed if the project fails and also POSCO has agreed to pay a certain portion of its profits under certain conditions as defined by borrowing agreements.
- (i) As of December 31, 2010, commitments and other contingencies provided to non-affiliated companies are as follows:
  - 1) As of December 31, 2010, POSCO has bank overdraft agreements of up to ₩200,000 million with Woori Bank and six other banks. In addition, POSCO entered into a credit purchase loan agreement with Industrial Bank of Korea and 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. POSCO has an agreement with Woori Bank and others to open letters of credit, documents against acceptance and documents against payment amounting to USD1,000 million and to borrow USD1,300 million in foreign short-term borrowings. The accounts receivables in foreign currency sold to financial institutions and outstanding as of December 31, 2010, amount to USD194 million for which POSCO is contingently liable upon the issuers' default.
  - 2) POSCO E&C Co., Ltd. has provided the completion guarantees for Samsung Corporation and Namkwang Engineering & Construction Co., Ltd. amounting to ₩3,688,900 million while Samsung Corporation and SK Engineering & Construction Co., Ltd. provides the completion guarantees and payment guarantees on customers' borrowings on behalf of POSCO E&C Co., Ltd. amounting to ₩1,743,914 million as of December 31, 2010. Also, POSCO E&C Co., Ltd. has loan agreements of up to ₩260,000 million, USD308 million with Woori Bank and ₩53,000 million with Korea Exchange Bank.

**POSCO and Subsidiaries**  
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- 3) As of December 31, 2010, POSCO E&C Co., Ltd. has provided eleven blank promissory notes, eleven blank checks and six other notes, approximately amounting to ₩61,704 million, to Korea Housing Guarantee Co., Ltd. and other financial institutions as collateral for agreements and outstanding loans. In addition, POSCO E&C Co., Ltd. has entered into a contract to guarantee the borrowings of subcontractors amounting to ₩1,136,938 million with financial institutions and also has entered into contracts to guarantee borrowings related to redevelopment project costs, civil engineering and SOC projects amounting to ₩70,464 million. POSCO E&C Co., Ltd. has provided supplementary funding agreements to subcontractors to make stable progress in the operation and guaranteed the borrowings related to intermediate payment of buyers amounting to ₩36,856 million.
- 4) As of December 31, 2010, POSCO E&C Co., Ltd. has given the call option as a construction investor of the Cheongna International Business Town Co., Ltd. according to shareholders' agreement and the foreign investors and financial investors have the put option to be able to sell its equity to the construction investors under certain conditions. POSCO E&C treated this option contract as a financing arrangement with security collateral as construction investors have the risk and benefit of the equity held by Pangaea Bluehil B.V and Standard Chartered First Bank ("the financial investors"). Accordingly, POSCO E&C recorded ₩41,741 million of equity method investment and debt and ₩4,944 million of interest expense for the year ended December 31, 2010.
- 5) As of December 31, 2010, POSCO P&S Co., Ltd. (formerly, Posteel Co.,Ltd.) has entered into local and foreign credit agreements, of up to ₩635,210 million with Hana Bank and other banks of which ₩283,644 million remains unused.
- 6) As of December 31, 2010, Pohang Coated Steel Co., Ltd. has local credit loan agreements, credit purchase loan agreements and letters of credit in relation to trade of up to ₩102,900 million and USD50 million with Shinhan Bank and other banks of which ₩75,000 million and USD0.5 million remains unused.
- 7) As of December 31, 2010, POSCO ICT Co., Ltd. entered into payment guarantees of up to USD28 million with Korea Exchange Bank and USD30 million with NH Bank related with opening L/C. In addition, POSCO ICT Co., Ltd. has corporate card credit lines of up to ₩1,500 million with Korea Exchange Bank.
- 8) As of December 31, 2010, POSCO Specialty Steel Co., Ltd. has a loan agreement, secured by trade accounts receivable, of up to ₩230,000 million with Woori Bank and others. POSCO Specialty Steel Co., Ltd. has used ₩141,388 million of this loan agreement. In addition, POSCO Specialty Steel Co., Ltd. has agreements with Woori Bank and seven other banks for opening letters of credit of up to USD55 million, and for a loan of up to ₩165,000 million and POSCO Specialty Steel Co., Ltd. has used USD3.8 million.



## **POSCO and Subsidiaries**

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

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- 9) As of December 31, 2010, POSCO Power Corp. has a loan agreement up to ₩89,008 million and USD70 million with Kookmin Bank and three other banks and has used ₩39,397 million and USD21 million. In addition, a request for repayment of the convertible and redeemable preferred stock issued by POSCO Power Corp. is available from the next day after seven years of the issue date. When the request occurs, the principal amounting to ₩200,000 million and the compounded interest rate of 4.89 percent should be paid within 60 days after the request.

As of December 31, 2010, POSCO Power Corp. provides its whole capacity of Combined Thermal Power Cycle 1~4 to Korea Electric Power Corp. in accordance with a long-term contract. The price of electric power provided by POSCO Power Corp. is decided using the method of compensating fixed payments and expenses for the cost of production and the investment on electric power production equipment based on the contract. In addition, the Company has been provided with a payment guarantee of ₩40,673 million from Seoul Guarantee Insurance as electric power supply collateral to Korea Electric Power Corp.

- 10) As of December 31, 2010, POSCO TMC Co., Ltd. has credit purchase loan agreements of up to ₩65,000 million with Kookmin Bank and three other banks. In addition, POSCO TMC Co., Ltd. has loan agreements, secured by trade accounts receivable, of up to ₩6,100 million with Hana Bank and two other banks.
- 11) As of December 31, 2010, Daewoo Engineering Company has a loan agreement and credit purchase loan agreement of up to ₩40,000 million and ₩60,000 million with Citibank and others. In addition, Daewoo Engineering Company has a loan agreement of up to ₩600,000 million with Korea Exchange Bank in relation to foreign guarantees, forward exchange and opening letters of credit. Also, Daewoo Engineering Company has foreign guarantees provided of up to USD8.9 million with Woori Bank.
- 12) As of December 31, 2010, POSCO AST Co., Ltd. has outstanding balance of accounts receivables sold to financial institutions in the amount of USD951,478 and ₩2,229 million, for which POSCOAST Co., Ltd. is contingently liable upon the issuers' default. In addition, POSCOAST Co., Ltd. has a loan agreement and an agreement related to opening letters of credit of up to ₩141,000 million and USD10 million with Korea Exchange Bank and others.
- 13) As of December 31, 2010, Sungjin Geotec Co., Ltd. has a collateral agreement amounting to ₩53,822 million secured by the export objects and future trade accounts receivable with the Export-Import Bank of Korea within the amount of debt and payment guarantees. In addition, Sungjin Geotec Co., Ltd. gives its plate raw materials as additional collateral for this.

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

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As of December 31, 2010, Sungjin Geotec Co., Ltd. has loan agreements of up to ₩463,594 million, a guarantee agreement up to ₩393,181 million, a loan agreement, secured by trade accounts receivable, of up to ₩36,000 million and agreement to draw commercial papers up to ₩40,000 million with Shinhan Bank and others. In addition, Sungjin Geotec Co., Ltd. has derivative limit agreement up to ₩113,387 million with Shinhan Bank.

- 14) On July 22, 2000, Daewoo Corporation's stockholders approved the spin-off of its business activities by establishing two companies, Daewoo International Corporation and Daewoo Engineering & Construction Co., Ltd. (Daewoo E&C), with the former representing the international trading division and the latter representing the construction division.

Certain creditors approved the spin-off; some however disapproved. Creditors who approved the spin-off entered into a work-out agreement on March 15, 2000, transferring certain Daewoo Corporation's liabilities to Daewoo International Corporation and to Daewoo E&C, which resulted in Daewoo International Corporation becoming a primary debtor or guarantor for those carried-over liabilities. However, creditors who did not approve the spin-off filed lawsuits against Daewoo Corporation, which later consolidated into a class action lawsuit against Daewoo International Corporation to cancel the proposed spin-off.

With regard to the probable claims on the liabilities from both agreeing and disagreeing creditors, Daewoo International Corporation estimated ₩77,337 million as the amount of contingent liabilities on the basis of the proposed agreement and all other information. Daewoo International Corporation reflected this amount as a provision for contingencies in the non-consolidated financial statements.

Daewoo International Corporation has bank overdraft agreements of up to ₩10,100 million with Woori Bank and others, and there is no balance in the accounts as of December 31, 2010. Meanwhile, Daewoo International Corporation has an agreement with Woori Bank and others to open letters of credit etc. amounting to USD4,188 million as of December 31, 2010.

Daewoo International Corporation has pledged 51 blank promissory notes as collateral for contract performance guarantees to Korea National Oil Corporation ("KNOC") as of December 31, 2010.

- 15) As of December 31, 2010, POSCO America Corporation has loan agreements of up to USD140 million with Bank of America and others and has used USD111 million.
- 16) As of December 31, 2010, POSCO Asia Co., Ltd. has agreements with Bank of America, Citibank, HSBC and others for trade financing of up to USD410 million and has used USD 295 million.

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- 17) As of December 31, 2010, Zhangjiagang Pohang Stainless Steel Co., Ltd. has loan agreements of up to CNY7,446 million and USD335 million with Bank of China and others.
- 18) As of December 31, 2010, Qingdao Pohang Stainless Steel Co., Ltd. has loan agreements of up to CNY450 million and USD40 million with China Agriculture Bank and others, and has used USD19 million.
- 19) As of December 31, 2010, POSCO (Suzhou) Automotive Processing Center Co., Ltd. has loan agreements of up to USD91.7 million with Industrial and Commercial Bank of China and others and has used USD57 million.
- 20) As of December 31, 2010, POSCO-Japan Co., Ltd. has bank overdraft agreements for working capital of up to JPY65,800 million with MIZUHO bank and others and has used JPY44,375 million.
- 21) As of December 31, 2010, POSCO-Foshan Steel Processing Center Co., Ltd. has a loan agreement of up to USD170 million and has used USD32 million.
- 22) As of December 31, 2010, VSC POSCO Steel Corporation has a loan agreement of up to USD77 million with Standard Chartered and others and has used USD15 million.
- 23) As of December 31, 2010, POSCO-CTPC Co., Ltd. has a loan agreement of up to CNY130 million and USD12 million with HSBC and others and has used CNY65 million and USD7 million.
- 24) As of December 31, 2010, POSCO (Guangdong) Coated Steel Co., Ltd. has a loan agreement of up to USD137 million with HSBC and five other banks and has used USD50 million.

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**18. Capital Stock**

Under the Articles of Incorporation, the Company is authorized to issue 200 million shares of capital stock with a par value of ₩5,000 per share. As of December 31, 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, ending balance of capital stock amounted to ₩482,403 million; however, it is different from par value which amounted to ₩435,934 million due to retirement of treasury stock.

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

**19. Capital Surplus**

Capital surplus as of December 31, 2010 and 2009 are as follows:

<i>(In millions of won)</i>	<b>2010</b>	<b>2009</b>
Additional paid-in capital	₩ 463,825	463,825
Revaluation surplus	3,224,770	3,224,770
Others	722,423	757,437
	<u>₩ 4,411,018</u>	<u>4,446,032</u>

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**20. 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 under Korean Tax Law		1,128,333	720,000
Voluntary reserve		24,953,394	22,768,724
		27,241,229	24,648,226
Unappropriated		4,154,241	3,287,500
	₩	31,395,470	27,935,726

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% 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 shares.

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**21. Dividends**

- (a) Details of interim and year-end dividends for the years ended December 31, 2010, and 2009 are as follows:

**Interim cash dividends**

*(In millions of won, except for share data)*

	<b>2010</b>	<b>2009</b>
Number of outstanding shares	77,032,878	76,569,916
Dividend ratio	50%	30%
Dividend amount	₩ 192,582	114,855

**Year-end cash dividends**

*(In millions of won, except for share data)*

	<b>2010</b>	<b>2009</b>
Number of outstanding shares	77,032,878	77,032,878
Dividend ratio	150%	130%
Dividend amount	₩ 577,747	500,714

- (b) Details of the dividend payout ratios and dividend yield ratios for the years ended December 31, 2010 and 2009 are as follows:

	<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	18.42%	2.05%	19.13%	1.29%

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**22. Capital Adjustments**

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

<i>(In millions of won)</i>	<b>2010</b>	<b>2009</b>
Treasury stock	₩ (2,403,263)	(2,403,263)
Others	561	(7,405)
	<u>₩ (2,402,702)</u>	<u>(2,410,668)</u>

(b) Treasury stocks which are maintained for stabilization of stock price in accordance with the decision made by the Board of Directors as of December 31, 2010 and 2009 are as follows:

<i>(In millions of won, except for share data)</i>	<b>2010</b>		<b>2009</b>
	<b>Number of shares</b>	<b>Book value</b>	<b>Book value</b>
Treasury stock	7,792,072	₩ 1,662,068	1,662,068
Specified money in trust	2,361,885	741,195	741,195
	<u>10,153,957</u>	<u>₩ 2,403,263</u>	<u>2,403,263</u>

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

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**23. Stock Appreciation Rights**

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

	1 <sup>st</sup> Grant	2 <sup>nd</sup> Grant	3 <sup>rd</sup> Grant	4 <sup>th</sup> Grant	5 <sup>th</sup> Grant	6 <sup>th</sup> Grant	Total
<b>Before the modifications (*)</b>							
Number of shares	498,000	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	September 18, 2002	April 26, 2003	July 23, 2004	April 28, 2005	
Exercise price (per share)	₩ 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>	1 <sup>st</sup> Grant	2 <sup>nd</sup> Grant	3 <sup>rd</sup> Grant	4 <sup>th</sup> Grant	5 <sup>th</sup> Grant	6 <sup>th</sup> Grant	Total
Prior periods	₩ 59,945	₩ 10,780	₩ 6,071	₩ 31,896	₩ 81,239	₩ 31,694	₩ 221,625
Current period	-	-	-	(32)	(7,533)	(2,871)	(10,436)
	₩ 59,945	₩ 10,780	₩ 6,071	₩ 31,864	₩ 73,706	₩ 28,823	₩ 211,189

- (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 and Subsidiaries

## Notes to Consolidated Financial Statements

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#### 24. Derivative Financial Instruments

The Company has entered into cross currency swap agreements to reduce interest rates and currency risks and currency forward contracts with financial institutions to hedge the fluctuation risk of future cash flows. The gains and losses on currency swap and currency forward contracts for the years ended December 31, 2010 and 2009 and related contracts outstanding as of December 31, 2010 and 2009 are as follows:

(In millions of won) Company	Type of Transaction	Purpose of Transaction	Financial Institutions	Valuation Gain/Loss		Transaction Gain/Loss	
				Income Statement		Income Statement	
				2010	2009	2010	2009
POSCO	Currency forward	Trading	Woori Bank and others	₩ -	₩ -	₩ 26,737	₩ 14,177
	Embedded derivative (*)	Exchangeable Bonds	Related creditors	1,248	7,065	-	-
POSCO E&C Co., Ltd.	Currency forward	Fair value hedge	HSBC and others	13,057	10,659	10,515	12,527
	Interest Swap	Cash flow hedge	Calyon Bank and others	(1,509)	(28,045)	(6,736)	(4,322)
	Valuation of Fixed contract	Fair market value hedge	-	(16,385)	(34,328)	-	-
POSCO P&S Co., Ltd. (formerly, Posteel Co., Ltd.)	Currency forward	Trading	SC Korea First Bank	70	23	(352)	(41)
POSCO Coated & Color Steel Co., Ltd.	Currency Option	Trading	SC Korea First Bank and others	-	5,145	3,561	(6,935)
	Non-derivatives	Cash flow hedge	Citi Bank	-	-	-	2,150
POSCO Plant Engineering Co., Ltd.	Currency forward	Trading	Korea Exchange Bank and others	-	-	-	(1,270)
POSCO A&C Co., Ltd.	Currency forward	Trading	Korea Exchange Bank	(62)	-	(13)	-
Posco Specialty Steel Co., Ltd.	Currency forward	Trading	SC Korea First Bank	-	6	90	211
POSCO M-TECH Co., Ltd. (formerly, Samjung Packing & Aluminum Co., Ltd.)	Currency future	Trading	Woori Bank and others	-	-	-	969
POSCO Power Corp.	Currency forward	Trading	Nong Hyup Bank and others	-	5,251	(509)	-
	Currency Swap	Cash flow hedge	Calyon Bank and others	10,735	(18,670)	-	-
	Currency Swap	Trading	Mizuho Corporate Bank and others	(10,215)	-	3,528	-
POSCO TMC Co., Ltd.	Currency forward	Trading	Nong Hyup Bank and others	-	-	(32)	-
Daewoo engineering Company	Currency forward	Trading	Citibank	2,475	354	512	(7,284)
POSCO AST Co., Ltd.	Currency forward	Trading	Hana Bank	(31)	-	62	-
DaiMyung TMS Co., Ltd.	Currency forward	Trading	Woori Bank	(8)	-	(31)	-
Sungjin Geotec Co., Ltd.	Interest Swap	Trading	Shinhan Bank	(154)	-	-	-
	Currency option	Fair market value	Woori Bank	-	-	9,810	-
Daewoo International Corporation	Currency forward	Fair market value hedge	Korea Development Bank and others	8,733	-	1,639	-
	Commodity Future	Fair market value	TOYOTA and others	(31,945)	-	(33,493)	-
POSCO Australia Pty. Ltd.	Derivatives	Trading	MML	-	9,295	-	-
				₩ (23,991)	₩ (43,245)	₩ 15,288	₩ 10,182

(\*) POSCO applied derivative accounting on exchangeable right to investors related to exchangeable bond issued on August 19, 2008 as the exchangeable right meets certain criteria of embedded derivatives. Fair values of exchangeable right are ₩ 885 million (JPY63,354,000) and ₩2,133 million (JPY168,994,000) as of December 31, 2010 and 2009, respectively. This exchangeable right is included in other long-term liabilities (note 14).

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

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**25. Selling and Administrative Expenses**

Selling and administrative expenses for the years ended December 31, 2010 and 2009 are as follows:

<i>(In millions of won)</i>	<b>2010</b>	<b>2009</b>
Transportation and storage	₩ 1,251,325	648,345
Salaries	532,712	280,529
Welfare	139,954	142,429
Depreciation and amortization	230,699	123,525
Fees and charges	266,787	158,158
Advertising	108,532	94,696
Research and development expense	141,787	84,382
Severance benefits	78,244	27,482
Sales commissions	149,074	80,159
Travel	53,246	24,827
Rent	62,887	30,929
Repairs	6,880	20,439
Training	33,759	18,104
Office supplies	14,100	8,378
Provision for doubtful accounts	64,326	42,020
Meetings	17,536	11,012
Taxes and public dues	43,530	24,500
Vehicle expenses	11,434	5,627
Membership fees	10,642	8,417
Sales promotions	19,489	8,186
Entertainment	20,422	11,393
Others	81,511	95,877
	<u>₩ 3,338,876</u>	<u>1,949,414</u>

**POSCO and Subsidiaries**  
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**26. 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 (*)	₩ 1,139,085	576,303
Deferred income taxes	313,835	475,187
Carry-forward income tax	35,291	(309,942)
Items charged directly to shareholders' equity	(306,123)	(229,701)
Tax effect due to consolidation entries	(69,192)	24,149
	<u>₩ 1,112,896</u>	<u>535,996</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	₩ 5,337,686	3,739,275
Income tax expense computed at statutory rate	1,291,720	904,905
Adjustments:		
Tax credit	(295,725)	(364,333)
Effect of changes in tax rate	(854)	(21,443)
Others, net	117,755	16,867
Income tax expense	<u>₩ 1,112,896</u>	<u>535,996</u>
Effective rate (%)	<u>20.8</u>	<u>14.3</u>

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

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

(In millions of won)	Temporary Differences			Deferred Income Tax		
	Dec. 31, 2009	Inc. (dec.)	Dec. 31, 2010	Dec. 31, 2009	Inc. (dec.)	Dec. 31, 2010
Deductible temporary differences:						
Reserve for special repairs	₩ (173,990)	₩ 48,447	₩ (125,543)	₩ (39,500)	₩ 11,724	₩ (27,776)
Allowance for doubtful accounts	168,340	26,635	194,975	39,525	6,897	46,422
Reserve for technology developments	(835,700)	(423,750)	(1,259,450)	(184,259)	(92,882)	(277,141)
Dividend income from related companies	491,042	257,133	748,175	108,029	56,296	164,325
Depreciation expense	(364,833)	178,455	(186,378)	(83,258)	38,410	(44,848)
Valuation of equity method investments	(1,806,491)	(1,348,306)	(3,154,797)	(307,388)	(164,863)	(472,251)
Prepaid expenses	73,996	8,601	82,597	17,882	1,966	19,848
Impairment loss on property, plant and equipment	120,867	77,138	198,005	11,309	14,877	26,186
Gain/loss on foreign currency translation	238,849	244,535	483,384	51,507	55,572	107,079
Provision for severance benefits	215,942	61,627	277,569	48,620	12,459	61,079
Group severance insurance deposits	(189,739)	(47,261)	(237,000)	(42,960)	(9,180)	(52,140)
Provision for construction losses	58,280	(2,785)	55,495	14,104	(690)	13,414
Provision for construction warranty	33,170	1,288	34,458	7,464	272	7,736
Appropriated retained earnings for technological development	(1,000)	1,000	-	(242)	242	-
Accrued income	(3,827)	(2,789)	(6,616)	(650)	(614)	(1,264)
Accrued on valuation of Inventories	34,512	30,399	64,911	8,199	7,408	15,607
Others	642,678	(84,298)	558,380	146,666	30,997	177,663
	₩ (1,297,904)	₩ (973,931)	₩ (2,271,835)	₩ (204,952)	₩ (31,109)	₩ (236,061)
Current and deferred income taxes recognized directly to equity:						
Capital adjustment arising from equity method investments	₩ (729,327)	₩ (729,007)	₩ (1,458,334)	₩ (160,513)	₩ (170,761)	₩ (331,274)
Gain on valuation of available-for-sale securities	(1,020,472)	(223,590)	(1,244,062)	(238,573)	(142,613)	(381,186)
Loss on valuation of available-for-sale securities	882,542	(237,930)	644,612	195,016	(51,153)	143,863
Others	-	(34,463)	(34,463)	-	(8,227)	(8,227)
	₩ (867,257)	₩ (1,224,990)	₩ (2,092,247)	₩ (204,070)	₩ (372,754)	₩ (576,824)
Deferred tax from tax credit and others:						
Tax credit				₩ 288,550	₩ (64,485)	₩ 224,065
Deficit carry-forwards				45,676	49,220	94,896
				₩ 334,226	₩ (15,265)	₩ 318,961
Tax effect on elimination of inter-company profit and others				241,640	(470,296)	(228,656)
				₩ 166,844	₩ (889,424)	₩ (722,580)
Tax effect from change of consolidation scope (*1)				-	609,490	-
				₩ 166,844	₩ (279,934)	₩ (722,580)

(\*1) Represents changes in deferred tax assets (liabilities) resulting from changes in consolidation scope which did not impact current income tax expenses.

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

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**27. Earnings per Share**

Basic and diluted earnings per share for the years ended December 31, 2010 and 2009 are as follows:

<i>(In millions of won except per share information)</i>	<b>2010</b>	<b>2009</b>
Net income attributable to controlling interest	₩ 4,181,285	3,218,425
Weighted-average number of common shares outstanding (*)	77,032,878	76,661,240
Basic and diluted earnings per share	₩ 54,279	41,982

(\*) Basic and diluted earnings per share is computed by dividing net income allocated to common stock, by the weighted-average number of common shares outstanding for the years ended December 31, 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	(10,153,957)	(10,525,595)
Weighted-average number of common shares outstanding	77,032,878	76,661,240

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**28. Comprehensive Income**

Comprehensive income for the years ended December 31, 2010 and 2009 are as follows:

<i>(In millions of won)</i>		<b>2010</b>	<b>2009</b>
Net income	₩	4,217,695	3,242,311
Other comprehensive income (loss)			
Gain on valuation of available-for-sale securities, net		741,983	776,060
Less: tax effect		(184,995)	(181,471)
Changes in capital adjustments of equity method investments		(183,116)	34,077
Less: tax effect		148,074	(22,983)
Foreign currency translation adjustments		144,037	(165,124)
Less: tax effect		(42,701)	21,961
Gain on valuation of derivative instruments		-	14,541
Less: tax effect		-	(3,199)
		<u>623,282</u>	<u>473,862</u>
Comprehensive income	₩	<u>4,840,977</u>	<u>3,716,173</u>
Controlling interest	₩	4,734,913	3,695,881
Non-controlling interest	₩	106,064	20,292

**POSCO and Subsidiaries**  
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**29. 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:

	2010		2009	
	Foreign Currency (*2)	Won Equivalent	Foreign Currency (*2)	Won Equivalent
<i>(In millions of won, other currencies in thousands)</i>				
<b>Assets</b>				
Cash, cash equivalents and financial instruments	USD	346,430	USD	362,217
	JPY	348,701	JPY	502
	EUR	4,011	EUR	882
	Foreign subsidiaries	1,033,538	Foreign subsidiaries	723,876
Trade accounts and notes receivable	USD	1,440,400	USD	448,193
	JPY	6,449,198	JPY	5,552,183
	EUR	162,932	EUR	38,941
	Foreign subsidiaries	2,240,818	Foreign subsidiaries	1,075,209
Other accounts and notes receivable	USD	99,587	USD	14,023
	JPY	11,144	JPY	8,879
	EUR	279		-
	Foreign subsidiaries	101,415	Foreign subsidiaries	82,694
Short-term and long-term loans receivable	USD	89,428	USD	849
	Foreign subsidiaries	736,056	Foreign subsidiaries	481,875
Long-term trade accounts and notes receivable	USD	8,932		-
	Foreign subsidiaries	1,849	Foreign subsidiaries	71
Investment securities (*1)	Foreign subsidiaries	678,525	Foreign subsidiaries	405,168
Guarantee deposits	USD	1,818	USD	361
	EUR	135	EUR	135
	Foreign subsidiaries	8,509	Foreign subsidiaries	6,526
		<u>₩ 8,078,501</u>		<u>₩ 4,341,730</u>

(\*1) Presented at face value.

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



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	2010				2009			
				Won				Won
(In millions of won, other currencies in thousands)	Foreign Currency (*2)			Equivalent	Foreign Currency (*2)			Equivalent
Liabilities								
Trade accounts and notes payable	USD	1,272,190	₩	1,448,898	USD	357,303	₩	417,187
	JPY	3,669,833		51,271	JPY	1,972,372		24,908
	EUR	83,306		126,092	EUR	40,581		67,944
	Foreign subsidiaries	1,945,915		2,216,202	Foreign subsidiaries	883,962		1,032,114
Other accounts and notes payable	USD	103,901		118,333	USD	45,841		53,524
	JPY	703,572		9,829	JPY	420,914		5,315
	EUR	19,585		29,644	EUR	3,396		5,686
	Foreign subsidiaries	79,576		90,630	Foreign subsidiaries	44,249		51,666
Accrued expenses	USD	10,934		12,452	USD	1,479		1,727
	JPY	198,028		2,767	JPY	137,450		1,736
	EUR	4,460		6,750	EUR	-		-
	Foreign subsidiaries	156,473		178,208	Foreign subsidiaries	29,795		34,789
Short-term borrowings	USD	1,311,607		1,493,789	USD	435,784		508,821
	JPY	646,092		9,026	JPY	-		-
	EUR	60,053		90,896	EUR	-		-
	Foreign subsidiaries	3,091,405		3,520,801	Foreign subsidiaries	1,984,096		2,316,630
Withholdings	USD	9,067		10,327	USD	39,148		45,709
	JPY	-		-	JPY	372,553		4,705
	EUR	23		34	EUR	11,827		19,802
	Foreign subsidiaries	9,101		10,365	Foreign subsidiaries	1,614		1,885
Debentures (*1)	USD	2,457,405		2,798,739	USD	1,340,000		1,564,584
	JPY	181,794,972		2,539,821	JPY	182,592,205		2,305,811
	Foreign subsidiaries	-		-	Foreign subsidiaries	-		-
Loans from foreign financial institutions	USD	568,257		647,188	USD	64,550		75,369
	JPY	16,997,747		237,472	JPY	285,686		3,608
	EUR	85,553		129,493	EUR	-		-
	Foreign subsidiaries	1,412,963		1,609,224	Foreign subsidiaries	1,103,630		1,288,598
Foreign currency loans	EUR	3,328		5,037	EUR	3,964		6,637
			₩	17,393,288			₩	9,838,755

(\*1) Presented at face value.

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

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

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### 30. Related Party Transactions

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

#### Domestic (37)

POSCO E&C Co., Ltd., POSCO P&S Co., Ltd. (formerly, Posteel Co., Ltd.), POSCO Coated & Color Steel Co., Ltd., POSCO Plant Engineering Co., Ltd., POSCO ICT Co., Ltd., POSCO Research Institute, Seung Kwang Co., Ltd., POSCO A&C Co., Ltd., POSCO Specialty Steel Co., Ltd., POSTECH Venture Capital Corp, eNtoB Corporation, POSCO Chemtech Company Ltd., POSCO Terminal Co., Ltd., Metapolis Co., Ltd., POSMATE Co., Ltd., POSCO M-TECH Co., Ltd. (formerly, Samjung Packing & Aluminum Co., Ltd.), POSCO Power Corp., POSTECH 2006 Energy Fund, PHP Co., Ltd., POSCO TMC Co., Ltd., PNR Co., Ltd., Megaasset Co., Ltd., Daewoo engineering Company, POSCO FeulCell Co., Ltd., POSCO AST 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., POHANG SRDC CO., Ltd.,

#### Overseas (76)

POSCO America Corporation, POSCO Australia Pty. Ltd., POSCO Canada Ltd., POSCAN Elkveiw 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., POSCO Bio Ventures L.P., POSEC-Hawaii Inc., POS-Qingdao Coil Center Co., Ltd., POS-Ore Pty. Ltd., POSCO China Holding Corporation, POSCO Japan Co., Ltd., POS-CD Pty. Ltd., POS-GC Pty. Ltd.,

POSCO India Private Ltd., POS-India Pune Steel Processing Centre Pvt. Ltd., POSCO-JNPC Co., Ltd., POSCO-Foshan Steel Processing Center Co., Ltd. (POSCO-CFPC), POSCO E&C (Beijing) Co., Ltd., POSCO-MPC S.A. de C.V, Zhangjiagang Pohang Port Co., Ltd., Qingdao Pos-metal Co., Ltd., POSCO Vietnam Co., Ltd., POSCO-Mexico Co., Ltd., POSCO-India Delhi Steel Processing Centre Pvt. Ltd, POSCO-Poland Wroclaw Steel Processing Center Co., Ltd, POS-NP Pty. Ltd., POSCO-Vietnam Processing Center Co., Ltd., POSCO (Chongqing) Automotive Processing Center Co, Ltd., Suzhou POS-CORE Technology Co., Ltd., POSCO-JYPC Co.,Ltd., POSCO-Malaysia SDN BHD, POS-Minerals Corp., POSCO (Wuhu) Automotive Processing Center Co., Ltd., POSCO-Phillippine Manila Processing Center Inc., POSCO-MESDC Co., Ltd., POSCO-VST Co., Ltd., POSCO Maharashtra Steel Private Limited, POSCO India Chennai Steel Processing Centre Pvt. Ltd., POSCO Turkey Nilufer Processing Center Co., Ltd.,

POSCO Vietnam Ha Noi Processing Center Co, Ltd., POSCO (Liaoning) Automotive Processing Center Ltd., POSCO-Indonesia Jakarta Processing Center, PT, POSCO China Dalian Plate Processing Center 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 Holdings Pty. Ltd., Daewoo Paper Manufacturing Co., Ltd., POSCO Mauritius Ltd., POSCO (Zhangjiagang) Stainless Steel Processing Center Co., Ltd., Daewoo International Mexico, S.A. de C.V., Xenesys Inc.

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

(b) Significant transactions, which occurred in the ordinary course of business, with consolidated subsidiaries 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	4,605	₩ 2,245,401	2,546,163	₩ 133,793	142,813	₩ 230,830	536,857
POSCO P&S Co., Ltd. (formerly, Posteel Co., Ltd.)	1,082,903	1,167,877	456,045	158,260	129,028	114,697	5,439	3,494
POSCO Coated Steel Co., Ltd.	685,698	494,938	2,778	1,490	104,663	109,616	337	199
POSCO Plant Engineering Co., Ltd.	3,479	10,352	239,694	280,573	28,262	4,683	60,052	59,984
POSCO ICT Co., Ltd.	1,212	1,121	491,631	468,534	21,031	40,458	94,145	111,186
POSCO America Corporation	233,594	169,274	-	-	12,027	6,163	-	-
POSCO Canada Ltd.	-	-	170,379	84,192	-	-	-	-
POSCO Asia Co., Ltd.	1,377,802	1,093,589	148,050	76,004	120,658	40,548	3,767	1,170
POSCO-JKPC Co., Ltd.	65,938	30,088	194	-	1,496	33	-	-
POSCO (Thailand) Co., Ltd.	123,913	70,129	88	5	26,163	19,835	-	-
eNtoB Corporation	2	-	87,046	225,439	-	-	2,000	6,561
POSCO Chemtech Company Ltd.	142,677	87,121	571,755	475,269	33,832	6,879	63,090	68,529
POSCO-MKPC SDN BHD	64,136	54,766	-	-	-	437	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	78,064	185,002	-	-	13,836	24,205	-	-
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	113,416	113,392	-	-	-	-	-	-
POSCO Japan Co., Ltd.	1,161,919	690,289	267,058	84,112	23,921	25,637	8,112	8,949
POSCO M-TECH Co., Ltd. (formerly, Samjung Packing & Aluminum Co., Ltd.)	29,083	18,945	255,514	203,179	3,260	1,472	31,685	24,942
POS-India Pune Steel Processing Centre Pvt. Ltd.	164,628	110,901	-	-	10,412	12,356	-	-
POSCO-Foshan Steel Processing Center Co., Ltd.	71,640	58,413	-	-	-	-	-	-
POSCO-MPC S.A. de C.V.	125,768	98,476	151	-	-	-	-	-
POSCO Vietnam Co., Ltd.	188,595	117,296	-	-	665	95,518	-	-
POSCO-Mexico Co., Ltd.	273,241	125,057	7	-	80,309	16,247	-	-
POSCO-India Delhi Steel Processing Centre Pvt. Ltd.	90,871	76,997	76	511	-	13	-	-
POSCO TMC Co., Ltd.	151,323	130,964	86	39	11,823	11,678	12	24
POSCO-JYPC Co., Ltd.	67,213	-	-	-	-	-	-	-
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	101,710	83,526	-	-	-	-	-	-
POSCO AST Co., Ltd.	267,323	83,245	54,969	20,938	19,031	17,492	8,255	7,572
Daewoo International Corporation	867,916	-	2,710	-	138,975	-	-	-
Others	380,549	226,793	214,361	122,585	35,740	26,867	37,707	19,237
	₩ 7,922,054	5,303,156	₩ 5,207,993	4,747,293	₩ 948,925	717,647	₩ 545,431	848,704

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

- (c) Significant transactions, which occurred in the ordinary course of business, with equity-method investees 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>Equity method investees</b>								
USS-POSCO Industries (UPI)	308,998	241,921	185	58	58,347	39,052	-	-
Poschrome (Proprietary) Ltd.	-	-	82,170	53,711	-	176	-	-
SNNC Co., Ltd.	1,763	1,437	519,871	368,742	182	1,974	57,512	26,963
Others	11,890	5,973	159	3,018	-	-	33,962	34,040
	<u>₩ 322,651</u>	<u>249,331</u>	<u>₩ 602,385</u>	<u>425,529</u>	<u>₩ 58,529</u>	<u>41,202</u>	<u>₩ 91,474</u>	<u>61,003</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.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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(d) Eliminations of inter-company revenues and expenses for the year ended December 31, 2010 and receivables and payables as of December 31, 2010 are as follows:

<i>(In millions of won)</i>	<b>Sales and Others (*1)</b>		<b>Purchase and Others (*1)</b>		<b>Payables (*2)</b>		<b>Receivables (*2)</b>	
<b>Subsidiaries</b>								
POSCO	₩	7,922,054	₩	5,207,993	₩	948,925	₩	545,431
POSCO E&C Co., Ltd.		3,096,242		355,502		339,041		234,633
POSCO P&S Co., Ltd. (formerly, Posteel Co., Ltd.)		800,535		1,464,917		94,063		143,683
POSCO Coated Steel Co., Ltd.		148,207		756,164		17,117		121,002
POSCO Plant Engineering Co., Ltd.		317,579		17,927		84,037		55,505
POSCO ICT Co., Ltd.		592,701		12,120		118,382		44,369
POSCO Specialty Steel Co., Ltd.		120,934		85,003		27,844		14,863
eNtoB Corporation		124,655		276		21,411		-
POSCO Chemtech Company Ltd.		622,916		152,698		76,991		44,572
Metapolis Co., Ltd.		-		123,283		-		25,041
POSCO M-TECH Co., Ltd. (formerly, Samjung Packing & Aluminum Co., Ltd.)		273,441		33,225		35,920		3,595
POSCO Power Corp.		1,259		598,825		5,051		10,504
POSCO TMC Co., Ltd.		10,183		153,391		955		11,823
Daewoo engineering Company		131,472		31,173		40,363		12,629
POSCO AST Co., Ltd.		71,937		278,987		29,759		20,639
Daewoo International Corporation		2,864,387		1,539,569		793,029		183,752
POSCO America Corporation		45,844		280,798		3,068		12,428
POSCO Australia Pty. Ltd.		4,191		22,901		62,255		104,150
POSCO Canada Ltd.		170,379		-		-		-
POSCO Asia Co., Ltd.		1,445,804		1,584,930		353,369		134,578
POSCO-CTPC Co., Ltd.		38		123,139		-		31,054
Zhangjiagang Pohang Stainless Steel Co., Ltd.		670,765		86,469		89,571		17,880
Guangdong Pohang Coated Steel Co., Ltd.		16,763		194,259		917		39,229
POSCO (Thailand) Co., Ltd.		88		181,097		-		60,178
POSCO Investment Co., Ltd.		3,698		-		453,360		-
POSCO-MKPC SDN BHD		-		104,634		-		3,789
Qingdao Pohang Stainless Steel Co., Ltd.		251,177		488,661		23,041		68,848
POSCO (Suzhou) Automotive Processing Center Co., Ltd.		72		307,399		15		66,781
POS-Qingdao Coil Center Co., Ltd.		49		146,527		106		27,315

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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<i>(In millions of won)</i>	<b>Sales and Others (*1)</b>	<b>Purchase and Others (*1)</b>	<b>Payables (*2)</b>	<b>Receivables (*2)</b>
POSCO Japan Co., Ltd.	501,416	1,216,883	103,659	27,703
POS-India Pune Steel Processing Centre Pvt. Ltd.	468	184,760	747	24,860
POSCO-JNPC Co., Ltd.	18,875	198,205	1,883	73,772
POSCO-Foshan Steel Processing Center Co., Ltd.. (POSCO-CFPC)	1,222	504,221	-	82,002
POSCO-MPC S.A. de C.V.	511	211,443	67	22,301
POSCO Vietnam Co., Ltd.	274,671	752,472	11,684	243,374
POSCO-Mexico Co., Ltd.	78,491	292,878	10,776	142,839
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	556	107,571	22	7,341
Daewoo International (America) Corp.	47,288	627,635	9,587	219,195
Daewoo International Deutschland GmbH	50,427	437,571	614	92,249
Daewoo International Japan Corp.	112,108	551,745	3,326	97,273
Daewoo International Singapore Pte Ltd.	238,094	742,779	3,733	63,628
Daewoo Italia S.r.l.	815	212,617	1,475	16,686
Others	651,438	1,311,103	191,542	806,211
	<u>₩ 21,683,750</u>	<u>₩ 21,683,750</u>	<u>₩ 3,957,705</u>	<u>₩ 3,957,705</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.

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

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(e) For the years ended December 31, 2010 and 2009, details of compensation to key management officers excluding stock appreciation rights are as follows:

<i>(In millions of won)</i>		<b>2010</b>	<b>2009</b>
Salaries	₩	52,494	43,608
Severance benefits		17,159	15,216
Management achievement awards and others		43,011	34,455
Total	₩	112,664	93,279

Key management officers include directors (including non-standing directors), executive officials and fellow officials who have significant influence and responsibilities in the Company's business and operations. The Company recognized expense related to stock appreciation rights which were decreased by ₩10,436 million, and increased by ₩36,100 million for the year ended December 31, 2010 and 2009, respectively.

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

**31. Segment and Regional Information**

(a) The following table provides information on the significant financial status of each operating segment of the consolidated subsidiaries as of and for the year ended December 31, 2010:

<i>(In millions of won)</i>		<b>Steel</b>	<b>Engineering and Construction</b>	<b>Trading</b>	<b>Others</b>	<b>Consolidation Adjustment</b>	<b>Consolidated</b>
Sales							
Total sales	₩	43,805,940	7,580,791	25,038,557	5,868,985	(21,656,413)	₩ 60,637,860
Inter-company sales		(9,725,797)	(3,364,293)	(6,158,977)	(2,407,346)	21,656,413	-
Net sales	₩	34,080,143	4,216,498	18,879,580	3,461,639	-	₩ 60,637,860
Operating income	₩	5,300,081	319,052	234,788	396,595	(512,207)	₩ 5,738,309
Inventories	₩	7,770,426	634,456	1,122,533	348,675	(72,637)	₩ 9,803,453
Investments (non-current)		16,500,546	995,211	3,013,674	1,841,940	(11,581,930)	10,769,441
Property, plant and equipment		22,142,843	1,126,165	463,013	3,512,104	(1,544,976)	25,699,149
Intangible assets		296,152	12,294	48,803	202,455	2,601,748	3,161,452
Total Assets	₩	56,903,869	7,045,398	8,028,890	9,260,698	(13,292,922)	₩ 67,945,933
Depreciation and amortization (*)	₩	2,641,203	47,430	10,789	212,498	39,748	₩ 2,951,668

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

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

(\*) Includes depreciation expense of idle property.



# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2010 and 2009

(b) The following table provides information on the significant financial status of each operating segment by region of the consolidated subsidiaries as of and for the years ended December 31, 2010 and 2009:

		2010								
		Korea		Asia/Pacific Excluding Japan & China		North America	Others	Consolidation Adjustments	Consolidated	
(In millions of won)		Domestic	Export	Japan	China					
Statement of income										
Sales	₩	46,698,403	18,805,598	2,521,240	7,712,264	2,256,986	964,582	3,335,200	(21,656,413) ₩	60,637,860
Less: Inter-segment		(9,445,761)	(7,855,619)	(654,170)	(2,554,387)	(464,844)	(92,627)	(589,005)	21,656,413	-
Net sales	₩	37,252,641	10,949,979	1,867,070	5,157,877	1,792,141	871,956	2,746,196	-	₩ 60,637,860
Operating income	₩		5,922,379	24,850	100,324	49,402	7,699	145,862	(512,207)	₩ 5,738,309
Statement of financial position										
Investments (non-current)	₩		20,252,685	46,667	327,374	1,794	242,135	1,480,716	(11,581,930) ₩	10,769,441
Property, plant and equipment			23,889,411	290,910	1,569,282	788,294	1,247	704,981	(1,544,976)	25,699,149
Intangible assets			333,373	890	113,014	26,144	-	86,283	2,601,748	3,161,452
Total Assets	₩		68,494,711	1,338,409	4,980,467	1,884,565	619,449	3,921,254	(13,292,922) ₩	67,945,933
		2009								
		Korea		Asia/Pacific Excluding Japan & China		North America	Others	Consolidation Adjustments	Consolidated	
(In millions of won)		Domestic	Export	Japan	China					
Statement of income										
Sales	₩	27,542,842	13,976,977	1,147,966	5,324,202	821,000	268,975	721,956	(12,948,917) ₩	36,855,001
Less: Inter-segment		(7,737,086)	(3,570,565)	(248,479)	(1,214,694)	(64,311)	(21,358)	(92,424)	12,948,917	-
Net sales	₩	19,805,756	10,406,412	899,487	4,109,508	756,689	247,617	629,532	-	₩ 36,855,001
Operating income	₩		3,722,730	2,601	54,830	5,500	634	77,291	4,576	₩ 3,868,162
Statement of financial position										
Investments (non-current)	₩		11,795,877	37,948	402,305	1,925	244,267	561,472	(6,572,795) ₩	6,470,999
Property, plant and equipment			20,609,974	266,523	1,126,206	650,473	2,787	489,826	(1,306,004)	21,839,785
Intangible assets			204,007	711	42,959	3,326	3,245	68,175	307,546	629,969
Total Assets	₩		51,821,244	932,996	3,308,712	1,257,710	404,160	1,953,736	(9,366,810) ₩	50,311,748

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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(c) Condensed consolidated statements of financial position as of December 31, 2010 and 2009 categorized by type of business are as follows:

<i>(In millions of won)</i>	<b>Non-financial Institution</b>		<b>Financial Institution</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>				
Current assets	₩ 26,820,378	20,233,636	₩ 286,745	400,514
Non-current assets	40,783,859	29,535,124	54,951	142,474
Investment assets	10,718,547	6,332,198	50,894	138,801
Property, plant and equipment	25,699,045	21,839,775	104	10
Intangible assets	3,161,418	629,918	34	51
Other non-current assets	1,204,850	733,233	3,919	3,612
Total assets	<u>67,604,237</u>	<u>49,768,760</u>	<u>341,696</u>	<u>542,988</u>
<b>Liabilities</b>				
Current liabilities	16,505,851	8,878,677	587,376	396,141
Non-current liabilities	13,650,383	9,371,979	902	637
Total liabilities	<u>₩ 30,156,234</u>	<u>18,250,656</u>	<u>₩ 588,278</u>	<u>396,778</u>

(d) Condensed consolidated statements of income for the years ended December 31, 2010 and 2009 categorized by type of business are as follows:

<i>(In millions of won)</i>	<b>Non-financial Institution</b>		<b>Financial Institution</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Sales	₩ 60,629,216	36,836,780	₩ 8,644	18,221
Cost of goods sold	51,556,696	31,032,184	3,979	5,241
Selling and administrative expenses	3,334,786	1,944,829	4,090	4,585
Operating income	5,737,734	3,859,767	575	8,395
Non-operating income	2,855,257	2,361,475	1,505	918
Non-operating expenses	3,256,020	2,481,060	1,365	10,220
Net income before income tax expense	5,336,971	3,740,182	715	(907)
Income tax expense	1,112,852	536,068	44	(72)
Net income of subsidiaries				
before purchasing	7,095	(39,032)	-	-
Net income	<u>₩ 4,217,024</u>	<u>3,243,146</u>	<u>₩ 671</u>	<u>(835)</u>
Controlling interest	₩ 4,180,614	3,219,260	₩ 671	(835)
Non-controlling interest	₩ 36,410	23,886	₩ -	-

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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**32. Significant Changes in Scope of Consolidation**

(a) On September 20, 2010, POSCO acquired 68.15% of shares of Daewoo International Corporation in order to enhance its competitiveness through securing the export capability and to create the synergy effect between POSCO and its subsidiaries. Based on the resolution of the Board of Directors on April 23, 2010, POSCO signed a share purchase agreement with Daewoo International Corporation's shareholders including Korea Asset Management Corporation on August 30, 2010, and obtained an approval from the Fair Trade Commission Republic of Korea for business acquisition on September 13, 2010. The results of operations of Daewoo International Corporation for the year ended December 31, 2010 are consolidated in their entirety into in each line items of consolidated statement of income as if the acquisition has occurred on January 1, 2010 and the pre-acquisition net earnings are deducted in determining our consolidated net income. Therefore, comparability with POSCO's consolidated financial statements for prior years is impacted accordingly.

(b) 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 the related 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.

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

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(c) The summary of financial statements as of September 30, 2010 which is the acquisition date for business combination and as of and for the year ended December 31, 2009 are as follows:

1) 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.

2) 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.