

# **POSCO and Subsidiaries**

**Consolidated Financial Statements  
June 30, 2009**

**(With Independent Accountants' Review Report Thereon)**

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## **Independent Accountants' Review Report**

Based on a report originally issued in Korean

The Board of Directors and Shareholders of  
POSCO:

We have reviewed the accompanying consolidated statement of financial position of POSCO and subsidiaries (the "Company") as of June 30, 2009, and the related consolidated statements of income, changes in equity and cash flows for the six-month periods ended June 30, 2009 and 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

The consolidated statement of financial position as of December 31, 2008, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us and our report thereon, dated March 30, 2009, expressed an unqualified opinion on those statements. The accompanying consolidated statement of financial position as of December 31, 2008, presented for comparative purposes, is not different from that audited by us in all material respects.

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

As discussed in note 2 to the consolidated financial statements, accounting principles and review standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to review such 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 Korea accounting procedures and review standards and their application in practice.

Seoul, Korea

September 9, 2009

<p>This report is effective as of September 9, 2009, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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**POSCO and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**As of June 30, 2009 and December 31, 2008**  
**(Unaudited)**

<i>(in millions of Won)</i>		<b>2009</b>	<b>2008</b>
<b>Assets</b>			
Cash and cash equivalents, net of government grants (note 3)	₩	3,299,522	2,490,264
Short-term financial instruments (note 3)		4,177,090	1,827,450
Trading securities (note 4)		553,705	1,238,261
Current portion of available-for-sales securities (note 7)		76,327	30,888
Current portion of held-to-maturity securities (note 7)		40,594	20,613
Trade accounts and notes receivable, net of allowance for doubtful accounts and present value discount (note 5)		5,118,597	5,894,093
Other accounts and notes receivable, net of allowance for doubtful accounts and present value discount (note 5)		469,232	538,510
Advance payments		832,205	1,033,513
Inventories (note 6)		5,793,030	8,661,721
Deferred income tax assets (note 20)		311,326	109,578
Other current assets, net of allowance for doubtful accounts (note 11)		381,465	352,742
<b>Total current assets</b>		<b>21,053,093</b>	<b>22,197,633</b>
Property, plant and equipment (notes 8 and 24)		44,758,523	42,230,169
Less accumulated depreciation, accumulated impairment loss and government grants		(25,019,266)	(24,161,070)
Property, plant and equipment, net		19,739,257	18,069,099
Investment securities, net (note 7)		5,601,660	5,177,482
Intangible assets, net (notes 9 and 24)		638,125	723,767
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts and present value discount (note 5)		23,183	23,264
Long-term loans receivable, net of allowance for doubtful accounts and present value discount (note 5)		94,169	80,287
Deferred income tax assets (note 20)		280,405	317,023
Guarantee deposits		66,667	65,540
Long-term financial instruments (note 3)		17,552	16,462
Other long-term assets, net of allowance for doubtful accounts (note 11)		361,525	290,725
<b>Total non-current assets</b>		<b>26,822,543</b>	<b>24,763,649</b>
<b>Total assets</b>	₩	<b>47,875,636</b>	<b>46,961,282</b>

*See accompanying notes to consolidated financial statements.*

**POSCO and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**As of June 30, 2009 and December 31, 2008**  
**(Unaudited)**

<i>(in millions of Won)</i>		<b>2009</b>	<b>2008</b>
<b>Liabilities</b>			
Trade accounts and notes payable	₩	2,425,534	3,070,436
Short-term borrowings (note 12)		3,780,550	3,254,355
Current portion of long-term debts, net of discount on debentures issued (notes 12 and 13)		894,973	770,142
Accrued expenses		273,866	237,917
Other accounts and notes payable		557,175	579,853
Withholdings		168,963	126,538
Advance received		1,277,257	597,514
Income tax payable		172,420	2,083,472
Deferred income tax liabilities (note 20)		1,501	-
Other current liabilities (note 15)		273,258	289,165
<b>Total current liabilities</b>		<b>9,825,497</b>	<b>11,009,392</b>
Long-term debts, net of current portion and discount on debentures issued (note 13)		8,158,092	6,895,862
Accrued severance benefits, net (note 14)		364,536	383,718
Deferred income tax liabilities (note 20)		305,829	70,363
Other long-term liabilities (note 15)		247,498	257,742
<b>Total non-current liabilities</b>		<b>9,075,955</b>	<b>7,607,685</b>
<b>Total liabilities</b>		<b>18,901,452</b>	<b>18,617,077</b>
<b>Parent Shareholders' equity</b>			
Capital stock		482,403	482,403
Capital surplus		4,331,073	4,319,083
Capital adjustments, net		(2,505,094)	(2,509,081)
Accumulated other comprehensive income (loss)		304,613	(21,986)
Retained earnings		25,643,523	25,393,246
		28,256,518	27,663,665
<b>Minority interest</b>		<b>717,666</b>	<b>680,540</b>
<b>Total shareholders' equity</b>		<b>28,974,184</b>	<b>28,344,205</b>
<b>Total liabilities and shareholders' equity</b>	₩	<b>47,875,636</b>	<b>46,961,282</b>

*See accompanying notes to consolidated financial statements.*

# POSCO and Subsidiaries

## Consolidated Statements of Income

For the six-month periods ended June 30, 2009 and 2008  
(Unaudited)

<i>(in millions of Won, except per share information)</i>		2009	2008
<b>Sales (note 24)</b>	₩	17,386,250	18,884,068
<b>Cost of goods sold</b>		15,553,736	14,341,665
Gross profit		1,832,514	4,542,403
<b>Selling and administrative expenses (note 19)</b>		908,762	938,762
Operating income		923,752	3,603,641
<b>Non-operating income</b>			
Interest and dividend income		179,153	185,090
Gain on foreign currency transactions		503,139	189,435
Gain on foreign currency translation		278,128	26,458
Gain on valuation of trading securities		3,723	9,767
Gain on disposal of trading securities		15,811	27,283
Equity in earnings of equity method accounted investments (note 7)		52,809	35,646
Gain on disposal of property, plant and equipment		64,744	5,018
Gain on valuation of derivatives (note 17)		55,637	38,258
Gain on derivative transactions (note 17)		30,399	8,508
Reversal of allowance for doubtful accounts		3,989	32,828
Gain on disposal of other long-term assets		180,242	39,444
Others		51,278	89,344
		1,419,052	687,079
<b>Non-operating expenses</b>			
Interest expense		263,852	144,039
Other bad debt expense		642	23,315
Loss on foreign currency transactions		611,151	165,184
Loss on foreign currency translation		76,903	249,407
Loss on disposal of trading securities		107	5
Equity in losses of equity method accounted investments (note 7)		64,846	47,826
Donations		22,033	81,084
Loss on disposal of property, plant and equipment		21,705	16,566
Loss on impairment of property, plant and equipment		11,788	694
Loss on impairment of intangible assets		45,821	-
Loss on valuation of derivatives (note 17)		60,708	92,446
Loss on derivative transactions (note 17)		62,133	13,523
Others		102,546	50,402
		1,344,235	884,491
<b>Net income before income tax expense and net income of consolidated subsidiaries before acquisition</b>		998,569	3,406,229
<b>Income tax expense (note 20)</b>		(176,172)	(867,455)
<b>Net income of consolidated subsidiaries before acquisition</b>		-	(11,552)
<b>Net income</b>	₩	822,397	2,527,222
Net income attributable to controlling interest	₩	824,632	2,477,057
Net income (loss) attributable to minority interest	₩	(2,235)	50,165
Basic and diluted earnings per share <i>(in Korean Won) (note 21)</i>	₩	10,770	32,849

See accompanying notes to consolidated financial statements.

**POSCO and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the six-month periods ended June 30, 2009 and 2008**  
**(Unaudited)**

<i>(in millions of Won)</i>		<b>Capital Stock</b>	<b>Capital Surplus</b>	<b>Capital Adjustments</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Retained Earnings</b>	<b>Minority Interest</b>	<b>Total</b>
<b>Balance as of January 1, 2008</b>	₩	482,403	4,176,592	(2,727,147)	784,933	21,767,302	633,657	25,117,740
Net income		-	-	-	-	2,477,057	50,165	2,527,222
Effect of change in scope of consolidation		-	-	-	-	(556)	20,549	19,993
Effect of change in percentage of ownership of investees		-	27,315	-	-	-	-	27,315
Dividends		-	-	-	-	(566,552)	-	(566,552)
Changes in treasury stock		-	-	(36,832)	-	-	-	(36,832)
Loss on valuation of available-for-sale securities, net		-	-	-	(398,299)	-	-	(398,299)
Changes in capital adjustments of equity method accounted investments		-	-	-	9,011	-	-	9,011
Foreign currency translation adjustments		-	-	-	210,888	-	-	210,888
Loss on valuation of derivative instruments		-	-	-	(4,981)	-	-	(4,981)
Effect of changes in percentage of minority interest		-	-	-	-	-	52,540	52,540
Others		-	(2,183)	4,359	-	28,290	(10,792)	19,674
<b>Balance as of June 30, 2008</b>	₩	<u>482,403</u>	<u>4,201,724</u>	<u>(2,759,620)</u>	<u>601,552</u>	<u>23,705,541</u>	<u>746,119</u>	<u>26,977,719</u>

*See accompanying notes to consolidated financial statements.*



**POSCO and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the six-month periods ended June 30, 2009 and 2008**  
**(Unaudited)**

<i>(in millions of Won)</i>		<b>Capital Stock</b>	<b>Capital Surplus</b>	<b>Capital Adjustments</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Retained Earnings</b>	<b>Minority Interest</b>	<b>Total</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		-	-	-	-	824,632	(2,235)	822,397
Effect of change in scope of consolidation		-	-	-	-	-	4,082	4,082
Effect of change in percentage of ownership of investees		-	12,708	-	-	-	-	12,708
Dividends		-	-	-	-	(574,274)	-	(574,274)
Loss on valuation of available-for-sale securities, net		-	-	-	288,842	-	-	288,842
Changes in capital adjustments of equity method accounted investments		-	-	-	2,405	-	-	2,405
Foreign currency translation adjustments		-	-	-	35,414	-	-	35,414
Loss on valuation of derivative instruments		-	-	-	(62)	-	-	(62)
Effect of changes in percentage of minority interest		-	-	-	-	-	24,786	24,786
Others		-	(718)	3,987	-	(81)	10,493	13,681
<b>Balance as of June 30, 2009</b>	₩	<u>482,403</u>	<u>4,331,073</u>	<u>(2,505,094)</u>	<u>304,613</u>	<u>25,643,523</u>	<u>717,666</u>	<u>28,974,184</u>

*See accompanying notes to consolidated financial statements.*

**POSCO and Subsidiaries**  
**Consolidated Statements of Cash flows**  
**For the six-month periods ended June 30, 2009 and 2008**  
**(Unaudited)**

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>		
Net income	₩ 822,397	2,527,222
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,246,093	1,160,745
Accrual of severance benefits	42,593	135,155
Provision for doubtful accounts, net	52,736	(2,584)
Loss on derivatives transaction, net	31,734	5,015
Loss on valuation of derivatives, net	5,071	54,188
Loss on impairment of property, plant and equipment	11,788	694
Loss on impairment of intangible assets	45,821	-
Loss (gain) on foreign currency translation, net	(183,386)	215,254
Loss (gain) on disposal of property, plant and equipment, net	(43,039)	11,548
Gain on valuation of trading securities, net	(3,705)	(6,978)
Gain on disposal of trading securities, net	(15,704)	(27,277)
Equity in losses of equity method accounted investees, net	12,037	12,180
Stock compensation expense, net	8,999	(10,780)
Others	(147,016)	(27,138)
	<u>1,064,022</u>	<u>1,520,022</u>
Changes in operating assets and liabilities		
Trade accounts and notes receivable	764,871	(689,668)
Inventories	2,746,722	(2,017,823)
Other accounts and notes receivable	56,892	16,209
Accrued income	8,237	(20,200)
Advance payments	226,202	(317,398)
Prepaid expenses	(52,656)	(98,732)
Trade accounts and notes payable	(664,261)	964,431
Other accounts and notes payable	2,475	(34,473)
Advance received	686,042	180,594
Accrued expenses	25,616	49,741
Income tax payable	(1,917,839)	(83,941)
Deferred income tax, net	(43,790)	(19,676)
Payment of severance benefits	(76,206)	(87,380)
Deposit severance benefit trust	13,638	(34,047)
Other current liabilities	63,673	31,223
Others, net	4,777	6,835
	<u>1,844,393</u>	<u>(2,154,305)</u>
Net cash provided by operating activities	₩ <u>3,730,812</u>	<u>1,892,939</u>

*See accompanying notes to consolidated financial statements.*

**POSCO and Subsidiaries**  
**Consolidated Statements of Cash flows**  
**For the six-month periods ended June 30, 2009 and 2008**  
**(Unaudited)**

(in millions of Won)

	<b>2009</b>	<b>2008</b>
<b>Cash flows from investing activities</b>		
Acquisition of trading securities	₩ (1,705,705)	(3,986,427)
Acquisition of short-term financial instruments	(5,049,416)	(2,068,568)
Acquisition of available-for-sale securities	(58,138)	(332,005)
Acquisition of long-term financial instruments	(42,910)	(12,988)
Acquisition of property, plant and equipment	(2,927,942)	(1,834,855)
Acquisition of intangible assets	(26,330)	(89,954)
Acquisition of other long-term assets	(48,861)	(39,247)
Short-term loans provided	(7,805)	(42,061)
Long-term loans provided	(11,300)	(282,021)
Disposal of trading securities	2,359,822	4,374,449
Disposal of short-term financial instruments	2,671,561	1,774,735
Disposal of available-for-sale securities	65,740	28,075
Disposal of long-term financial instruments	3,029	8,102
Disposal of property, plant and equipment	25,663	37,098
Disposal of intangible assets	25,087	5,443
Disposal of other long-term assets	51,181	83,287
Collection on short-term loans	23,218	84,664
Proceeds from disposal of subsidiary, net of cash abandoned	244,785	-
Others, net	(13,179)	(16,499)
Net cash used in investing activities	(4,421,500)	(2,308,772)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	3,375,945	5,378,792
Proceeds from long-term debts	2,053,725	617,214
Proceeds from other long-term liabilities	33,379	33,514
Repayment of current portion of long-term debts	(345,262)	(38,003)
Repayment of short-term borrowings	(3,008,952)	(4,409,624)
Repayment of long-term debts	(11,633)	(79,680)
Payment of cash dividends	(574,274)	(566,552)
Acquisition of treasury stock	-	(36,832)
Repayment of other long-term liabilities	(94,233)	(50,283)
Others, net	21,315	(174,821)
Net cash provided by financing activities	1,450,010	673,725
Effect of exchange rate changes on cash and cash equivalents	40,557	11,651
Net increase in cash and cash equivalents from changes in consolidated subsidiaries	9,671	55,510
Net increase in cash and cash equivalents	809,550	325,053
<b>Cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the period	2,490,710	1,292,828
Cash and cash equivalents at end of the period	₩ 3,300,260	1,617,881

See accompanying notes to consolidated financial statements

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
**(Unaudited)**

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**1. Consolidated Companies**

General descriptions of POSCO and its controlled subsidiaries (collectively the “Company”), which consist of 26 domestic subsidiaries including POSCO Engineering & Construction Co., Ltd. and 49 overseas subsidiaries, whose accounts are included in the consolidated financial statements, and 35 equity method accounted investees including eNtoB Corporation, 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 were listed on the Korea Stock Exchange in June 10, 1988. POSCO owns and operates two steel plants (Pohang mill and Gwangyang mill) and one office in Korea, and eight overseas liaison offices.

As of June 30, 2009, the shares of POSCO are listed on the Korea Stock Exchange, and its depository receipts are listed on the New York, London and Tokyo Stock Exchanges.

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### June 30, 2009

#### (Unaudited)

### 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 June 30, 2009:

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	30,473,000	27,281,080	-	27,281,080	89.53	-	Pohang
Posteel Co., Ltd.	Steel sales and service	18,000,000	17,155,000	-	17,155,000	95.31	-	Seoul
POSCON Co., Ltd.	Electronic control devices manufacturing	3,519,740	3,098,610	-	3,098,610	88.04	-	Pohang
POSCO Coated & Color Steel Co., Ltd.	Coated steel manufacturing	6,000,000	3,412,000	-	3,412,000	56.87	-	Pohang
POSCO Machinery & Engineering Co., Ltd.	Steel work maintenance and machinery installation	1,700,000	1,700,000	-	1,700,000	100.00	-	Pohang
POSDATA Co., Ltd.	Computer hardware and software distribution	81,551,600	50,440,720	-	50,440,720	61.85	-	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
POS-A.C. Co., Ltd.	Architecture and consulting	300,000	300,000	-	300,000	100.00	-	Seoul
POSCO Specialty Steel Co., Ltd.	Specialty steel manufacturing	26,000,000	26,000,000	-	26,000,000	100.00	-	Changwon
POSCO Machinery Co., Ltd.	Steel work maintenance and machinery installation	1,000,000	1,000,000	-	1,000,000	100.00	-	Gwangyang
POSTECH Venture Capital Corp.	Investment in venture companies	6,000,000	5,700,000	-	5,700,000	95.00	-	Pohang
POSCO Refractories & Environment Company Co., Ltd.	Manufacturing and sales of general refractories	5,907,000	3,544,200	-	3,544,200	60.00	-	Pohang
POSCO Terminal Co., Ltd.	Distribution 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. (*1)	Facilities management	714,286	214,286	-	214,286	30.00	-	Seoul
Samjung Packing & Aluminum Co., Ltd.	Packing materials manufacturing	3,000,000	270,000	831,756	1,101,756	36.73	POSMATE (27.73)	Pohang
POSCO Power Corp.	Generation of Electricity	40,000,000	40,000,000	-	40,000,000	100.00	-	Seoul
Postech 2006 Energy Fund (*1)	Investment in new technology	570	-	126	126	22.11	POSTECH Venture Capital Corp(10.53) POSCO Power (11.58)	Seoul
POSCORE Co., Ltd.	Components manufacturing and sales	3,907,151	-	1,992,647	1,992,647	51.00	Posteel(51.00)	Cheonan
PHP Co., Ltd.	Rental houses, construction & management	400,000	-	400,000	400,000	100.00	POSCO E&C (100.00)	Incheon
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 & sales	2,000,000	-	2,000,000	2,000,000	100.00	POSCO E&C (100.00)	Cheonan
Daewoo Engineering Company Co., Ltd.	Construction and Engineering	2,400,000	-	2,128,701	2,128,701	88.70	POSCO E&C (88.70)	Sungnam
Universal studio resort Development Co., Ltd.	Resort development	1,000,000	-	375,000	375,000	37.50	POSCO E&C (27.50) POSDATA(10.00)	Hwasung
Pohang Fuelcell power Corp. (*3)	Powergeneration	80,000	-	80,000	80,000	100.00	POSCO-Power (50.00) POSCO E&C (25.00) POSCON(25.00)	Pohang

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### June 30, 2009

#### (Unaudited)

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
Overseas								
POSCO America Corporation	Steel trading	364,038	362,027	2,011	364,038	100.00	POSCAN (0.55)	USA
POSCO Australia Pty. Ltd.	Iron ore trading and mine development	761,775	761,775	-	761,775	100.00	-	Australia
POSCO Canada Ltd.	Coal trading	1,099,885	-	1,099,885	1,099,885	100.00	Posteel (100.00)	Canada
POSCAN Elkview Coal Ltd.	Coal trading	304,061	-	304,061	304,061	100.00	POSCAN (100.00)	Canada
POSCO Asia Co., Ltd.	Iron ore trading	9,360,000	9,360,000	-	9,360,000	100.00	-	China (Hong Kong)
VSC POSCO Steel Corporation (*2)	Steel manufacturing	-	-	-	-	40.00	Posteel (5.00)	Vietnam
Dalian POSCO-CFM Coated Steel Co., Ltd. (*2)	Coated steel manufacturing	-	-	-	-	85.00	Posteel (15.00) POSCO-China (40.00)	China
POS-Tianjin Coil Center Co., Ltd. (*2)	Steel service center	-	-	-	-	95.53	Posteel (84.00)	China
POSCO-JKPC Co., Ltd.	Steel service center	9,800	-	9,310	9,310	95.00	POSCO-Japan (95.00)	Japan
IBC Corporation (*2)	Real estate rental	-	-	-	-	60.00	POSCO E&C (60.00)	Vietnam
POSCO Engineering & Construction-Lilama Co., Ltd. (*2)	Steel structure fabrication and sales	-	-	-	-	70.00	POSCO E&C (60.00) Posteel(10.00)	Vietnam
Zhangjiagang Pohang Stainless Steel Co., Ltd. (*2)	Stainless steel manufacturing	-	-	-	-	82.48	POSCO-China (23.88)	China
POSCO (Guangdong) Coated Steel Co., Ltd. (*2)	Coated steel manufacturing	-	-	-	-	96.98	POSCO-China (10.43)	China
POSCO-Thailand Bangkok Processing Center Co., Ltd.	Steel service center	14,857,921	12,721,734	2,136,187	14,857,921	100.00	Posteel (14.38)	Thailand
Myanmar-POSCO Steel Co., Ltd.	Specialty steel manufacturing and sales	19,200	13,440	-	13,440	70.00	-	Myanmar
Zhangjiagang POSHA Steel Port Co., Ltd. (ZPSS) (*2)	Loading and unloading of products	-	-	-	-	90.00	POSCO E&C (25.00) ZPSS (65.00)	China
POSCO-JOPC Co., Ltd.	Steel service center	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 (Hong Kong)
POSCO-MKPC SDN. BHD.	Steel service center	56,550,200	25,269,900	14,315,238	39,585,138	70.00	Posteel (25.31)	Malaysia
Qingdao Pohang Stainless Steel Co., Ltd. (*2)	Stainless steel manufacturing	-	-	-	-	100.00	POSCO-China (10.00) ZPSS(20.00)	China
POSCO Suzhou Automotive Processing Center Co., Ltd. (*2)	Steel service center	-	-	-	-	100.00	POSCO-China (10.00)	China
POSEC-Hawaii Inc.	Real estate & sales	24,400	-	24,400	24,400	100.00	POSCO E&C (100.00)	USA
POS-Qingdao Coil Center Co., Ltd. (*2)	Steel service center	-	-	-	-	100.00	Posteel (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. (*2)	Holding company	-	-	-	-	100.00	-	China
POSCO-Japan Co., Ltd.	Steel trading	90,438	90,438	-	90,438	100.00	-	Japan
POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd. (*2)	Facilities manufacturing	-	-	-	-	100.00	POSCO E&C (100.00)	China
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 and sales	225,000,000	225,000,000	-	225,000,000	100.00	-	India

# POSCO and Subsidiaries

## Notes to Consolidated Financial Statements

### June 30, 2009

#### (Unaudited)

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
POS-India Pune Steel Processing Centre Pvt. Ltd.	Steel service center	115,062,470	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. (*2)	Steel service center	-	-	-	-	100.00	POA (24.20) POSCO-China (36.20)	China
POSCO E&C (Beijing) Co., Ltd. (*2)	Construction and engineering	-	-	-	-	100.00	POSCO E&C (100.00)	China
POS-MPC S.A. de C.V.	Steel service center	3,663,289	-	2,234,607	2,234,607	61.00	POSAM (61.00) ZPSS (47.30)	Mexico
Zhangjiagang Pohang Port Co., Ltd. (*2)	Loading and unloading of products	-	-	-	-	100.00	ZPSP (27.70) POSCO-China (25.00)	China
POSCO-Vietnam Co., Ltd. (*2)	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
POSS India Delhi Steel Processing Centre Pvt. Ltd.	Steel service center	55,673,970	42,532,980	-	42,532,980	76.40	-	India
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. (*2)	Steel service center	-	-	-	-	80.00	-	Vietnam
POSCO-Chongqing Automotive Processing Center Co., Ltd. (*2)	Steel service center	-	-	-	-	100.00	POSCO-China (10.00)	China
Suzhou POSCORE Technology Co., Ltd. (*2)	Components manufacturing and sales	-	-	-	-	100.00	POSCORE (69.70) Posteel (15.15) POA (15.15)	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.	Steel service center	27,000,000	16,200,000	-	16,200,000	60.00	-	Malaysia
POS-Minerals Corporation	Mine development and operation	100	-	100	100	100.00	POSCAN (85.00) Samjung P&A (15.00)	USA
POSCO-Wuhu Automotive Processing Center Co., Ltd. (*2)	Steel Service Center	-	-	-	-	100.00	POSCO-China (31.43)	China
&TV Communications (*3)	Broadcasting	847,001	-	582,000	582,000	68.71	POSDATA (68.71)	USA
POSCO Philippine Manila Processing Center INC. (*2,3)	Steel Service Center	-	-	-	-	100.00	Posteel (100.00)	China

(\*1) These subsidiaries are included in the consolidated financial statements as the controlling company has control over them in consideration of board of directors and others.

(\*2) No shares have been issued in accordance with the local laws and regulations.

(\*3) These subsidiaries are newly included in the consolidation.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
**(Unaudited)**

Summary of financial information on controlled subsidiaries as of and for the period ended June 30, 2009 is as follow:

(in millions of Won)

Subsidiaries	Summary of Financial information (*)									
	Total Assets		Total Liabilities		Net Assets		Sales		Net income (loss)	
Domestic										
POSCO E&C Co., Ltd.	₩	4,520,221	₩	2,735,107	₩	1,785,114	₩	3,043,347	₩	227,504
Posteel Co., Ltd.		767,927		297,657		470,270		860,035		2,836
POSCON Co., Ltd.		369,888		203,526		166,362		245,002		8,225
POSCO Coated & Color Steel Co., Ltd.		435,236		253,903		181,333		310,812		(36,325)
POSCO Machinery & Engineering Co., Ltd.		127,936		77,466		50,470		137,332		(7,219)
POSDATA Co., Ltd.		255,699		206,088		49,611		173,231		(69,277)
POSCO Research Institute		29,359		3,955		25,404		10,951		2,032
Seung Kwang Co., Ltd.		76,662		35,288		41,374		7,429		1,429
POS-A.C. Co., Ltd.		51,423		12,047		39,376		36,377		1,924
POSCO Specialty Steel Co., Ltd.		973,672		387,208		586,464		614,034		22,041
POSCO Machinery Co., Ltd.		48,814		18,444		30,370		78,668		2,567
POSTECH Venture Capital Corp.		35,689		601		35,088		555		(232)
POSCO Refractories & Environment Company Co., Ltd.		228,023		65,647		162,376		263,575		12,002
POSCO Terminal Co., Ltd.		50,195		7,565		42,630		26,742		4,977
Metapolis Co., Ltd.		512,938		386,065		126,873		129,917		22,988
Posmate Co., Ltd.		58,032		18,914		39,118		38,699		3,631
Samjung Packing & Aluminum Co., Ltd.		157,525		95,611		61,914		111,651		1,145
POSCO Power Corp.		1,271,842		687,701		584,141		185,881		29,597
Postech 2006 Energy Fund		29,281		-		29,281		290		(109)
PHP Co., Ltd.		656,471		655,452		1,019		-		(223)
POSCORE Co., Ltd.		79,993		31,205		48,788		92,721		5,177
PNR Co., Ltd.		138,237		95,761		42,476		-		2,936
Megaasset Co., Ltd.		56,283		48,999		7,284		4,869		(800)
Daewoo Engineering Company Co., Ltd.		250,740		156,294		94,446		302,019		18,164
Universal studio resort Development Co., Ltd.		9,160		-		9,160		-		(793)
Pohang fuelcell Power Corp.		14,254		10,195		4,059		1,954		(188)
Overseas										
POSCO America Corporation		245,408		103,520		141,888		111,399		(30,515)
POSCO Australia Pty. Ltd.		507,898		242,958		264,940		40,112		41,417
POSCO Canada Ltd.		312,501		34,013		278,488		31,463		7,211
POSCAN Elkview Coal Ltd.		52,064		622		51,442		-		4,614
POSCO Asia Co., Ltd.		88,833		55,681		33,152		704,614		1,106
VSC POSCO Steel Corporation		58,336		39,705		186,301		87,158		341
Dalian POSCO-CFM Coated Steel Co., Ltd.		53,364		43,059		10,305		4,513		(4,720)
POS-Tianjin Coil Center Co., Ltd.		52,450		37,588		14,862		65,741		(457)
POSCO-JKPC Co., Ltd.		89,765		76,669		13,096		22,530		(1,016)
IBC Corporation		99,762		65,845		33,917		15,833		8,624
POSCO Engineering & Construction-Lilama Co., Ltd.		36,388		56,816		(20,428)		15,208		(1,635)
Zhangjiagang Pohang Stainless Steel Co., Ltd.		1,600,813		998,881		601,932		785,301		(49,616)



**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**June 30, 2009**  
**(Unaudited)**

(in millions of Won)

Subsidiaries	Summary of Financial information (*)				
	Total Assets	Total Liabilities	Net Assets	Sales	Net income(loss)
POSCO (Guangdong) Coated Steel Co., Ltd.	90,796	53,481	37,315	72,242	110
POSCO-Thailand Bangkok Processing Center Co., Ltd.	107,316	74,853	32,463	71,071	(7,252)
Myanmar-POSCO Steel Co., Ltd.	12,394	4,363	8,031	18,977	2,670
Zhangjiagang POSHA Steel Port Co., Ltd.	16,437	82	16,355	883	2
POSCO-JOPC Co., Ltd.	49,000	44,845	4,155	12,311	(2,657)
POSCO Investment Co., Ltd.	519,303	422,780	96,523	9,494	2,021
POSCO-MKPC SDN. BHD.	93,457	52,308	41,149	48,260	(1,889)
Qingdao Pohang Stainless Steel Co., Ltd.	259,622	136,760	122,862	157,457	(13,345)
POSCO Suzhou Automotive Processing Center Co., Ltd.	166,807	107,511	59,296	131,575	2,346
POSEC-Hawaii Inc.	30,945	9,526	21,419	14,002	(496)
POS-Qingdao Coil Center Co., Ltd.	51,002	37,334	13,668	58,490	(1,214)
POS-ORE Pty. Ltd.	52,331	11,298	41,033	33,047	14,678
POSCO-China Holding Corp.	280,536	34,789	245,747	48,564	(12,171)
POSCO-Japan Co., Ltd.	536,327	429,322	107,005	364,056	6,230
POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd.	3,769	675	3,094	-	(99)
POS-CD Pty. Ltd.	42,533	34,336	8,197	2,483	(1,147)
POS-GC Pty. Ltd.	27,142	4,750	22,392	11,358	3,171
POSCO-India Private Ltd.	60,609	421	60,188	-	-
POS-India Pune Steel Processing Centre Pvt. Ltd.	162,025	128,387	33,638	45,806	(2,512)
POSCO-JNPC Co., Ltd.	123,906	112,069	11,837	55,431	(610)
POSCO-Foshan steel Processing Center Co., Ltd.	119,001	83,337	35,664	209,583	1,322
POSCO E&C (Beijing) Co., Ltd.	56,243	36,251	19,992	31,976	(2,884)
POS-MPC S.A. de C.V.	155,098	129,670	25,428	49,932	(1,916)
Zhangjiagang Pohang Port Co., Ltd.	33,068	17,008	16,060	2,729	141
POSCO-Vietnam Co., Ltd.	602,176	326,724	275,452	-	(4,557)
POSCO-Mexico Co., Ltd.	334,962	203,038	131,924	1,324	260
POSS India Delhi Steel Processing Centre Pvt. Ltd.	53,720	45,650	8,070	39,628	(420)
POS-NP Pty. Ltd.	61,862	26,888	34,974	20,107	3,651
POSCO-Vietnam Processing Center Co., Ltd.	28,888	19,328	9,560	16,795	(456)
POSCO-Chongqing Automotive Processing Center Co., Ltd.	67,496	58,455	9,041	36,867	(1,141)
Suzhou POSCORE Technology Co., Ltd.	39,142	12,560	26,582	30,662	(240)
POSCO-JYPC Co., Ltd.	51,653	45,545	6,108	12,800	(3,675)
POSCO-Malaysia SDN. BHD	63,130	94,293	(31,163)	34,030	(4,599)
POS-Minerals Corporation	128,858	-	128,858	-	(305)
POSCO-Wuhu Automotion Processing Center Co., Ltd.	59,190	40,322	18,868	22,655	17
&TV Communications	9,523	43	9,480	72	(3,567)
POSCO Philippine Manila Processing Center INC.	19,935	12,099	7,836	5,983	(591)

(\*) Total assets, total liabilities and net assets of the Company's overseas subsidiaries are translated at the exchange rate as of the balance sheet date, 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

### June 30, 2009

#### (Unaudited)

#### Equity Method Accounted Investments

The following table sets forth certain information with regard to equity method accounted investees as of June 30, 2009:

Investees	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
Domestic								
eNtoB Corporation	E-business	3,200,000	560,000	350,000	910,000	28.44	POSCO E&C (3.75) and others	Seoul
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)	Fe-Ni manufacturing	37,000,000	18,130,000	-	18,130,000	49.00	-	Gwangyang
Chungju Enterprise City	Real estate	8,000,000	-	2,008,000	2,008,000	25.10	POSCO E&C (22.00) POADATA (3.10)	Chungju
Taegisan Wind Power Corporation (*1)	Construction and operation of wind power plants	1,220,000	-	610,000	610,000	50.00	POSCO E&C (50.00)	Heongsung
KOREA SOLAR PARK Co., Ltd. (*1)	Development of photovoltaic power generation	2,400,000	-	900,000	900,000	37.50	POSCO E&C (7.50) Postech 2006 energy fund(30.00)	Youngam
Chungla IBT Co., Ltd. (*4)	Development	6,200,000	-	388,740	388,740	6.27	POSCO E&C (6.27)	Incheon
Garolim Tidal Power Plant Co., Ltd. (*1)	Tidal power	7,230,000	-	2,322,999	2,322,999	32.13	POSCO E&C (32.13)	Seosan
PSIB Co., Ltd. (*1)	Real estate	200,000	-	98,000	98,000	49.00	POSCO E&C (49.00)	Incheon
Overseas								
KOBRASCO (*1)	Equipment lease	4,021,438,370	2,010,719,185	-	2,010,719,185	50.00	-	Brazil
USS - POSCO Industries (*1,2)	Steel processing	-	-	-	-	50.00	POSAM (50.00)	USA
Poschrome (Proprietary) Limited	Fe-Cr manufacturing	86,700	21,675	-	21,675	25.00	-	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	Posteel (19.50)	India
POSVINA Co., Ltd. (*1,2)	Steel manufacturing	-	-	-	-	50.00	-	Vietnam
PT. POSMI Steel Indonesia (*1)	Steel service center	12,600	1,193	3,579	4,772	37.87	Posteel (28.40)	Indonesia
POSCO Bio ventures L.P. (*2,3)	Investment in companies in the bio-tech industrv	-	-	-	-	100.00	POSAM(100.00)	USA
CAML Resources Pty. Ltd. (*1)	Material processing	9,715	-	3,239	3,239	33.34	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. (*1,2)	Manufacturing and sales of general refractories	-	-	-	-	35.00	POSREC (35.00)	China
POSCO-SK Steel Pinghu Precessing Center Co., Ltd. (*2)	Steel processing	-	-	-	-	20.00	-	China
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd. (*2)	Material processing	-	-	-	-	30.00	POSCO-China (30.00)	China
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	Steel processing	100,000	30,000	-	30,000	30.00	-	Poland

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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**(Unaudited)**

Investees	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
Ah khanh New City Development (*1,2)	Construction	-	-	-	-	50.00	POSCO E&C (50.00)	Vietnam
Henan Tsingpu Ferro Alloy Co., Ltd. (*1,2)	Material processing	-	-	-	-	49.00	Zhangjiagang STS (49.00)	China
United Spiral Pipe, LLC. (*1,2)	Steel tube manufacturing and sales	-	-	-	-	35.00	POSAM (35.00)	USA
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd. (*2)	Specialty steel manufacturing	-	-	-	-	34.00	POSCO-China (10.00)	China
BX Steel POSCO Cold Rolled sheet Co., Ltd. (*2)	Steel manufacturing	-	-	-	-	25.00	-	China
POSCO-SAMSUNG Slovakia Steel Processing Center Co. Ltd. (*2)	Steel processing	-	-	-	-	30.00	-	Slovakia
Eureca Molly LLC. (*2)	Material processing	-	-	-	-	20.00	POS-Minerals (20.00)	USA
POS UTEK Development (*2)	Construction and sales	-	-	-	-	25.00	POSCO E&C (25.00)	Russia
POSCO SAMSUNG Suzhou Steel Processing Center CO., Ltd. (*2)	Steel processing	-	-	-	-	30.00	-	China
POSCO SeAH Steel Wire (Nantong) CO., Ltd. (*2)	Steel processing	-	-	-	-	25.00	POSCO-China (25.00)	China
POS-JK LLC.	Steel processing	10,300	-	2,574	2,574	24.98	Posteel (20.08) POSCO E&C (4.90)	UAE

(\*1) Although the Company owns more than 30% equity interest in these investees, these investees are excluded in consolidation as the Company is not their largest shareholder.

(\*2) No shares have been issued in accordance with the local laws and regulations.

(\*3) Subsidiaries are not included in the consolidated financial statements as the controlling company has no control over these subsidiaries, although it is holding 100% of company's interest.

(\*4) This investment is accounted for using equity method although the controlling company's percentage of ownership is below 20%, because it has 40% voting rights of the investee and therefore, is able to exercise significant influence on the investee.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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**(Unaudited)**

**Subsidiaries or Investees Excluded from Consolidated Financial Statements**

<b>Location</b>	<b>Company</b>	<b>Country</b>	<b>Reason</b>
<b>Domestic</b>	Daewoo national car Gwangju selling Co., Ltd.	Korea	Small company
	Basys Industry Co., Ltd.	Korea	Small company
	Sentech Korea Corp.	Korea	Small company
	Applied Science Corp.	Korea	Small company
	POSBRO Co., Ltd.	Korea	Small company
	POSWITH Co., Ltd.	Korea	Small company
	Pohang SFC Co., Ltd.	Korea	Small company
	POSTECH BD Newundertaking fund	Korea	Small company
	Universial studio resort asset management corporation	Korea	Small company
	AROMA Postech Renewable Energy Co., Ltd.	Korea	Non-majority control
	Innovalley Co., Ltd.	Korea	Non-majority control
	Kyungki-CES Co., Ltd.	Korea	Non-majority control
	Busan-Gimhae Light Rail Transit Co., Ltd.	Korea	Non-majority control
	Suwon Green Environment Co., Ltd.	Korea	Non-majority control
	Uitrans Co., Ltd.	Korea	Non-majority control
	Incheon-Gimpo Highway	Korea	Non-majority control
	Pajue & Viro Co., Ltd.	Korea	Non-majority control
	Green Kimpo Co., Ltd.	Korea	Non-majority control
	Green Jangryang Co., Ltd.	Korea	Non-majority control
	Green Cheonan Co., Ltd.	Korea	Non-majority control
<b>Overseas</b>	POSCO E&C Nigeria Ltd.	Nigeria	Small company
	DWEMEX S.A DE C.V.	Mexico	Small company
	POS MPC Servicios de C.V.	Mexico	Small company
	POSCO E&C SMART	Mexico	Small company
	POSCO MEXICO HUMAN TECH	Mexico	Small company
	POSCO MEXICO Logistic S.A DE C.V.	Mexico	Small company
	POSCO MESDC S.A DE C.V.	Mexico	Small company
	Hanoi Metal One Steel Center Co., Ltd.(HAMOS)	Vietnam	Small company
	Europe Steel Distribution Center	Slovenia	Small company
	Vectus Limited	UK	Small company
	POSCO E&C India Private Ltd.	India	Small company
	POSCO Inida Chennai Processing Center Pvt. Ltd.	India	Small company
	PT.POSNESIA	Indonesia	Under liquidation
	Dalian Poscon Dongbang Automatic Co., Ltd.	China	Small company
	San Pu Trading Co., Ltd.	China	Small company
	Yingkou Posrec Refractories Co., Ltd.	China	Small company
	Zhangjiagang BLZ Pohang International Trading Co., Ltd.	China	Small company
	Zhangjiagang Pohang Refractories Co., Ltd.	China	Small company
	Qingdao POS-Metal Co., Ltd.	China	Small company
	POSDATA-CHINA	China	Small company
	POSCO Australia (Cayman) GP Limited	Cayman Island	Small company
	DAEWOO TECH THAILAND	Thailand	Small company
	POSCO South East Asia Pte. Ltd.	Singapore	Small company
	EUROTALY S.A.	Uruguay	Small company
	POSCO Gulf Logistics LLC.	UAE	Small company
	Miller Pohang Coal Compnay Pty. Ltd.	Australia	Non-majority control

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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**(Unaudited)**

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**Change in Scope of Consolidation**

Subsidiaries which are newly included in the consolidated financial statements for the six-month period ended June 30, 2009 are as follows:

<b>Subsidiary</b>	<b>Location</b>	<b>Reason</b>
Pohang Fuelcell Power Corp.	Pohang	Total assets exceeded ₩10,000 million as of December 31, 2008.
&TV Communications	USA	
POSCO Phillippine Manila Processing Center INC.	Phillippine	

Resulting from the change in scope of consolidations, the total assets, shareholders' equity, sales, and net income of the consolidated financial statements as of and for the six-month period ended June 30, 2009, increased by ₩43,712 million, ₩21,376 million and ₩8,009 million, and decreased by ₩4,638 million, respectively.

Subsidiaries excluded from the consolidated financial statements for the six-month period ended June 30, 2009 are as follows:

<b>Subsidiary</b>	<b>Location</b>	<b>Reason</b>
Shanghai Real Estate Development Co., Ltd.	China	100% disposal of stock

**2. 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.

Certain reclassifications have been made to the 2008 consolidated financial statements, presented for comparative purposes, to conform to the 2009 presentation. These reclassifications have no influence on the net assets and net income of the consolidated financial statements.

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

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

Cash and cash equivalents, and short-term and long-term financial instruments as of June 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>Annual Interest Rate (%)</b>		<b>2009</b>	<b>2008</b>
<b>Cash and cash equivalents</b>				
Cash on hand and bank deposits	0.00 ~ 3.90	₩	333,767	74,657
Checking accounts	0.00 ~ 1.00		5,052	3,160
Corporate bank deposits	0.00 ~ 5.00		548,092	459,023
Time deposits	2.50 ~ 4.50		453,209	598,000
Time deposits in foreign currency and others	0.40 ~ 3.25		1,072,116	517,561
Maintained by overseas affiliates	0.00 ~ 12.00		888,024	838,309
			3,300,260	2,490,710
Less : Government grants			(738)	(446)
		₩	<u>3,299,522</u>	<u>2,490,264</u>
<b>Short-term financial instruments</b>				
Time deposits	2.25 ~ 7.12	₩	1,854,277	1,049,535
Installment accounts	1.70 ~ 7.20		126,155	-
Specified money in trust	-		60,539	80,455
Certificates of deposit	3.05 ~ 7.40		1,732,000	529,000
Commercial papers	7.95 ~ 8.10		15,000	20,000
Others	0.00 ~ 5.00		372,042	93,351
Maintained by overseas affiliates	0.25 ~ 7.40		17,077	55,109
		₩	<u>4,177,090</u>	<u>1,827,450</u>
<b>Long-term financial instruments</b>				
Installment accounts	5.00 ~ 10.00	₩	17,445	16,355
Guarantee deposits for opening accounts	-		107	107
		₩	<u>17,552</u>	<u>16,462</u>

As of June 30, 2009, the Company's financial assets pledged as collateral include cash and cash equivalents and short-term financial instruments amounting to ₩ 5,407 million and ₩ 19,650 million, respectively, in relation to performance guarantee, short-term borrowings and long-term debts, and others; short-term financial instruments amounting to ₩ 14,203 million in relation to government appropriated projects; and long-term financial instruments amounting to ₩ 107 million in relation to maintaining deposits for opening checking accounts.

**POSCO and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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**4. Trading Securities**

Trading securities as of June 30, 2009 and December 31, 2008 are as follows:

*(in millions of Won)*

	<b>2009</b>			<b>2008</b>
	<b>Acquisition cost</b>	<b>Fair value</b>	<b>Book value</b>	<b>Book value</b>
Beneficiary certificates and others	₩ 550,000	₩ 553,705	₩ 553,705	₩ 1,238,261

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

Accounts and notes receivable, and their respective allowance for doubtful accounts as of June 30, 2009 and December 31, 2008 are as follows:

*(in millions of Won)*

	<b>2009</b>	<b>2008</b>
Trade accounts and notes receivable	₩ 5,425,488	6,158,066
Less: Allowance for doubtful accounts	(306,754)	(263,802)
Less: Present value discount	(137)	(171)
	₩ 5,118,597	5,894,093
Other accounts and notes receivable	₩ 488,058	555,902
Less: Allowance for doubtful accounts	(18,721)	(17,153)
Less: Present value discount	(105)	(239)
	₩ 469,232	538,510
Long-term trade accounts and notes receivable	₩ 30,458	29,622
Less: Allowance for doubtful accounts	(5,789)	(4,528)
Less: Present value discount	(1,486)	(1,830)
	₩ 23,183	23,264
Long-term loans receivable	₩ 112,195	97,793
Less: Allowance for doubtful accounts	(17,997)	(17,448)
Less: Present value discount	(29)	(58)
	₩ 94,169	80,287

**POSCO and Subsidiaries**  
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**6. Inventories**

Inventories as of June 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
Finished goods	₩ 1,049,183	2,003,646
By-products	27,452	41,841
Semi-finished goods	2,016,298	2,389,245
Raw materials	1,427,029	2,077,569
Fuel and materials	571,314	563,136
Materials-in-transit	795,007	1,698,042
Others	8,243	8,251
	5,894,526	8,781,730
Less: Provision for impairment loss	(101,496)	(120,009)
	₩ 5,793,030	8,661,721

**7. Investment Securities**

Investment securities, net of current portion, as of June 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
Available-for-sale securities	₩ 4,646,119	4,257,625
Held-to-maturity securities	100,671	87,321
Equity method accounted investments	854,870	832,536
	₩ 5,601,660	5,177,482

**Available-for-sale Securities**

(a) Available for sale securities as of June 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
Current portion of available-for-sale securities		
Investments in bonds	₩ 76,327	30,888
Available-for-sale securities		
Marketable equity securities	3,313,216	2,917,595
Non-marketable equity securities	1,300,028	1,306,739
Investments in bonds	8,927	8,467
Equity investments	23,948	24,824
	4,646,119	4,257,625
	₩ 4,722,446	4,288,513



**POSCO and Subsidiaries**  
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(b) Investments in marketable equity securities as of June 30, 2009 and December 31, 2008 are as follows:

(in millions of Won)

(in millions of Won)	2009					2008	
Company	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	Fair Value	Book Value	Book Value	
SK Telecom Co., Ltd. (*1)	4,363,226	5.40	₩ 1,220,958	₩ 761,564	₩ 761,564	₩ 891,835	
Hana Financial Group Inc.	4,663,776	2.20	29,998	127,787	127,787	90,943	
Nippon Steel Corporation (*1)	238,352,000	3.50	719,622	1,178,469	1,178,469	963,486	
Hyundai Heavy Industries Co., Ltd.	1,477,000	1.94	343,506	281,369	281,369	294,661	
Hanil Iron & Steel Co., Ltd.	206,798	10.14	2,413	2,554	2,554	1,596	
HI Steel Co., Ltd.	135,357	9.95	1,609	2,260	2,260	1,766	
Moonbae Steel Co., Ltd.	1,849,380	9.02	3,588	5,631	5,631	3,921	
Dong Yang Steel Pipe Co., Ltd.	1,564,250	2.44	3,911	1,924	1,924	1,400	
Korea Line Corp.	-	-	-	-	-	14,347	
Shinhan Financial Group Inc.	4,369,881	0.92	228,778	140,929	140,929	113,326	
SeAH Steel Corp.	610,103	10.17	18,792	24,679	24,679	23,490	
Thainox Stainless Public Company Limited	1,200,000,000	15.00	42,301	48,898	48,898	40,299	
Union Steel Co., Ltd.	1,005,000	9.80	40,212	19,497	19,497	14,472	
Macathur Coal Limited	21,215,700	8.70	420,805	145,611	145,611	55,927	
Hanjin Shipping Co., Ltd.	68,260	0.08	2,652	1,215	1,215	1,236	
KB Financial Group Inc.	8,379,888	2.35	300,150	358,659	358,659	282,402	
LG Powercom Corporation	6,000,000	4.70	246,000	38,520	38,520	39,000	
OCI Co., Ltd	3,404	0.02	149	730	730	749	
Muchison Metals Ltd.	50,567,000	12.14	27,037	88,367	88,367	27,737	
Cockatoo Coal Ltd.	73,595,835	19.99	25,998	32,909	32,909	21,129	
Sandifre Resources NL	16,498,339	19.90	6,863	18,872	18,872	1,292	
Silicon Motion Technology Corp.	136,925	0.42	3,052	642	642	394	
Pixelplus Co., Ltd.	318,313	4.78	2,606	49	49	62	
Korea Semiconductor System Co., Ltd.	328,857	6.13	617	722	722	401	
Aromasoft Corp Co., Ltd.	629,000	10.33	600	780	780	877	
i-Components Co., Ltd.	95,500	1.98	287	426	426	290	
Maruichi Steel Tube Ltd.	345,100	0.37	13,366	8,416	8,416	11,906	
FueLCell Energy, INC.	3,822,630	5.61	27,141	20,528	20,528	18,651	
TOZAI HOLDINGS CORPORATION	1,395	0.01	24	31	31	-	
MORY INDUSTRIES INC.	414,000	0.94	1,131	1,178	1,178	-	
			₩ 3,734,166	₩ 3,313,216	₩ 3,313,216	₩ 2,917,595	

(\*1) Certain portions of those investments have been pledged as collateral. (note 10)

**Held-to-maturity Securities**

(a) Held-to-maturity securities as of June 30, 2009 and December 31, 2008 are as follows:

(in millions of Won)

	2009	2008
Held-to-maturity securities (*)	₩ 141,265	107,934
Less: Current prtion	(40,594)	(20,613)
	₩ 100,671	87,321

(\*) Certain portion of held-to-maturity securities has been pledged as collateral for the consolidated subsidiaries. (note 10)

**POSCO and Subsidiaries**  
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**Equity Method Accounted Investments**

(a) Equity method accounted investments as of June 30, 2009 and December 31, 2008 are as follows:

(in millions of Won)							
Investees (*1)	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	2008	Increase (Decrease)		2009
				Book Value	Equity Method	Other Increase (Decrease) (*2)	Book Value
eNtoB Corporation	910,000	28.44	₩ 5,550	₩ 7,519	₩ 96	₩ (236)	₩ 7,379
MIDAS Information Technology Co., Ltd.	866,190	25.46	433	6,926	466	132	7,524
Songdo New City Development Inc. (*7)	1,332,344	29.90	6,674	-	-	-	-
Gail International Korea Ltd.	85,306	29.90	427	6,983	3,315	(4,104)	6,194
SNNC Co., Ltd. (*3)	18,130,000	49.00	90,650	59,020	10,338	-	69,358
Chungju enterprise City	2,008,000	25.10	10,040	7,686	(937)	-	6,749
Taegisan Wind Power Corporation (*3)	610,000	50.00	12,500	5,273	(2,334)	9,404	12,343
KOREASOLARPARK Co., Ltd. (*3)	900,000	37.50	2,250	1,847	(62)	-	1,785
Chungla IBT Co., Ltd. (*5)	388,740	6.27	3,910	3,354	(226)	17	3,145
Garolim Tidal Power plant Co., Ltd.	2,322,999	32.13	11,615	-	(89)	11,250	11,161
PSIB CO., Ltd. (*8)	98,000	49.00	490	-	-	-	-
KOBRASCO (*3)	2,010,719,185	50.00	32,950	57,656	32,735	14,723	105,114
USS-POSCO Industries (*3,4)	-	50.00	254,649	51,330	(9,684)	(3,782)	37,864
Poschrome (Proprietary) Limited	21,675	25.00	4,859	5,004	4,961	2,714	12,679
Guangdong Xingpu Steel Center Co., Ltd. (*4)	-	-	1,852	5,422	-	(5,422)	-
POS-Hyundai Steel Manufacturing India Private Limited	6,919,400	29.50	3,136	4,657	181	92	4,930
POSVINA Co., Ltd. (*3,4)	-	50.00	1,527	2,455	(370)	27	2,112
PT. POSMI Steel Indonesia (*3)	4,772	37.87	3,187	3,767	(398)	797	4,166
POSCO Bio Ventures L.P. (*4,6)	-	100.00	47,103	39,584	(6,433)	1,099	34,250
CAML Resources Pty. Ltd. (*3)	3,239	33.34	40,388	31,959	(907)	4,894	35,946
Nickel Mining Company SAS (*3)	3,234,698	49.00	157,585	220,553	(2,976)	(11,401)	206,176
Liaoning Rongyuan Posco Refractories Co., Ltd. (*3,4)	-	35.00	1,105	2,175	(36)	53	2,192
POSCO-SK Steel Pinghu Processing Center Co., Ltd. (*4)	-	20.00	1,869	2,845	(1,162)	139	1,822
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd. (*4)	-	30.00	3,236	10,552	466	201	11,219
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	30,000	30.00	3,803	3,225	20	(202)	3,043
Ah Khanh New City Development (*3,4)	-	50.00	20,429	21,184	(335)	(828)	20,021
Henan Tsingpu Ferro Alloy Co., Ltd. (*3,4)	-	49.00	8,846	5,084	(350)	97	4,831
United Spiral Pipe, LLC. (*3,4)	-	35.00	29,108	32,260	(1,577)	(213)	30,470
Zhongyue POSCO(Qinhuangdao) Tinplate Industrial Co., Ltd. (*3,4)	-	34.00	9,517	16,944	(884)	440	16,500
BX Steel POSCO Cold Rolled Sheet Co., Ltd. (*4)	-	25.00	61,961	90,776	(32,361)	3,246	61,661
POSCO-SAMSUNG Slovakia Steel Processing Center Co., Ltd. (*4)	-	30.00	1,794	2,879	(317)	65	2,627
Eureka Moly LLC. (*4)	-	20.00	121,209	121,209	(324)	3,561	124,446
POS UTEK Development (*4)	-	25.00	2,664	2,408	(32)	(93)	2,283
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd. (*4)	-	30.00	1,608	-	(934)	1,515	581
POSCO SeAH Steel Wire(Nantong) Co., Ltd. (*4)	-	25.00	4,021	-	(503)	4,214	3,711
POS-JK LLC.	2,574	24.98	390	-	(1,384)	1,972	588
			₩ 963,335	₩ 832,536	₩ (12,037)	₩ 34,371	₩ 854,870

**POSCO and Subsidiaries**  
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- (\*1) Due to the difference in the closing schedule of June 30, 2009, the equity method of accounting is applied based on the most recent available financial information, which has not been audited or reviewed.
  - (\*2) Other increase (decrease) represents changes in investment securities primarily due to acquisitions (disposals), dividends received, changes in capital adjustments arising from translations of financial statements of overseas investees and others.
  - (\*3) Although the Company owns over 30% of outstanding shares of these investees, these investees are excluded in consolidation as the Company is not the largest shareholder.
  - (\*4) No shares have been issued in accordance with the local laws or regulations.
  - (\*5) Although the Company owns below 20% of outstanding shares of these investees, these investees are included in the consolidated financial statement as it is deemed to be substantially influenced by the controlling company, delegated the 40% of voting rights from other major shareholders.
  - (\*6) POSCO Bioventures L.P. is not included in the consolidated financial statement as it is not substantially controlled by the controlling company while the company holds 100% of equity interest.
  - (\*7) The equity method of accounting has been suspended for investment in Songdo New City Development Inc. as the Company's net investments have been reduced to zero. Unrecorded changes in equity interest in Songdo New City Development Inc. for the six-month period ended June 30, 2009 amounted to ₩ 722 million and the accumulated unrecorded changes in equity interest prior to 2009 amounted to ₩ 104,929 million.
  - (\*8) The equity method of accounting for PSIB Co., Ltd. has been suspended as the valuated amount of PSIB Co., Ltd. is less than zero. Unrecorded changes in equity interest for the six-month period ended June 30, 2009 amounted to ₩ 2,368 million.
- (b) For the six-month period ended June 30, 2009, amortization of goodwill amounted to ₩ 5,243 million and the elimination of the unrealized profit from intercompany transactions less realized profit amounted to ₩ 35,726 million.

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**8. Property, Plant and Equipment**

(a) The changes in the carrying value of property, plant and equipment for the six-month period ended June 30, 2009 are as follows:

<i>(in millions of Won)</i>	<b>Beginning Balance</b>	<b>Acquisition (*1)</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Others (*2)</b>	<b>Ending Balance</b>
Land	₩ 1,861,451	₩ 22,512	₩ (14,193)	₩ -	₩ (668)	₩ 1,869,102
Buildings	2,855,902	271,442	(13,994)	(114,841)	(129,162)	2,869,347
Structures	1,590,231	48,573	(6,672)	(67,142)	17,205	1,582,195
Machinery and equipment	8,635,599	1,513,442	(6,547)	(970,115)	86,717	9,259,096
Vehicles	33,923	7,936	(416)	(7,045)	397	34,795
Tools	94,396	15,080	(1,138)	(18,222)	(29,297)	60,819
Furniture and fixtures	90,034	14,537	(766)	(17,816)	(1,947)	84,042
Capital lease assets	10,579	19,084	-	(3,231)	-	26,432
Construction-in-progress	2,896,984	2,962,826	(31)	-	(1,906,350)	3,953,429
	<u>₩ 18,069,099</u>	<u>₩ 4,875,432</u>	<u>₩ (43,757)</u>	<u>₩ (1,198,412)</u>	<u>₩ (1,963,105)</u>	<u>₩ 19,739,257</u>

(\*1) Includes asset transfer from construction-in-progress.

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

**9. Intangible Assets**

(a) Intangible assets, net of accumulated amortization, as of June 30, 2009 and 2008 are as follow:

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
Goodwill	₩ 252,952	270,842
Negative goodwill	(372)	(575)
Intellectual property rights	19,359	18,266
Research and development costs, net of government grants	44,262	82,221
Port facilities usage rights	106,435	116,078
Long-term electricity supply contract rights	51,826	55,170
Others	163,663	181,765
	<u>₩ 638,125</u>	<u>723,767</u>

(b) The changes in the carrying amount of goodwill for the six-month period ended June 30, 2009 are as follows:

<i>(in millions of Won)</i>	<b>Beginning Balance</b>	<b>Acquisition</b>	<b>Amortization</b>	<b>Ending Balance</b>
Daewoo Engineering Company Co., Ltd.	₩ 209,461	₩ -	₩ (5,440)	₩ 204,021
POSCO Power Corp.	47,682	-	(10,606)	37,076
Others	13,699	(67)	(1,777)	11,855
	<u>₩ 270,842</u>	<u>₩ (67)</u>	<u>₩ (17,823)</u>	<u>₩ 252,952</u>

**POSCO and Subsidiaries**  
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**10. 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 June 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>Beneficiaries</b>	<b>2009</b>	<b>2008</b>
Land	Mizuho Bank and others	₩ 217,200	225,628
Buildings and structures	Korea Development Bank and others	109,599	172,159
Machinery and equipment	Korea Development Bank and others	413,652	431,626
Short-term and long-term financial instruments	Korea Development Bank	3,000	3,000
Trade accounts and notes receivable	YAMAGUCHI Bank and others	31,821	84,557
Available-for-sale securities (*1)	Exchangeable bond holder and others	1,480,185	2,033,862
Held-to-maturity securities (*2)	Gyeongsangbuk-do provincial office	31,612	31,553
Equity method accounted investments	Related creditors	15,488	7,196
		<u>₩ 2,302,557</u>	<u>2,989,581</u>

(\*1) As of June 30, 2009, 2,021,655 shares, equivalent to 18,194,901 American depository receipts (“ADRs”) of SK Telecom Co., Ltd. have been pledged as collateral for the exchangeable bonds issued and 165,362,000 shares of Nippon Steel Corporation have been pledged as collateral for the 1st Samuri bonds issued.

(\*2) As of June 30, 2009, government bonds and bonds issued by Seoul Metropolitan Rapid Transit Corp., amounting to ₩ 29,726 million and ₩ 1,886 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 June 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>				<b>2008</b>			
Korea Development Bank	EUR	4,282,416	₩	7,748	EUR	4,600,591	₩	8,171

As of June 30, 2009, POSCO and its subsidiaries are provided with guarantees amounting to ₩ 1,438,628 million from Korea Exchange Bank and others for their contract commitments.

**POSCO and Subsidiaries**  
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**11. Other Assets**

Other current and long-term assets as of June 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>		<b>2009</b>	<b>2008</b>
<b>Other current assets</b>			
Short-term loans receivable	₩	138,641	95,918
Accrued income		45,868	58,003
Prepaid expenses		135,127	82,891
Others		101,344	150,016
Less: Allowance for doubtful accounts		(39,515)	(34,086)
	₩	<u>381,465</u>	<u>352,742</u>
<b>Other long-term assets</b>			
Other investment assets	₩	362,553	294,033
Less: Allowance for doubtful accounts		(1,028)	(3,308)
	₩	<u>361,525</u>	<u>290,725</u>

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

(a) Short-term borrowings as of June 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>Annual Interest Rate (%)</b>	<b>2009</b>	<b>2008</b>
<b>Won currency borrowings</b>			
Kookmin bank	5.67	₩ 1,839	–
ABN Amro and others	2.61 ~ 9.80	954,723	509,129
		<u>956,562</u>	<u>509,129</u>
<b>Foreign currency borrowings</b>			
Bank of America	2.60	126,366	157,435
Shinhan bank and others	0.00 ~ 17.00	2,697,622	2,587,791
		<u>2,823,988</u>	<u>2,745,226</u>
		<u>₩ 3,780,550</u>	<u>3,254,355</u>

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(b) Current portion of long-term debts as of June 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>	<u>2009</u>	<u>2008</u>
<b>Debentures</b>			
Domestic and foreign debentures	1.87 ~ 7.51	₩ 382,393	332,102
Less: Discount on debentures issued		(126)	(205)
		<u>382,267</u>	<u>331,897</u>
<b>Won currency borrowings</b>			
Nonghyup and others	1.00 ~ 6.98	271,150	9,475
<b>Foreign currency borrowings</b>			
The Export-Import Bank of Korea and others	0.55 ~ 7.04	240,405	427,640
		<u>511,555</u>	<u>437,115</u>
<b>Loans from foreign financial institution</b>			
NATIXIS	2.00	1,151	1,130
		<u>₩ 894,973</u>	<u>770,142</u>

**13. Long-Term Debts**

(a) Debentures as of June 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>Issue date</u>	<u>Maturity</u>	<u>Annual Interest Rate (%)</u>	<u>2009</u>	<u>2008</u>
			0.02 - 6.55		
Domestic debentures	10/21/2004 ~ 1/20/2009	9/29/2009 ~ 1/20/2014	Libor+2.60, Libor+1.70, 3 months Tibor + 1.20, 6 months Libor + 0.29	₩ 3,831,456	3,137,102
9th Samurai bonds (Public)	6/28/2006	6/28/2013	2.05	668,140	696,945
Euro bonds	8/10/2006	8/10/2016	5.88	385,410	377,250
1st Exchangeable bonds (*1)	8/19/2008	8/19/2011	-	705,489	735,904
1st FRN	11/11/2008	11/11/2013	6 months Tibor + 2.60	267,256	278,778
1st Samurai Bonds (Public)	12/29/2008	12/29/2011	6 months Tibor + 1.60	668,140	696,945
Global bonds	3/26/2009	3/26/2014	8.75	899,290	-
				<u>7,425,181</u>	<u>5,922,924</u>
Add: Premium on bond redemption				10,653	11,112
Less: Current portion				(382,393)	(332,102)
Discount on debentures				(81,710)	(74,990)
				<u>₩ 6,971,731</u>	<u>5,526,944</u>

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

Issuance date:	August 19, 2008
Maturity date:	August 19, 2013
Rate:	Interest rate of zero percent
Face value:	JPY 52,795,000,000
Issuance price:	JPY 52,424,229,136
Premium on bond redemption :	JPY 797,204,500 (redeemed on put date or maturity date)
Exchangeable price:	JPY 2,999.11/ADR
Fair value of exchangeable right at issuance date:	JPY 2,867,605,334
Fair value of exchangeable right as of June 30, 2009:	JPY 227,018,500
ADR exchangeable as of June 30, 2009:	ADR 18,194,901
Exercise period of exchangeable right:	Commencing ten business days following the issuance date until ten business days prior to maturity date
Exercisable date of put by bondholders:	August 19, 2011



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(b) Long term borrowings as of June 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>Annual Interest Rate (%)</b>	<b>2009</b>	<b>2008</b>
<b>Won currency borrowing</b>			
Korea resources corporation	Representative-Borrowing Rate (*1) -2.25	₩ 55,114	49,308
Woori Bank	Representative-Borrowing Rate (*1) -1.25	13,269	-
Korea Development Bank and others	1.00 ~ 7.10	460,153	595,037
		528,536	644,345
Less: Current portion		(271,150)	(9,475)
		257,386	634,870
<b>Foreign currency borrowings</b>			
Korea National Oil corporation (*2)	Representative-Borrowing Rate (*1) -2.25	3,502	2,923
Development Bank of Japan	4.60	1,283	2,676
Korea Development Bank and others	0.55 ~ 7.04	1,157,998	1,149,048
		1,162,783	1,154,647
Less: Current portion		(240,405)	(427,640)
		922,378	727,007
<b>Loans from foreign financial institution</b>			
NATIXIS	2.00	7,748	8,171
Less: Current portion		(1,151)	(1,130)
		6,597	7,041
		₩ 1,186,361	1,368,918

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

(\*2) The borrowing is related to the exploration of gas fields in the Aral Sea with Korea National Oil Corporation ("KNOC"). (note 16)

(c) Aggregate maturities of long-term debt as of June 30, 2009 are as follows:

<i>(in millions of Won)</i>		<b>Debtures (*1)</b>	<b>Won Currency Borrowings</b>	<b>Foreign Currency Borrowings</b>	<b>Loans from Foreign Financial Institutions</b>	<b>Total</b>
June 30,						
2010	₩	382,393	₩ 271,150	₩ 240,405	₩ 1,151	₩ 895,099
2011		1,538,975	20,399	260,336	1,151	1,820,861
2012		2,283,717	93,124	210,306	1,151	2,588,298
2013		668,140	27,634	21,940	1,151	718,865
Thereafter		2,562,609	116,229	429,796	3,144	3,111,778
	₩	7,435,834	₩ 528,536	₩ 1,162,783	₩ 7,748	₩ 9,134,901

(\*1) The amount includes premium on bond redemption.

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**14. Severance Benefits**

The changes in accrued severance benefits for the six-month period ended June 30, 2009 and the year ended December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
<b>Estimated severance benefits at the beginning of period</b>	₩ 1,176,070	986,956
Provision for severance benefits	42,593	314,156
Payment	(76,206)	(125,374)
Others (*)	(50)	332
<b>Estimated severance benefits at the end of period</b>	<u>₩ 1,142,407</u>	<u>1,176,070</u>
Transfer to National Pension Fund	(1,830)	(1,959)
Deposit for severance benefits trust	<u>(776,041)</u>	<u>(790,393)</u>
<b>Net balance at end of period</b>	<u>₩ 364,536</u>	<u>383,718</u>

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

**15. Other Liabilities**

Other liabilities as of June 30, 2009 and December 31, 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
<b>Other current liabilities</b>		
Unearned revenue	₩ 2,325	2,292
Others	270,933	286,873
	<u>₩ 273,258</u>	<u>289,165</u>
<b>Other long-term liabilities</b>		
Reserve for allowance	42,782	35,558
Others	204,716	222,184
	<u>₩ 247,498</u>	<u>257,742</u>

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**16. Commitments and Contingencies**

(a) As of June 30, 2009, contingent liabilities on outstanding guarantees provided for the repayment of loans of affiliated companies are as follows:

<i>(in millions of Won)</i>					
<b>Grantors</b>	<b>Entity Being Guaranteed</b>	<b>Financial Institution</b>	<b>Amount</b>		<b>Won Equivalent</b>
POSCO Co., Ltd.	BX Steel POSCO Cold Rolled Sheet Co., Ltd.	Bank of China and others	CNY	373,810,000	₩ 70,276
			USD	15,260,000	19,605
	POSCO-Vietnam Co., Ltd.	The Export-Import Bank of Korea and Others	USD	230,000,000	295,481
			JPY	1,312,300,000	17,536
	POSCO Investment Co., Ltd.	HSBC	CNY	630,000,000	118,440
			USD	346,000,000	444,506
POSCO E&C Co., Ltd.	Taegisan Wind Power Corporation	Korea Development Bank	MYR	280,000,000	101,629
			KRW	7,500	7,500
	IBC Corporation	The Export-Import Bank of Korea and Others	USD	20,000,000	25,694
	POSCO Engineering & Construction-Lilama Co., Ltd.	The Export-Import Bank of Korea and Others	USD	46,925,000	60,285
	Daewoo Engineering Company Co., Ltd.	-	USD	164,440,000	211,256
POSCO Steel Service & Sales Co., Ltd.	POSCO Canada Ltd.	Hana Bank	USD	12,484,500	16,039
POSDATA CO., Ltd.	Chungju Enterprise City	Nonghyup	KRW	2,530	2,530
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Qingdao Pohang Stainless Steel Co., Ltd.	China Construction Bank	USD	14,000,000	17,986
POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd.	POSCO E&C (Beijing) Co., Ltd.	Korea Exchange Bank	CNY	8,000,000	1,504
POSCO Investment Co., Ltd.	Zhangjiagang Pohang Stainless Steel Co., Ltd.	Bank of China	CNY	630,000,000	118,440
		ING and Others	USD	280,000,000	359,716
	POSCO-Mexico Co., Ltd.	HSBC	USD	100,000,000	128,470
	Qingdao Pohang Stainless Steel Co., Ltd.	STANDARD CHATERED	USD	42,000,000	53,957
	POS-MPC S.A de C.V.	Bank of Tokyo-Mitsubish	USD	50,600,000	65,006
	POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	HSBC	EUR	8,600,000	15,560
	Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.	People's Bank of China	CNY	30,600,000	5,753
	POSCO-Malaysia SDN. BHD.	HSBC and others	USD	79,436,000	102,051
POSCO-JAPAN	POSCO-JKPC Co., Ltd.	Mizuho Bank and others	JPY	2,540,000,000	33,942
	POSCO-JOPC Co., Ltd.	Mizuho Bank and others	JPY	2,860,000,000	38,218
	POSCO-JNPC Co., Ltd.	Mizuho Bank and others	JPY	3,612,500,000	48,273
	POSCO-JYPC Co., Ltd.	Mizuho Bank and others	JPY	3,043,750,000	40,673
					<u>₩ 2,420,326</u>

As of December 31, 2008, contingent liabilities on outstanding guarantees provided for the payment of loans of affiliated companies amounted to ₩ 1,933,521 million.

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(b) As of June 30, 2009, contingent liabilities on outstanding guarantees provided to non-affiliated companies for the repayment of loans are as follows:

<i>(in millions of Won)</i>				
<b>Grantors</b>	<b>Entity Being Guaranteed</b>	<b>Financial Institution</b>	<b>Amount</b>	<b>Won Equivalent</b>
POSCO Co., Ltd.	OCI Co., Ltd.	E1 Corporation	KRW 320	₩ 320
	Zeus (Cayman) Ltd.	Related creditors	JPY 52,795,000,000	705,489
POSCO E&C Co., Ltd.	Busan Minrak 1st district	Kookmin Bank	KRW 34,681	34,681
	Daejeon Mok-dong Redevelopment Association	Woori Bank	KRW 5,060	5,060
Posteel Co., Ltd.	GIPI	Qatar National Bank and others	USD 12,000,000	15,416
	ASIA Specially steel	Yamaguchi Bank and others	JPY 2,700,000,000	36,080
POSCON Co., Ltd.	Dalian POSCON Dongbang Automatic Co, Ltd.	STX Construction(Dalian) Co., Ltd and others	KRW 1,878	1,878
POSCO Machinery & Engineering Co., Ltd.	Jaesan Energy	Hana Bank	KRW 7,065	7,065
	Changhwan develop	Hana Bank	KRW 6,662	6,662
	Halla Electric Co., Ltd	Shinhan Bank	KRW 5,494	5,494
Samjung Packing & Aluminum Co., Ltd.	Pyungsan SI Ltd	Seoul Guarantee Insurance Company	KRW 888	888
Daewoo Engineering Company Co., Ltd.	Dongwon Systems Corporation	Korea National Housing Corporation and others	KRW 7,200	7,200
	Basys Industry Co., Ltd.	Hyundai Rotem Company	KRW 754	754
	Sen Structural Engineers Co., Ltd.	Youngdong E&C Co., Ltd. and others	KRW 107	107
	Kocen Consulting & Services Inc.	Korea Power Engineering Company, Inc. and others	KRW 13,824	13,824
	Hyundai Engineering Co., Ltd.	Samsung C&T Corporation. and others	KRW 60,814	60,814
	Taibong	KEPCO Corp.	KRW 21,556	21,556
			₩	923,288

As of December 31, 2008, the Company had outstanding payment guarantees for non-affiliated companies and others amounting to ₩ 942,368 million.

(c) As of June 30, 2009, 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 ₩3,789 million for the six-month period ended June 30, 2009. Future lease payments under the above lease agreements are as follows:

<i>(in millions of Won)</i>	
<b>Period</b>	<b>Amount</b>
2009	₩ 4,003
2010	4,999
2011	2,379
2012	316
2013	15
Thereafter	2
	₩ 11,714

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- (d) As of June 30, 2009, the Company and certain subsidiaries are defendants in legal actions arising from the normal course of business. Details are as follows:

<i>(in millions of Won)</i>				
<b>Company</b>	<b>Plaintiff</b>	<b>Amount</b>		<b>Description</b>
POSCO Co., Ltd	Songdo Construction Co., Ltd. and others	KRW	13,022	13 lawsuits including claim for operation damages due to loss of the sands at beach
POSCO E & C Co., Ltd.	FS KOREA and others	KRW	30,745	46 lawsuits including claim for consulting commission for sale of Jinju Department Store
POSCO Machinery & Engineering Co., Ltd.	Won Woo Construction Co., Ltd	KRW	188	Claim for construction charge
Daewoo Engineering Company Co., Ltd.	ENVICO and others	KRW	1,590	Claim for restitution related to Jeongub facilities for vinyl which is unable to be used
POSDATA Co., Ltd.	Military Mutual and Association	KRW	891	Claim for goods charge
POSCON Co., Ltd.	Korea Workers Compensation & Welfare Service	KRW	106	Claim for right of demanding on excessive profits
	SPECIAL TRIUMPH SDN. BHD	USD	1,000,000	Claim for collection of accouts receivable of Arbitration Committee in Malaysia
POS-Tianjin Coil Center Co., Ltd.	Beijing chunwoo	CNY	505,798	Claim for collection of accouts receivable and others
POSCO Asia Co., Ltd.	Coutiuh & Ferrostaal Inc.		-	Claims for restitution related to STS sold from May 2007 to July 2007
POSCO E&C (Beijing) Co., Ltd.	Beijing Lantian E&C Co., Ltd.	CNY	4,670,000	Claim for construction charge

The Company believes that although the outcome of these matters is uncertain, they would not result in a material loss for the Company.

- (e) POSCO entered into long-term contracts to purchase iron ore, coal, nickel and others. These contracts generally have terms of three years or more and provide for periodic price adjustments to the market price. As of June 30, 2009, 378 million tons of iron ore and 51 million tons of coal remained to be purchased under such long-term contracts.
- (f) On July 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 from August 2005 to 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 a commitment of foreign currency long-term borrowings which are limited up to the amount of US\$ 6.86 million with KNOC. The borrowing is related to the exploration of gas fields in the Aral Sea, Uzbekistan. The repayment obligation 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 certain portion of its profits under certain conditions as defined by borrowing agreement.
- (h) POSCO Power Corp. provides its whole capacity 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, POSCO Power Corp. has been provided with a payment guarantee of ₩ 36,160 million from Seoul Guarantee Insurance as electric power supply collateral to Korea Electric Power Corp.

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(i) As of June 30, 2009, other commitments and contingencies for outstanding guarantees provided to non-affiliated companies are as follows:

- 1) As of June 30, 2009, POSCO has bank overdraft agreements of up to ₩ 300,000 million with Woori Bank and six other banks. In addition, POSCO entered into a credit purchase loan agreement with Industrial Bank of Korea and five other banks for credit lines of up to ₩ 200,000 million and short-term borrowing agreement of up to ₩ 700,000 million with Woori bank and five other banks. Also, POSCO has an agreement with Woori bank and thirteen other banks to open letters of credit, documents against acceptance and documents against payment amounting to US\$ 1,325 million and to borrow US\$ 500 million in foreign short-term borrowings. The accounts receivables in foreign currency sold to financial institutions and outstanding as of June 30, 2009, amounted to US\$ 114.3 million for which the Company is contingently liable upon the issuers' default.
- 2) POSCO E&C Co., Ltd. has provided the completion guarantees for Samsung C&T Corporation amounting to ₩ 1,795,253 million while Samsung C&T Corporation provides the completion guarantees and payment guarantees on customers' borrowings on behalf of POSCO E&C Co., Ltd. amounting to ₩ 1,604,760 million as of June 30, 2009. Also, POSCO E&C Co., Ltd. has provided the guarantee of debts for thirteen companies including Sejin Major Inc. amounting to ₩ 1,309,572 million and US\$ 22 million. As of June 30, 2009, POSCO E&C Co., Ltd. has provided twenty one blank promissory notes, seven blank checks and eight notes amounting to ₩ 86,804 million, to Korea Housing Guarantee Co., Ltd. and others as collaterals for agreements and outstanding loans.
- 3) As of June 30, 2009, Posteel Co., Ltd. has entered into local and foreign credit agreements, of up to ₩ 246,000 million and US\$ 207 million with Hana Bank and other banks of which ₩ 112,350 million and US\$ 158 million remains unused.
- 4) As of June 30, 2009, POSCON Co., Ltd. has credit purchase loan agreements and revolving loan agreements for credit lines of up to ₩ 110,000 million and US\$ 30 million with Shinhan Bank and other banks of which ₩ 93,000 million and US\$ 30 million remains unused.
- 5) As of June 30, 2009, POSCO Coated and Color Steel Co., Ltd. has local credit loan agreements, foreign credit loan agreements and agreements for credit lines of up to ₩ 141,617 million and US\$ 19 million with Shinhan Bank and other banks of which ₩ 120,747 million and US\$ 0.5 million remains unused.
- 6) As of June 30, 2009, POSCO Machinery & Engineering Co., Ltd. has entered into a local credit loan agreements, credit purchase loan agreements and foreign credit loan agreement of up to ₩ 22,000 million, US\$ 66 million, NTD 480 million with Shinhan Bank and other banks and has outstanding balance of ₩ 17,884 million, US\$ 49 million, NTD 420 million.
- 7) As of June 30, 2009, POSDATA Co., Ltd. has entered into a loan agreements of up to 140,000 million and has outstanding balance of ₩ 101,311 million and is receiving guarantee of ₩ 111,988 million and ₩ 9,774 million from Korea Software Financial Cooperative and Seoul Guarantee Insurance Company on the execution of the contract.

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- 8) As of June 30, 2009, POSCO Specialty Steel Co., Ltd. has entered into a loan agreement, secured by trade accounts receivable, of up to ₩ 80,000 million with Woori Bank and has used ₩ 19,716 million of this loan agreement. Also, POSCO Specialty Steel Co., Ltd. has agreements with Woori Bank and seven other banks for opening letters of credit of up to US\$ 54.6 million, and for a loan of up to ₩ 165,000 million. It has outstanding balances related to letters of credit of US\$ 4.1 million, JPY 199 million, EUR 0.4 million.
- 9) As of June 30, 2009, Samjung Packing & Aluminum Co., Ltd. has entered into loan agreements of up to ₩ 76,300 million and US\$ 41.7 million with Woori Bank and four other banks for credit purchase and opening letter of credit. Also, Samjung Packing & Aluminum Co., Ltd. has entered into a loan agreement of up to US\$ 20 million with the Export-Import Bank of Korea for investment of Molybden mine.
- 10) As of June 30, 2009, POSCO Power Corp. has entered into a loan agreements of up to ₩108,000 million, US\$ 70 million with Kookmin Bank and three other banks and has outstanding balance of US\$ 29,422,269.
- 11) As of June 30, 2009, Daewoo Engineering Company Co., Ltd. has entered into loan agreements and credit purchase loan agreements and others of up to ₩ 130,000 million with Citi Bank and other banks.
- 12) As of June 30, 2009, POSCO American Corp. has entered into loan agreements of up to US\$100 million with Bank of America and other banks and has outstanding balance of US\$ 67.5 million.
- 13) As of June 30, 2009, POSCO Asia Co., Ltd. has entered into loan agreements of up to US\$ 217 million with Bank of America and other banks and has outstanding balance of US\$ 129 million.
- 14) As of June 30, 2009, VSC POSCO Steel Corporation has entered into loan agreements of up to US\$ 67 million with Standard Chartered First Bank Korea Ltd. and other banks and has outstanding balance of US\$ 10 million.
- 15) As of June 30, 2009, POSCO Engineering & Construction-Lilama Co., Ltd. has entered into loan agreements of up to US 61 million with Korea Exchange Bank.
- 16) As of June 30, 2009, Zhangjiagang Pohang Stainless Steel Co., Ltd. has entered into loan agreements of up to US\$ 213.3 million, CNY 8,697.1 million with the Bank of China and other banks.
- 17) As of June 30, 2009, POSCO (Guangdong) Coated Steel Co., Ltd. has entered into loan agreements of up to US\$ 20 million with the HSBC, US\$ 10 million with the Bank of Tyoko-Mitsubishi, US\$ 10 million with the BOA, US\$ 1 million with the Korea Development Band, US\$ 7 million with the POSCO-Investment, US\$ 5 million with China Merchants Bank and has outstanding balance of US\$ 13 million with the HSBC, US\$ 9.2 million with the Bank of Tyoko-Mitsubishi, US\$ 5.1 million with the BOA, US\$ 1 million with the Korea Development Band, US\$ 7 million with the POSCO-Investment and US\$ 2.2 million China Merchants Bank.

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- 18) As of June 30, 2009, POSCO-MKPC SDN. BHD. has entered into loan agreements of up to MYR 206 million and has outstanding balance of MYR 102 million.
- 19) As of June 30, 2009, Qingdao Pohang Stainless Steel Co., Ltd. has entered into loan agreements of up to CNY 1,510 million with the Bank of china and other banks and has outstanding balance of CNY 290 million.
- 20) As of June 30, 2009, POSCO Suzhou Automotive Processing Center Co., Ltd. has entered into loan agreements of up to US\$ 70.6 million with the Agricultural Bank of China and other banks and has outstanding balance of CNY 15.1 million.
- 21) As of June 30, 2009, POSCO-Japan Co., Ltd. has entered into loan agreements of up to JPY 55,200 million with the MIZUHO Bank and other banks and has outstanding balance of JPY 29,500 million.
- 22) As of June 30, 2009, POSCO-CFPC Co., Ltd. has entered into loan agreements of up to USD 170 million and has outstanding balance of USD 32 million.
- 23) As of June 30, 2009, POS-MPC S.A. de C.V. has loan agreements of up to USD 80.6 million with the STANDARD CHARTERED and other banks and has outstanding balance of USD 72.6 million.

**17. Derivative Financial Instruments**

- (a) The Company uses derivative instruments for hedging the risk of changes in the fair values of assets, liabilities and firm commitment from the particular risk or in the future cash flows of assets, liabilities and expected transactions from the particular risk. Hedge accounting is applied when certain condition are met. If not, hedge accounting should not be permitted and related valuation gains or losses are recorded as income or expenses.



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(b) Details of valuation gains (losses) and transaction gains (losses) on derivative instruments for the six-month period ended June 30, 2009 are as follows:

(in millions of Won)

Company	Type of Transaction	Purpose of Transaction	Financial Institutions	Valuation Gain (Loss)		Transaction Gain (Loss)
				Net Income	Comprehensive Income (*2)	
POSCO Co., Ltd	Currency forward (Swaps)	Foreign exchange risk hedge	Calyon and others	₩ -	₩ -	₩ 1,076
	Embedded derivative (*1)	Issuing exchangeable bonds	Investee for exchangeable bonds	6,165	-	-
POSCO E&C Co., Ltd.	Currency forward	Fair value hedge	HSBC and others	7,773	-	(10,207)
	Currency swap	Fair value hedge	Calyon and others	5,072	-	(1,179)
	Interest swap	Cash flow hedge	Calyon and others	-	(5,206)	-
	Valuation on firm	Fair value hedge	-	(15,488)	-	-
Posteel Co., Ltd.	Currency forward		Standard Chartered First Bank Korea Ltd.	-	-	(201)
	Put Synthetic option		Standard Chartered First Bank Korea Ltd.	(6,184)	-	(15,411)
POSCO Coated & Color Steel Co., Ltd.	Currency swap		Korea Development Bank	694	-	-
	Non-derivative financial instruments	Cash flow hedge	Citibank Korea	-	-	2,214
POSCO Machinery & Engineering Co., Ltd.	Currency forward		Korea Exchange Bank and others	-	-	(1,270)
POSCO Specialty Steel Co., Ltd.	Currency futures		Standard Chartered First Bank Korea Ltd.	-	-	185
Samjung Packing & Aluminum Co., Ltd.	Currency futures	Fair value hedge	Woori bank and others	-	-	969
POSCO Power Corp.	Currency interest swap	Cash flow hedge	Calyon and others	(1,009)	(5,655)	-
POS-India Pune Steel Processing Centre Pvt. Ltd.	Currency futures	Foreign exchange risk hedge	HSBC and others	(1,518)	-	-
Daewoo Engineering Company Co., Ltd.	Currency forward		Citibank Korea Inc.	(576)	-	(7,910)
				₩ (5,071)	₩ (10,861)	₩ (31,734)

(\*1) The Company applied derivative accounting as exchangeable right to investors related to exchangeable bond issued in August 19, 2008 meets certain criteria of embedded derivatives. Fair values of exchangeable right are ₩ 9,199 million (JPY 659,937,500) as of December 31, 2008 and ₩ 3,034 million (JPY 227,018,500) as of June 30, 2009. This exchangeable right is included in other long-term liabilities.

(\*2) Gains and losses on valuation from cash flow hedge transactions are recorded as other comprehensive income, net of tax effect.

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For the six-month period ended June 30, 2008, the loss on valuation of derivatives, net and loss on derivative transactions, net recorded in statement of income are ₩ 54,188 million and ₩ 5,015 million, respectively. The loss on valuation of derivatives, net recorded as other comprehensive income is ₩ 9,015 million.

**18. Stock Appreciation Rights**

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

	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 shares	60,000 shares	22,000 shares	141,500 shares	218,600 shares	90,000 shares	1,030,100 shares
Exercise price	₩ 98,400 per share	₩ 135,800 per share	₩ 115,600 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
<b>After the modifications (*)</b>							
Grant date	July 23, 2001	April 27, 2002	September 18, 2002	April 26, 2003	July 23, 2004	April 28, 2005	
Exercise price	₩ 98,900 per share	₩ 136,400 per share	₩ 116,100 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
Number of shares granted	453,576 shares	55,896 shares	20,495 shares	135,897 shares	214,228 shares	90,000 shares	970,092 shares
Number of shares cancelled	19,409 shares	-	-	-	-	-	19,409 shares
Number of shares exercised	434,167 shares	55,896 shares	12,110 shares	122,138 shares	88,524 shares	62,000 shares	774,835 shares
Number of shares outstanding	-	-	8,385 shares	13,759 shares	125,704 shares	28,000 shares	175,848 shares
Exercise period	July 24, 2003 ~ July 23, 2008	April 28, 2004 ~ April 27, 2009	Sept. 19, 2004 ~ Sept. 18 2009	April 27, 2005 ~ April 26, 2010	July 24, 2006 ~ July 23, 2011	April 29, 2007 ~ April 28, 2012	

- (\*) The Company modified the number of shares granted under the stock appreciation rights and the exercise price, as presented above ( 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) Expense (or income) related to stock appreciation rights granted to executives incurred for the six-month period ended June 30, 2009 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	₩ 10,801	₩ 4,843	₩ 29,770	₩ 54,680	₩ 25,486	₩ 185,525
Current period	-	(21)	636	712	6,272	1,400	8,999
	<u>₩ 59,945</u>	<u>₩ 10,780</u>	<u>₩ 5,479</u>	<u>₩ 30,482</u>	<u>₩ 60,952</u>	<u>₩ 26,886</u>	<u>₩ 194,524</u>

- (c) As of June 30, 2009, liabilities related to stock appreciation rights which are recorded as accrued expenses amounted to ₩ 46,290 million.

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**19. Selling and Administration Expenses**

Details of selling and administrative expenses for the six-month periods ended June 30, 2009 and 2008 are as follows:

*(in millions of Won)*

	<b>2009</b>	<b>2008</b>
Selling expenses	₩ 399,578	440,375
Fees and charges	62,614	42,418
Salaries and wages	143,070	124,686
Advertising	41,482	50,612
Research and development	21,121	42,613
Depreciation	18,126	16,379
Amortization	37,511	33,606
Rent	13,860	11,509
Other employ benefits	63,329	69,176
Provision for severance benefits	16,408	22,783
Supplies	3,442	3,915
Travel	11,013	14,622
Training	8,307	12,799
Repairs	9,786	5,380
Communications	2,973	2,388
Vehicle expenses	2,486	2,292
Taxes and public dues	11,741	11,719
Entertainment	4,921	6,306
Subscriptions and printing	2,076	2,068
Utilities	1,381	1,409
Insurances	7,509	5,707
Stock compensation expense (note 18)	8,999	-
Others	17,029	16,000
	<u>₩ 908,762</u>	<u>938,762</u>

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**20. Income Taxes**

(a) Income tax expense for the six-month periods ended June 30, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>		<b>2009</b>	<b>2008</b>
Current income taxes (*)	₩	220,613	896,376
Deferred income taxes		242,180	(89,877)
Carryforward income tax		(202,449)	4,301
Items charged directly to shareholders' equity		(115,627)	62,211
Tax effect due to consolidation entries		32,106	(54,134)
Others		(651)	48,578
	₩	<u>176,172</u>	<u>867,455</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 six-month periods ended June 30, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>		<b>2009</b>	<b>2008</b>
Net income before income tax expense	₩	998,569	3,406,229
Income tax expense computed at statutory rate		241,654	936,713
Adjustments:			
Tax credit		(146,753)	(63,652)
Others, net (*)		81,271	(5,606)
Income tax expense	₩	<u>176,172</u>	<u>867,455</u>
Effective rate (%)		<u>17.60</u>	<u>25.50</u>

(\*) Others mainly consist of changes in deferred tax assets subject to possibility of realization amounting to ₩ 66,825 million for the six-month period ended June 30, 2009.

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(c) Changes in temporary differences and deferred income taxes for the six-month period ended June 30, 2009 are as follows:

(in millions of Won)

	Temporary differences			Deferred income tax		
	Dec. 31, 2008	Inc.(dec.) (*)	Jun. 30, 2009	Dec. 31, 2008	Inc.(dec.) (*)	Jun. 30, 2009
Deductible temporary differences:						
Reserve for special repairs	₩ (281,825)	₩ 8,938	₩ (272,887)	₩ (62,422)	₩ 196	₩ (62,226)
Allowance for doubtful accounts	292,571	35,393	327,964	63,786	11,473	75,259
Reserve for technology developments	(9,464)	(140,417)	(149,881)	(2,150)	(30,730)	(32,880)
Dividend income from related companies	431,497	144,944	576,441	94,929	31,888	126,817
Depreciation	(274,668)	(194,997)	(469,665)	(60,194)	(54,967)	(115,161)
Valuation of equity method accounted investments	(1,376,045)	(339,108)	(1,715,153)	(210,804)	(71,245)	(282,049)
Prepaid expenses	69,227	4,091	73,318	16,289	224	16,513
Impairment loss on property, plant and equipment	126,027	2,728	128,755	42,667	(31,112)	11,555
Gain (loss) on foreign currency translation	634,028	(60,962)	573,066	140,283	(12,224)	128,059
Accrued severance benefit	175,238	12,626	187,864	39,376	2,400	41,776
Group severance insurance deposits	(114,741)	(40,927)	(155,668)	(25,921)	(9,382)	(35,303)
Provision for construction losses	36,243	(3,972)	32,271	8,112	(634)	7,478
Provision for construction warranty	26,595	6,002	32,597	5,852	1,340	7,192
Appropriated retained earnings for technological development	(2,000)	500	(1,500)	(462)	119	(343)
Accrued income	(2,744)	(12,247)	(14,991)	15	(3,500)	(3,485)
Accrued on valuation of inventories	12,121	3,364	15,485	2,944	577	3,521
Others	275,369	2,229	277,598	32,248	39,024	71,272
	₩ 17,429	₩ (571,815)	₩ (554,386)	₩ 84,548	₩ (126,553)	₩ (42,005)
Deferred tax from tax credit and others:						
Tax credit	₩ 15,156	₩ 163,939	₩ 179,095	₩ 16,471	₩ 179,176	₩ 195,647
Deficit carried forward	(15,915)	151,112	135,197	7,813	24,342	32,155
Others	-	-	-	-	(1,069)	(1,069)
	₩ (759)	₩ 315,051	₩ 314,292	₩ 24,284	₩ 202,449	₩ 226,733
Deferred income taxes recognized directly to equity:						
Changes in capital adjustments of equity method accounted investments	₩ (721,748)	₩ (82,943)	₩ (804,691)	₩ (159,500)	₩ (27,592)	₩ (187,092)
Gain on valuation of available-for-sale securities	(340,226)	(445,428)	(785,654)	(74,222)	(104,285)	(178,507)
Loss on valuation of available-for-sale securities	962,542	66,347	1,028,889	212,140	15,132	227,272
Others	14,618	4,557	19,175	3,199	1,118	4,317
	₩ (84,814)	₩ (457,467)	₩ (542,281)	₩ (18,383)	₩ (115,627)	₩ (134,010)
Tax effect on elimination of intercompany profit and others				265,789	(32,106)	233,683
	₩ 356,238	₩ (71,837)	₩ 284,401			

(\*) The adjustments reflect the effect of the finalized tax assessment for the year ended December 31, 2008 and as a result, the deferred income tax balances as of December 31, 2008 has been adjusted.

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**21. Earnings per Share**

(a) Basic and diluted earnings per share for the six-month periods ended June 30, 2009 and 2008 were as follows:

<i>(in millions of Won except per share information)</i>	<b>2009</b>	<b>2008</b>
Net income attributable to controlling interest	₩ 824,632	2,477,057
Weighted-average number of common shares outstanding (*)	76,569,916	75,407,696
Basic and diluted earnings per share	<u>₩ 10,770</u>	<u>32,849</u>

(\*) 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 six-month periods ended June 30, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Total number of common shares issued	87,186,835	87,186,835
Weighted-average number of treasury shares	10,616,919	11,779,139
Weighted-average number of common shares outstanding	<u>76,569,916</u>	<u>75,407,696</u>

(b) Basic and diluted earnings per share for the year ended December 31, 2008 amounted to ₩58,002.

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**22. Comprehensive Income**

Comprehensive income for the six-month periods ended June 30, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>		<u>2009</u>	<u>2008</u>
Net income	₩	822,397	2,527,222
Other comprehensive income			
Gain (loss) on valuation of available-for-sale securities, net		381,295	(543,091)
Less: tax effect		(89,153)	144,214
Changes in capital adjustment of equity method accounted investments		25,159	36,560
Less: tax effect		(25,417)	(28,487)
Foreign currency translation adjustments		57,946	301,062
Less: tax effect		(16,354)	(59,498)
Loss on valuation of derivative instruments		(166)	(8,264)
Less: tax effect		36	2,417
		<u>333,346</u>	<u>(155,087)</u>
Comprehensive Income	₩	<u>1,155,743</u>	<u>2,372,135</u>
Controlling interest	₩	1,151,230	2,293,676
Minority interest	₩	4,513	78,459

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**23. Related Party Transactions**

(a) As of June 30, 2009, the subsidiaries of the Company are as follows:

Domestic (26)	POSCO E & C Co., Ltd., Posteel Co., Ltd., POSCON Co., Ltd., POSCO Coated & Color Steel Co., Ltd., POSCO Machinery & Engineering Co., Ltd., POSDATA Co., Ltd., POSCO Research Institute, Seung Kwang Co., Ltd., POS-A.C. Co., Ltd., POSCO Specialty Steel Co., Ltd., POSCO Machinery Co., Ltd., POSTECH Venture Capital Corp., POSCO Refractories & Environment Company Co., Ltd., POSCO Terminal Co., Ltd., Posmate Co., Ltd., Samjung Packing & Aluminum Co., Ltd., POSCO Power Corp., Metapolis Co., Ltd., POSCORE Co., Ltd., PHP Co., Ltd., PNR Co., Ltd., Megaasset Co., Ltd., Postech 2006 Energy Fund, Daewoo Engineering Company Co., Ltd., Universal Studios Resort Development Co., Ltd., Pohang Fuelcell Power Corp.
Foreign (49)	POSCO America Corporation, POSCO Australia Pty. Ltd., POSCO Canada Ltd., POSCAN Elkview Coal Ltd., POSCO Asia Co., Ltd., VSC POSCO Steel Corp., Dalian POSCO-CFM Coated Steel Co., Ltd., POS-Tianjin Coil Center Co., Ltd., POSCO-JKPC Co., Ltd., International Business Center Corporation, POSLILAMA Steel Structure Co., Ltd., Zhangjiagang Pohang Stainless Steel Co., Ltd., POSCO (Guangdong) Coated Steel Co., Ltd., POSCO Thailand Bangkok Processing Center Co., Ltd., Myanmar-POSCO Steel Co., Ltd., Zhangjiagang POSHA Steel Port Co., Ltd., POSCO-JOPC Co., Ltd., POSCO Investment Co., Ltd., POSCO-MKPC SDN. BHD., Qingdao Pohang Stainless Steel Co., Ltd., POSCO Suzhou Automotive Processing Center Co., Ltd., POSEC-Hawaii Inc., POS-Qingdao Coil Center Co., Ltd., POS-ORE Pty. Ltd., POSCO-China Holding Corp., POSCO-Japan Co., Ltd., POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd., POS-CD Pty. Ltd., POS-GC Pty. Ltd., POSCO-India Pvt. Ltd., POS-India Pune Steel Processing Centre Pvt. Ltd., POSCO-JNPC Co., Ltd., POSCO-Foshan Steel Processing Center Co., Ltd., POSCO E&C (Beijing) Co., Ltd., POS-MPC S.A. de C.V., Zhanjiagang Pohang Port Co., Ltd., POSCO-Vietnam Co., Ltd., POSCO-Mexico Co., Ltd., POSCO-India Delhi Steel Processsing Centre Pvt. Ltd., POSCO Chongqing Automotive Processing Center Co., Ltd., POS-NP Pty. Ltd., POSCO-Vietnam Processing Center Co., Ltd., Suzhou Poscore Technology Co., Ltd., POSCO-JYPC Co., Ltd., POSCO-Malaysia SDN. BHD., POS-Minerals Corporation, POSCO-Wuhu Automotive Processing Center Co., Ltd., &TV Communications, POSCO Phillippine Manila Processing Center Inc.



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(b) Significant transactions, which occurred in the ordinary course of business, with affiliated companies for the six-month periods ended June 30, 2009 and 2008, and the related account balances as of June 30, 2009 and December 31, 2008 are as follows:

(in millions of Won)

	Sales and others (*1)		Purchase and others (*1)		Receivables (*2)		Payables (*2)	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Subsidiaries</b>								
POSCO E&C Co., Ltd.	₩ 3,370	8,399	₩ 1,242,380	446,595	₩ 241,781	396,743	₩ 268,743	249,792
Posteel Co., Ltd.	641,826	618,027	59,681	118,142	119,892	220,360	4,142	21,651
POSCON Co., Ltd.	52	47	119,132	75,611	60,386	62,895	70,166	62,943
POSCO Coated & Color Steel Co., Ltd.	225,875	269,742	525	873	95,488	48,785	143	71
POSCO Machinery & Engineering Co., Ltd.	442	32	93,379	63,503	10,449	18,770	18,531	26,054
POSDATA Co., Ltd.	528	1,083	92,512	89,525	37	1,103	25,805	27,322
POS-A.C. Co., Ltd.	248	383	17,102	12,275	456	235	4,191	5,470
POSCO Specialty Steel Co., Ltd.	20	2,013	311	18,335	-	1,843	151	4,522
POSCO Machinery Co., Ltd.	7,971	4,128	45,995	38,538	2,553	5,032	10,679	16,401
POSCO Refractories & Environment Company Co., Ltd.	44,686	15,485	212,809	138,575	7,344	19,064	41,228	57,788
Posmate Co., Ltd.	613	869	17,829	17,799	-	246	4,321	5,959
Samjung Packing & Aluminum Co., Ltd.	8,362	9,834	95,663	119,626	3,613	2,578	23,973	23,678
POSCORE Co., Ltd.	61,528	53,695	1	-	17,461	20,330	-	-
POSCO America Corporation	79,330	68,501	-	-	9,497	2,818	-	-
POSCO Australia Pty. Ltd.	4,848	13,378	-	-	558	18	-	-
POSCO Canada Ltd.	-	20	31,355	101,164	-	20	5,920	-
POSCO Asia Co., Ltd.	575,037	464,567	49,068	98,237	40,044	27,224	1,128	2,978
POSMETAL Co., Ltd.	13,543	11,542	-	-	1,014	2,560	-	-
POSCO Thailand Bangkok Processing Center Co., Ltd.	36,181	26,310	-	29	4,412	32,415	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	97,929	35,900	-	-	46,502	12,904	-	-
POSCO Suzhou Automotive Processing Center Co., Ltd.	60,448	-	-	-	-	-	-	-
POSCO Japan Co., Ltd.	269,411	439,989	8,749	7,044	16,114	21,040	23	1,104
POSCO India Pune Steel Processing Centre Pvt. Ltd.	45,342	33,773	-	-	6,195	3,831	-	-
POSCO-CFPC Co., Ltd.	36,071	-	-	-	1,371	-	-	-
POS-MPC S.A. de C.V.	38,946	-	-	-	-	-	-	-
POSCO-Mexico Co., Ltd.	22,579	-	-	-	-	-	-	-
POSCO India Delhi Steel Processing Centre Pvt. Ltd.	31,773	2,124	177	99	136	565	-	-
POS-Chongqing Automotive Processing Center Co., Ltd.	20,376	-	-	-	-	-	-	-
POSCO-Malaysia SDN. BHD.	20,161	15,483	-	-	16,174	7,410	-	-
POSCO-Wuhu Automotive Processing Center Co., Ltd.	27,558	-	-	-	-	-	-	-
Others	52,750	25,095	17,770	11,516	11,223	17,667	4,113	5,777
	<u>2,427,804</u>	<u>2,120,419</u>	<u>2,104,438</u>	<u>1,357,486</u>	<u>712,700</u>	<u>926,456</u>	<u>483,257</u>	<u>511,510</u>
<b>Equity method investees</b>								
eNtoB Corporation	-	-	105,609	120,345	-	-	2,431	6,016
SNNC Co., Ltd.	94	1,666	156,207	-	19	19	22,274	1,926
KOBRASCO	-	-	3,042	60,883	-	4,115	-	-
USS - POSCO Industries	110,640	190,611	-	-	47,413	-	-	-
Poschrome (Proprietary) Limited	-	3,275	16,267	52,586	-	-	-	-
Others	4,464	7,248	90	-	-	1,825	-	-
	<u>115,198</u>	<u>202,800</u>	<u>281,215</u>	<u>233,814</u>	<u>47,432</u>	<u>5,959</u>	<u>24,705</u>	<u>7,942</u>
	<u>₩ 2,543,002</u>	<u>2,323,219</u>	<u>₩ 2,385,653</u>	<u>1,591,300</u>	<u>₩ 760,132</u>	<u>932,415</u>	<u>₩ 507,962</u>	<u>519,452</u>

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

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

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(c) Eliminations of inter-company revenues and expenses for the six-month period ended June 30, 2009 and receivables and payables as of June 30, 2009 are as follows:

<i>(in millions of Won)</i>	<b>Sales and others (*1)</b>		<b>Purchase and others (*1)</b>		<b>Receivables (*2)</b>		<b>Payables (*2)</b>	
POSCO Co., Ltd.	₩	2,427,805	₩	2,104,441	₩	712,701	₩	483,258
POSCO E&C Co., Ltd.		1,598,964		126,539		407,736		443,092
Posteel Co., Ltd.		155,629		699,883		49,362		127,237
POSCON Co., Ltd.		148,313		5,841		89,013		76,602
POSCO Coated & Color Steel Co., Ltd.		35,772		230,488		5,641		98,036
POSCO Machinery & Engineering Co., Ltd.		98,110		4,134		19,568		19,656
POSDATA Co., Ltd.		117,944		2,866		37,218		2,389
POSCO Specialty Steel Co., Ltd.		30,102		13,175		1,405		5,831
POSCO Machinery Co., Ltd.		53,625		9,543		17,123		4,022
POSCO Refractories & Environment Company Co., Ltd.		228,575		46,293		55,271		11,521
Metapolis Co., Ltd.		-		77,216		-		10,456
Samjung Packing & Aluminum Co., Ltd.		96,763		8,471		24,181		3,633
POSCO Power Corp.		20,772		110,503		49,522		55,830
PHP Co., Ltd.		-		81,279		88,749		1,588
POSCORE Co., Ltd.		1,630		63,126		552		17,670
PNR Co., Ltd.		-		50,470		256		24,830
Daewoo Engineering Company Co., Ltd.		34,221		3,726		15,731		6,014
POSCO America Corporation		7,668		84,566		271		13,211
POSCO Australia Pty. Ltd.		-		5,213		48,656		90,315
POSCO Canada Ltd.		31,355		29		5,920		29
POSCO Asia Co., Ltd.		254,661		592,252		80,760		40,641
POS-Tianjin Coil Center Co., Ltd.		42		52,340		-		34,178
Zhangjiagang Pohang Stainless Steel Co., Ltd.		100,261		8,283		29,244		2,476
POSCO (Guangdong) Coated Steel Co., Ltd.		3,822		50,317		606		12,199
POSCO Thailand Bangkok Processing Center Co., Ltd.		-		49,506		34		14,523
POSCO Investment Co., Ltd.		1,219		-		245,014		-
POSCO-MKPC SDN.BHD.		-		31,579		(309)		1,162
Qingdao Pohang Stainless Steel Co., Ltd.		65,255		118,330		11,487		51,267
POSCO Suzhou Automotive Processing Center Co., Ltd.		1,498		121,434		-		38,655
POS-Qingdao Coil Center Co., Ltd.		-		59,241		392		27,069
POSCO-Japan Co., Ltd.		62,867		283,182		76,071		18,071
POSCO India Pune Steel Processing Centre Pvt. Ltd.		989		45,862		1,113		19,270
POSCO-JNPC Co., Ltd.		3,786		41,710		673		66,534
POSCO-CFPC Co., Ltd.		20		192,396		(315)		36,661
POS-MPC S.A. de C.V.		207		46,648		52		273
POSCO-Vietnam Co., Ltd.		-		42,161		2,109		12,278
POSCO-Mexico Co., Ltd.		-		27,078		484		35,051
POSCO India Delhi Steel Processing Centre Pvt. Ltd.		389		32,831		8		7,667
POS-Chongqing Automotive Processing Center Co., Ltd.		-		34,966		-		12,280
Others		99,677		124,023		49,665		200,489
	₩	5,681,941	₩	5,681,941	₩	2,125,964	₩	2,125,964

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

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

**POSCO and Subsidiaries**  
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**(Unaudited)**

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(d) Details of compensation to key management officers for the six-month periods ended June 30, 2009 and 2008 are as follows:

<i>(in millions of Won)</i>	<b>2009</b>	<b>2008</b>
Salaries	₩ 22,779	22,957
Severance benefits	9,370	7,139
Management achievement awards	16,437	17,964
Total	₩ 48,586	48,060

Key management officers include directors (including non-executive directors) and the internal audit officers who have significant influence and responsibilities in the Company's business and operations. Other than the compensation which is described above, the Company granted stock appreciation rights to its key management officers. The Company recognized expense related to stock appreciation rights which were increased by ₩ 8,999 million, and decreased by ₩ 10,780 million for the six-month periods ended June 30, 2009 and 2008, respectively. (note 18)

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**24. Segment 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 six-month period ended June 30, 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	₩ 15,929,989	3,563,713	2,040,104	1,511,837	(5,659,393)	₩ 17,386,250
Inter-company sales	(2,665,640)	(1,668,178)	(480,605)	(844,970)	5,659,393	-
	<u>₩ 13,264,349</u>	<u>1,895,535</u>	<u>1,559,499</u>	<u>666,867</u>	<u>-</u>	<u>₩ 17,386,250</u>
Operationg porfit	₩ 478,665	144,232	21,915	140,364	138,576	₩ 923,752
Property, plant and equipment	₩ 18,546,727	770,460	225,876	1,618,011	(1,421,817)	₩ 19,739,257
Intangible assets	211,632	20,603	345	104,283	301,262	638,125
	<u>₩ 18,758,359</u>	<u>791,063</u>	<u>226,221</u>	<u>1,722,294</u>	<u>(1,120,555)</u>	<u>₩ 20,377,382</u>
Depreciation and amortization	₩ 1,083,914	5,314	2,615	133,877	20,373	₩ 1,246,093

(b) The following table provides information on the significant financial status of each operating segment of the consolidated subsidiaries as of and for the six-month period ended June 30, 2008:

<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	₩ 17,457,420	2,347,429	2,454,201	1,555,734	(4,930,716)	₩ 18,884,068
Inter-company sales	(2,848,337)	(731,773)	(599,421)	(751,185)	4,930,716	-
	<u>₩ 14,609,083</u>	<u>1,615,656</u>	<u>1,854,780</u>	<u>804,549</u>	<u>-</u>	<u>₩ 18,884,068</u>
Operationg porfit	₩ 3,379,638	158,872	29,901	158,077	(122,847)	₩ 3,603,641
Property, plant and equipment	₩ 15,658,187	523,484	206,683	1,448,715	(1,284,440)	₩ 16,552,629
Intangible assets	224,003	22,442	897	195,259	341,289	783,890
	<u>₩ 15,882,190</u>	<u>545,926</u>	<u>207,580</u>	<u>1,643,974</u>	<u>(943,151)</u>	<u>₩ 17,336,519</u>
Depreciation and amortization	₩ 1,061,603	8,556	2,556	72,342	16,131	₩ 1,161,188

**POSCO and Subsidiaries**  
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**25. Subsequent Event**

(a) Interim dividends

On the Board of Directors' meeting on July 17, 2009, the Company has declared to pay interim dividends to the ordinary share owners. The details of the interim dividends are as follows:

Gross amount of dividends ( in Korean Won)	₩	114,854,874,000
Numbers of share		76,569,916
Dividends per share	₩	1,500
Dividend yield		30.00%
Propensity (*1)		15.21%
Dividend earning rate (*2)		0.35%

(\*1) Interim Dividends/Net income

(\*2) Dividends per share/Closing Price of the settling date (₩ 423,500)

(b) Acquisition of Taihan ST Co., Ltd.

As of July 17, 2009, in order to strengthen the competitiveness in stainless steel business, the Company has entered into the contract to acquire 65.1% of Taihan ST Co., Ltd.'s share (interest after acquisition: 85%) for approximately ₩ 60,000 million with Taihan Electric Wire Co., Ltd.

(c) Discontinuance of certain operations

POSDATA Co., Ltd., one of the Company's subsidiaries, made a decision to discontinue the FLYVO and convergence operation in accordance with a resolution of Board of Directors dated July 3, 2009. Total assets and total liabilities of these operations as of June 30, 2009 are ₩ 10,494 million, ₩ 2,302 million and operating loss of the operations for the six-month period ended June 30, 2009 are ₩ 82,273 million.