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posco



Annual Report 2009

Annual Report 2009

True

Through and Through

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True

Through

POSCO is becoming a **True** leader in the industry... **Through** our vision of the future as a top global company, creating another success story for shareholders, customers, and society... **and Through** the growth engines of leadership in steel and high value materials, expanded global operations, synergy among POSCO Family companies, and new green businesses.

Through and POSCO

Financial Highlights

POSCO in 2009 continued making steps forward into the POSCO 3.0 era. In spite of the economic challenges, we continued to fulfill Vision 2018, the bold plan launched in 2008 as our roadmap to global leadership. Last year we achieved historic cost savings of KRW 1.36 trillion. We increased our domestic market share in carbon steel from 44% to 47% and boosted our export ratio from 29% to 35%. We invested KRW 4.9 trillion in capacity expansion at home and abroad, raw materials mine development, group synergy, and our green growth business. Our consolidated assets grew to KRW 50.3 trillion and our stock outperformed both KOSPI and our peers. We will continue to strengthen our steel-making business, along with identifying new growth engines. The New POSCO is attaining growth and profits through stability and sustainability, remaining dedicated to protecting our planet and using natural resources with intelligence and respect. By initiating the POSCO 3.0 era, we are coming ever closer to achieving our Vision 2018 of POSCO group sales of KRW 100 trillion.

Steel

POSCO produces a diversified portfolio of high-grade steel products at production facilities around the world. POSCO Specialty Steel manufactures high-quality steel for industrial products. POSCO Coated & Color Steel produces galvanized, aluminized, and color steel sheets. At POSCO China Stainless Steel in China, we produce stainless steel in an integrated production system. By developing plants in key markets, including an integrated steel mill in India, a cold-rolled plant in Vietnam, a continuous galvanizing line in Mexico, and an API pipe plant in the U. S., we continue to extend our global reach.

E&C

POSCO E&C is an award-winning global contracting enterprise. With expertise in building infrastructure, the company is rapidly expanding in Africa, Vietnam, India, and Chile. On its 15th anniversary, POSCO E&C announced "Think Forward," our vision of becoming a Global Top 20 E&C company by 2018 through new opportunities, increased earnings capacity, and a strong global infrastructure. We will also continue to look for synergistic opportunities within POSCO's widening worldwide businesses.

Energy

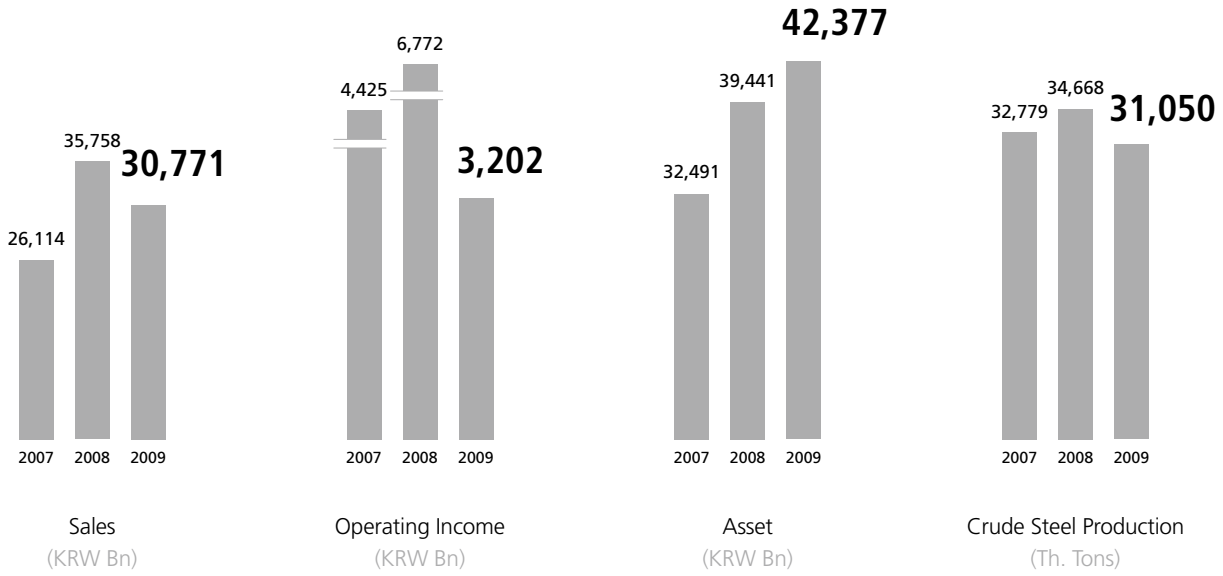
Since 2006, when POSCO acquired POSCO Energy in Korea, we have focused on the energy business as a key new growth engine. We are actively identifying opportunities for power, natural gas, overseas resources, fuel cell generation, and renewable energy projects, pursuing energy businesses that help reduce CO₂ emissions. Our engineers are building the foundation for POSCO's future by developing projects that generate new and viable energy solutions.

IT

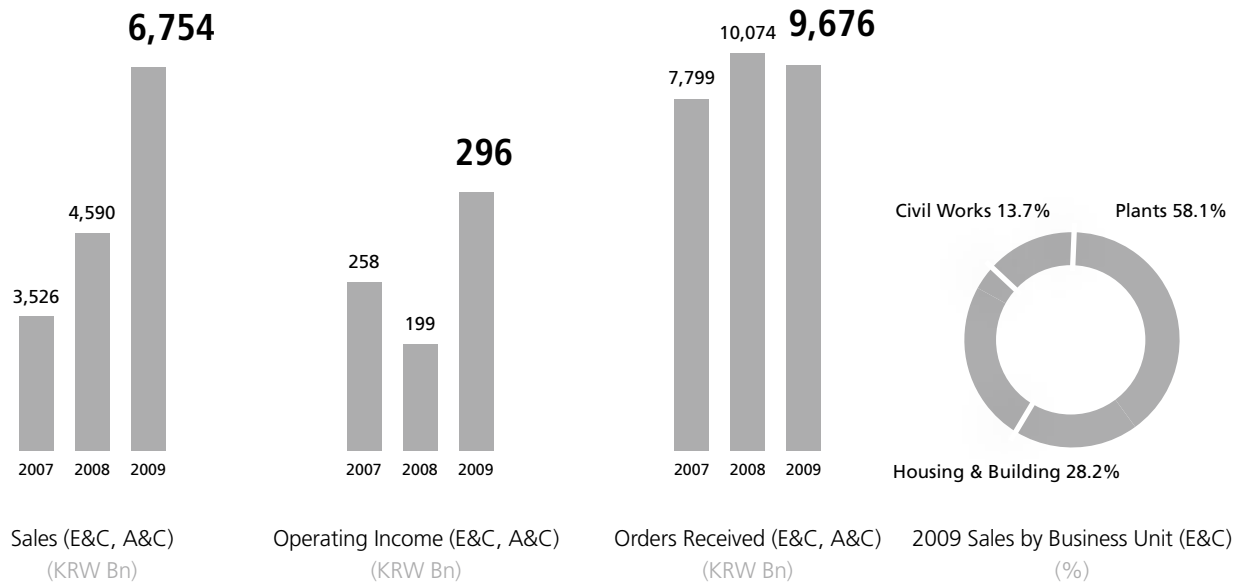
POSDATA, an IT service provider that has been spearheading the ubiquitous computing era in Korea, and POSCON, a pioneer in automation technology, have been combined and reborn as POSCO ICT. Through this approach to converging Engineering and IT, POSCO ICT offers services in the engineering, automation, systems integration, and IT outsourcing areas, in which both companies have developed competitive advantages over 30 years. We will also pave the way for new growth in green businesses like Smart Grid and U-Eco City projects and will play a leading role in promoting green growth.

Financial Highlights

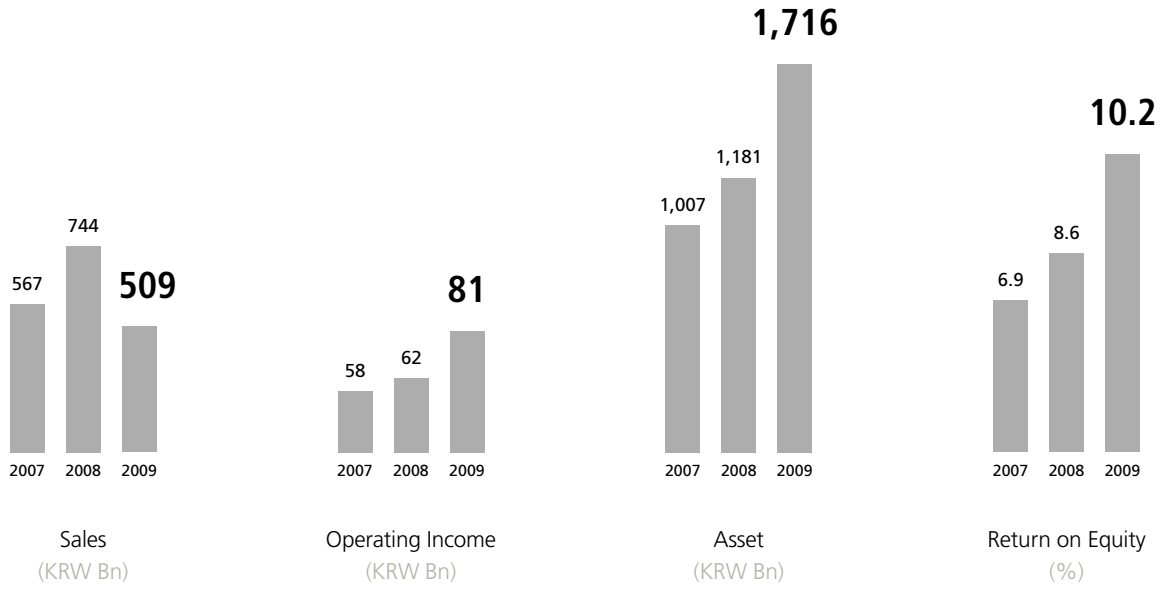
Steel



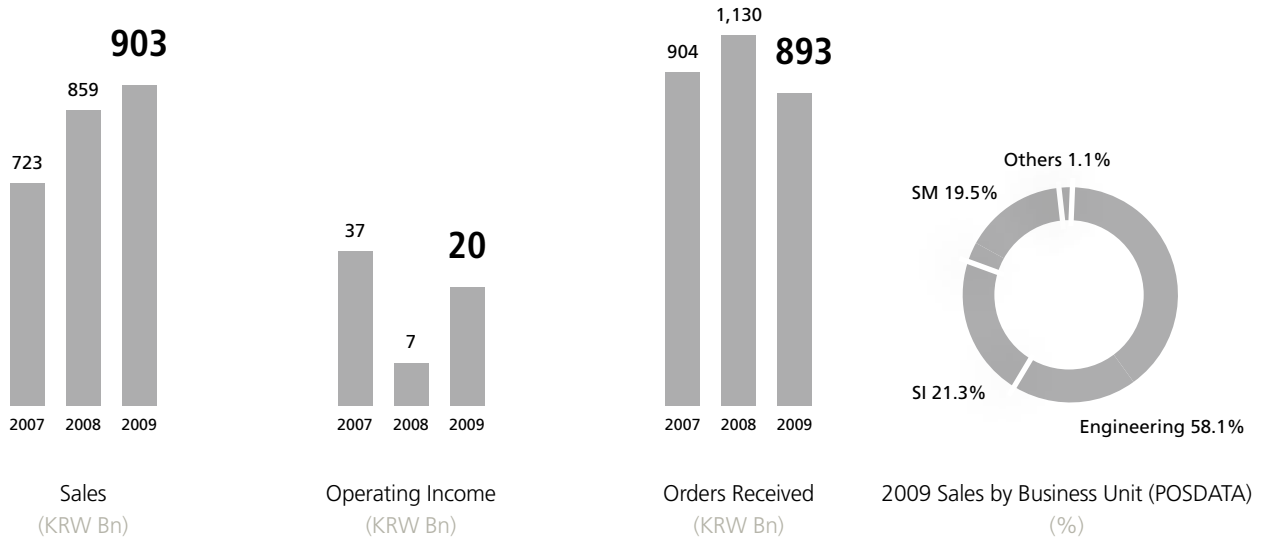
E&C



Energy



IT





CEO's Letter

Dear Shareholders and Customers,

In 2009, we faced the toughest challenges since our foundation. As the financial crisis turned into a global recession, not only POSCO, but virtually all businesses suffered worsening financial conditions. However, I can proudly say that POSCO once again demonstrated its strength as a leader who can remain glowing even amidst crisis.

In the first quarter of 2009, we had to cut production for the first time in our history. This was very distressing, but our determination never faltered. We set out to overcome the stresses of the recession, drawing on our inherited legacy to become stronger when faced with challenges.

Nevertheless, being a leading global company, it would not be prudent to worry only about survival. Once again, we learned that the only way to survive and excel in this unpredictable market is to shape the future ourselves. Therefore, we focused more on exploring the opportunities that will emerge when this crisis is over rather than on simply enduring the current predicament.

I became Chief Executive Officer last year in the midst of the crisis. At the time, our cost-cutting activities and group-level emergency management system were being well planned and flawlessly executed. But we needed something more. We thus put ourselves in a new, post-crisis business paradigm and set forth "POSCO 3.0 Initiatives." We defined three frameworks for our organization: Business Evolution, Market Expansion, and Operations Innovation. We then laid roadmaps for each of the three frameworks.

POSCO 3.0 Initiatives will let us achieve the objectives of "Vision 2018" more rapidly for POSCO's 50th anniversary. This is because I believe in the ability of POSCO people. It is imprinted in our DNA, that once our direction is set and goal is shared, we complete our mission successfully, always.

Overcoming the Crisis, Investing for Growth

Achieved an 11.7 percent operating profit margin as sales and net profit decreased

In 2009, POSCO produced 31.1 million tons of crude steel and sold 31.2 million tons of finished products. Sales decreased about 10 percent compared to the previous year (consolidated). Our sales, operating profit, and net profit amounted to KRW 37 trillion won, KRW 3.9 trillion, and KRW 3.1 trillion, respectively (consolidated). Even though POSCO's production, sales, and earnings results were affected by the global economic recession, our overall performance was far better than competitors, with an operating profit margin of 11.7 percent.

Our assets increased by 7.1 percent over 2008 to KRW 50.3 trillion, with continued return on investment and increased investment in steel (consolidated). Total liabilities grew a small amount with the increase in loans to subsidiaries like POSCO Power, but our debt-to-equity ratio decreased by 59 percent, making for a sounder financial structure (consolidated). It was estimated that EBITDA, which was used as proxy for cash flow, amounted to KRW 5.2 trillion.

Ran enterprise-wide emergency management system and strengthened our ability to respond to a crisis

To deal effectively with the global economic crisis, POSCO centralized the management of raw materials, production, sales, and accounting, and operated an emergency management system to improve cooperation among our value chains.

In addition, we strengthened our ability to deliver profits in a recession with a cost reduction of KRW 1.36 trillion, the largest in our history. We also solidified our market base at home and abroad with proactive activities to expand customer service domestically and attract new customers overseas. As a result, our market share in Korea increased to 47 percent from 44 percent the prior year.

With these efforts, POSCO achieved far better sales performance compared to global competitors, such as A-Mittal and NSC, and was judged to be the world's fastest recovering global steelmaker.

Continued to invest for growth in Korea to make another jump forward after the crisis

POSCO continued to invest in the Korean market to be able to jump ahead coming out of the recession and lay a foundation for long-term growth. We invested in facilities expansion in line with our plan to produce 40 million tons of crude steel by 2012. We successfully opened No.4 Blast Furnace in Gwangyang and continued construction of the New Steel Making Plant in Pohang and a Plate Plant in Gwangyang, to be completed on schedule by the end of this year.

In addition, we increased our capacity for high-end electrical steel sheets and upgraded our facilities, including Hi-mill electric furnaces, in order to expand our production of strategic high value-added products. POSCO also acquired Taihan ST from Taihan Electronic Wire with the aim to increase our competitiveness in both stainless and cold rolled steel. In raw materials, we established POS-HiMETAL, a joint-venture with Dongbu Metal, to produce ultra pure Fe-Mn, an essential ingredient for high-end steel.

Increased overseas investments for global growth

POSCO has increased overseas investments to lay the foundation for further global growth. The integrated steel mill project in India has made noticeable progress, with the Indian government lifting forest zone restrictions on the factory site. POSCO also plans to construct an integrated steel mill in Indonesia, which has abundant natural resources and enormous market potential. We signed an MOA with Indonesia's Krakatau Steel to build a joint-venture integrated steel mill, which will ultimately produce 6 million tons of crude steel, starting with 3 million tons in the first phase.

POSCO also expanded downstream areas in countries where high-end steel demand is on the rise. For

True Through

example, we constructed a cold-rolled steel plant in Vietnam, a Continuous Galvanizing Line in Mexico for automotive sheets, and an API pipe plant in the U.S.

In addition, we increased our investment in raw materials. We're participating in a project to develop an iron ore mine in Roy Hill, Australia, and recently signed a cooperative agreement to acquire 15 percent of the project's shares. We also acquired shares in Jupiter Mines, an Australian mine developer, and are taking part in a coal mine development in Mozambique.

Expanded our foundation for green growth and future growth engines

As a leader in the effort to alleviate climate change, POSCO strengthened green management and invested in laying a foundation for future green growth engines.

The company established the Green Growth Committee at the POSCO Group level, consisting of members from business, academia, and research institutes. Their job is to work out a master plan to respond proactively to stronger environmental regulations. Under this master plan, we will invest KRW 7 trillion over the next decade in new growth engines, including low-carbon steelmaking technology and new sources of renewable energy. Furthermore, we have carried out many environment-friendly projects, including the construction of an RHF plant to reuse steelmaking byproducts.

To lay a foundation for growth as a comprehensive materials company focused on steel, POSCO is expanding for the future by investing in a joint-venture titanium slab plant in Kazakhstan and by signing an MOU to invest in a magnesium smelting plant.

Transformed our subsidiaries to create a complete business portfolio

POSCO's subsidiaries have increased their core business capacities as we move to develop a complete business portfolio at the group level. POSCO Specialty Steel increased sales of carbon alloy steel for import substitution and POSCO C&C developed a total of 12 high-performing, high value-added products last year.

POSCO E&C reported KRW 6.7 trillion in sales, the largest in our history, engaging in large-scale construction projects like the Songdo Art Center. POSCO Power is in the process of generating an additional 1,200 megawatts in the first phase of increasing our LNG power generating capacity, and launched a fuel cell business by agreeing to acquire stack manufacturing technology from FCF in the U.S. POSCO ICT, consisting of POSCON and POSDATA, will reorganize to offer new business models for engineering, automation, and IT services in the age of IT convergence.

Changes in the Business Landscape

As expectations for a global economic recovery have increased since the end of last year, global steel production has risen and steel prices have steadily recovered in major regions, including China, the U.S., and Europe. It is difficult, however, to be optimistic about the business landscape following last year's worst-ever economic recession.

Fortunately, major organizations, such as the World Steel Association and the WSD, forecast that global steel demand in 2010 will increase 10 percent over the prior year to 1.2 billion tons, equal to the 2008 figure. This growth will come from an end to inventory destocking and the recovery of steel-consuming industries. In addition, since China has adopted a strong economic stimulus policy and continues to invest in infrastructure, demand for steel will be solidly maintained.

But oversupply is still a structural problem in the steel industry both in China and the rest of the world. We therefore cannot afford to ignore the efforts of competing mills and the overall flow of the supply chain,

including upstream raw materials markets and downstream consuming industries.

As major Korean steelmakers such as Hyundai Steel, Dongbu Steel, and Dongkuk Steel begin to operate new facilities this year, steel production is expected to increase more than 12 percent over the previous year, intensifying domestic competition. In addition, the rising price of iron ores and coking coal, as well as pricing system negotiations, will be difficult business challenges.

Pursuing the New Initiatives

Starting this year, we will implement the POSCO 3.0 Initiatives to help us grow as a comprehensive materials company focused on steel, developing future growth engines, expanding onto the global stage, and innovating our operations.

Our management plans this year include a “management for survival” initiative to be ready for the possibility of a long-term recession, and at the same time an “aggressive management” initiative to seize business opportunities. We believe these efforts will strengthen our core competitiveness and lay the foundation for long-term growth.

Reinforcing our market strength and reducing costs

POSCO has a stretch target of producing 34 million tons of crude steel and selling 32 million tons of finished products by solidifying our market positions at home and abroad.

We will successfully complete the construction of new facilities such as New Steel Making Plant in Pohang and Gwangyang Plate Plant in the second half of this year and start operating them as soon as possible. We will strengthen our strategic customer relationships through differentiating marketing activities such as the POSCO Partner Program and we will increase the number of overseas SCM bases to 48, further reinforcing our export foundation.

In addition, we will continue to reduce costs by more than KRW one trillion this year, as we have done each year over the past four years. Even though it becomes more difficult to uncover new ways to cut expenses, we have set a challenging goal to reduce costs by KRW 1.15 trillion, while expanding the number of areas that will contribute.

Maximizing our value with technological leadership and stable materials procurement

Today, operational leadership is not enough to create a competitive advantage in our industry. As added value swiftly moves into proprietary technology and downstream areas, technological prowess and stable materials procurement become key to competitiveness.

POSCO therefore intends to further our technological leadership by increasing R&D investment to a record KRW 500 billion. We plan to promote the development and sales of “World Best” and “World First” products, which are also far more profitable. We will increase sales of these products to 3.9 million tons, 1 million tons higher than the prior year. Additionally, we plan to develop more than 160 “Breakthrough for low-cost · high-quality” technologies. These will creatively solve technological problems and contribute to lower-cost, higher-quality production systems. We will also use FINEX, POSCO’s innovative steelmaking technology, to implement our global growth strategy.

Finally, we will continue to invest in mining to secure our access to raw materials. We are committed to achieving a self-sufficiency rate of 30 percent by 2012 through early-stage mine development and joint-venture investments with mid-sized suppliers.

Investing in long-term growth and increased synergy among POSCO companies

To lay the basis for global growth, we will finish land acquisition and begin construction of our integrated steel mill in India, while stepping up our efforts to secure rights to explore mines. In September we also will start construction of a Continuous Galvanizing Line in India to meet their rapidly rising demand for automotive steel. We will also establish a joint venture to build an integrated steel mill in Indonesia and begin construction as soon as possible. To respond to a changing industrial landscape, we are striving to become a comprehensive materials company, actively exploring new business opportunities, while solidifying our steel business.

In this process, our subsidiary companies will play an important role in completing the POSCO Group's portfolio of businesses. We will help POSCO subsidiaries contribute to creating a POSCO Family management system. We will grow along with our subsidiaries by adopting a win-win strategy and encouraging cooperation. We will help our Engineering & Construction, Energy, and ICT subsidiaries evolve into the future, facilitating growth and synergy at the group level.

As CEO, I am fully committed to open communication and a trust-based corporate culture to successfully direct these activities. POSCO's management and executives will set the example for self-dedication and taking the initiative to make POSCO a respected company not just in Korea but throughout the world.

Looking Ahead

Like the recent series of earthquakes, there have been rapid changes in the global economy. These threaten the very survival of businesses, as even global companies with over 100 years of history are faltering in the face of competitive changes.

Peter Drucker says, "The best way to predict the future is to create it." With the POSCO 3.0 Initiatives, we demonstrate the will, wisdom, and vision to respond to today's business landscape, where markets are fluctuating and time-proven paradigms are readily replaced with new ones. The POSCO 3.0 Initiatives will also hasten our way to achieving "Vision 2018", which sets a goal of KRW 100 trillion of sales for POSCO's 50th anniversary.

POSCO people and the POSCO Family of subsidiaries are now well aware of what we have to do to achieve this vision—Business Evolution. We all know where we need to go—Market Expansion. We all know how to innovate our work—Operations Innovation. As you have done thus far, I know you will continue to give support and encouragement to POSCO's people in this process of implementing the POSCO 3.0 Initiatives.

Finally, I promise to fulfill my duty with a strong will to never be daunted by any obstacles and to live up to the expectations and trust of our highly valued and respected shareholders, customers, and society.

Thank you.



Joon-Yang Chung
Chief Executive Officer


and Through

Board of Directors



Charles Ahn

- Presiding Director of the Board of Directors
- Evaluation and Compensation Committee



Wook Sun

- Audit Committee
- Related Party Transactions Committee




Sang-Yong Park

- Chairman of the Audit Committee
- Chairman of the Related Party Transactions Committee



Jang-Hee Yoo

- Chairman of the Finance and Operation Committee
- Evaluation and Compensation Committee



Joon-Ho Han

- Chairman of the Director Candidate Recommendation Committee
- Finance and Operation Committee



Young-Sun Lee

- Chairman of the Evaluation and Compensation Committee
- Director Candidate Recommendation Committee



Byung-Ki Kim


- Evaluation and Compensation Committee
- Finance and Operation Committee



Chang-Hee Lee

- Director Candidate Recommendation Committee
- Audit Committee
- Related Party Transactions Committee

POSCO is continuously working to ensure the independence of its Board of Directors and to protect the rights of shareholders. POSCO's BOD consists of eight independent outside directors and five inside directors.



Joon-Yang Chung
CEO, Representative Director
- Chairman of the Executive Management Committee



Jong-Tae Choi
President, Representative Director
- Chief Financial & Planning Officer
- Human Resources and Innovation Department
- Department of External Affairs
- Global POSCO Family Mega Y Owner
- Finance and Operation Committee
- Executive Management Committee



Han-Yong Park
Senior Executive Vice President
- Chief Staff Officer
- Director Candidate Recommendation Committee
- Executive Management Committee



Chang-Kwan Oh
Senior Executive Vice President
- Head of Stainless Steel Business Division
- Overseas STS Companies
- Executive Management Committee



Jin-II Kim
Senior Executive Vice President
- Head of Carbon Steel Business Division
- Finance and Operation Committee
- Executive Management Committee

Establishing a model for transparent corporate governance

POSCO is proud to be recognized both domestically and internationally as an outstanding model of transparent governance. Based on our Corporate Governance Charter, which sets forth the vision and principles of our governance structure, we can continue to ensure the Board of Directors' independence and the protection of shareholders' rights.

To establish the independence of board members, our Board of Directors consists of eight independent outside directors and five inside directors. Outside directors may be chairs or members of our special committees, putting them at the center of our management focus. Moreover, outside directors may convene meetings in the absence of corporate executives, which further enhances their independence.

On behalf of our shareholders, we have instituted cumulative and write-in voting systems, while the Related Party Transactions Committee ensures full transparency in our dealings with affiliated companies and individuals.

Shareholders approved the separation of the positions of Chief Executive Officer and Presiding Director of the Board in 2006 to strengthen the independence of the Board. In 2007, they voted to add an article about the composition and operation of the CEO Candidate Recommendation Committee in order to further ensure the independent election of a qualified Chief Executive Officer. Such initiatives and policies have earned POSCO recognition as a model of transparent governance.

In 2009, we reduced the number of directors to 13 from 15 for more effective board management. Going from nine outside directors and six inside directors to eight outside directors and five inside directors also elevated the ratio of outside directors from 60% to 62%.

Because of these transparent management practices, the company was awarded "Best Company in Corporate Governance" from the Corporate Governance Service, the

most respected domestic organization in its field. POSCO won this award three years in a row from 2006 to 2008, along with other citations for excellent governance.

The Board convened seven times during 2009 with a 97.1% attendance rate. At these meetings, directors held in-depth discussions about issues critical to the globalization and sustainable growth of the company. In 2009, the Board deliberated on many subjects, including the business plan for Fiscal Year 2010; the new joint venture integrated steel mill in Indonesia; the development of our synthetic natural gas business; the restructuring of the POSCO's subsidiaries; the contribution to the POSCO Smile Microbank; and our year-end donations to needy neighbors.

Board of Directors Activities

POSCO 2009 Board Practices

Director Candidate Recommendation Committee

2009 Meetings: 7

Agenda: Evaluation and recommendation of outside director candidates; evaluation of inside director candidates; development of the CEO succession system.

Evaluation and Compensation Committee

2009 Meetings: 3

Agenda: Evaluation of POSCO's overall financial performance for Fiscal Year 2009.

Finance and Operation Committee

2009 Meetings: 7

Agenda: Deliberation and approval of: sale of stock in Korea Lines; the blast-furnace slag powder business plan; the titanium slab business plan.

Executive Management Committee

2009 Meetings: 9

Agenda: Deliberated on topics including: increasing capital for POSCO-America; acquiring Taihan ST; constructing the new Gwangyang CEM (Compact Endless Casting & Rolling Mill); launching a processing center in Yantai, China; extending the poStrip rolling mill.

Audit Committee

2009 Meetings: 7

Agenda: Deliberated on the results of the Fiscal Year 2009 annual audit and evaluated the Audit Committee's performance in Fiscal Year 2009.

Related Party Transactions Committee

2009 Meetings: 6

Agenda: Deliberation and approval of the contribution to the in-house welfare fund and the POSCO TJ Park Foundation.

Committees

Director Candidate Recommendation Committee

Joon-Ho Han, Chair

Young-Sun Lee / Chang-Hee Lee / Han-Yong Park

Evaluation and Compensation Committee

Young-Sun Lee, Chair

Charles Ahn / Jang-Hee Yoo / Byung-Ki Kim

Finance and Operation Committee

Jang-Hee Yoo, Chair

Joon-Ho Han / Byung-Ki Kim / Jong-Tae Choi / Jin-Il Kim

Executive Management Committee

Joon-Yang Chung, Chair

Jong-Tae Choi / Han-Yong Park / Chang-Kwan Oh / Jin-Il Kim

Audit Committee

Sang-Yong Park, Chair

Wook Sun / Chang-Hee Lee

Related Party Transactions Committee

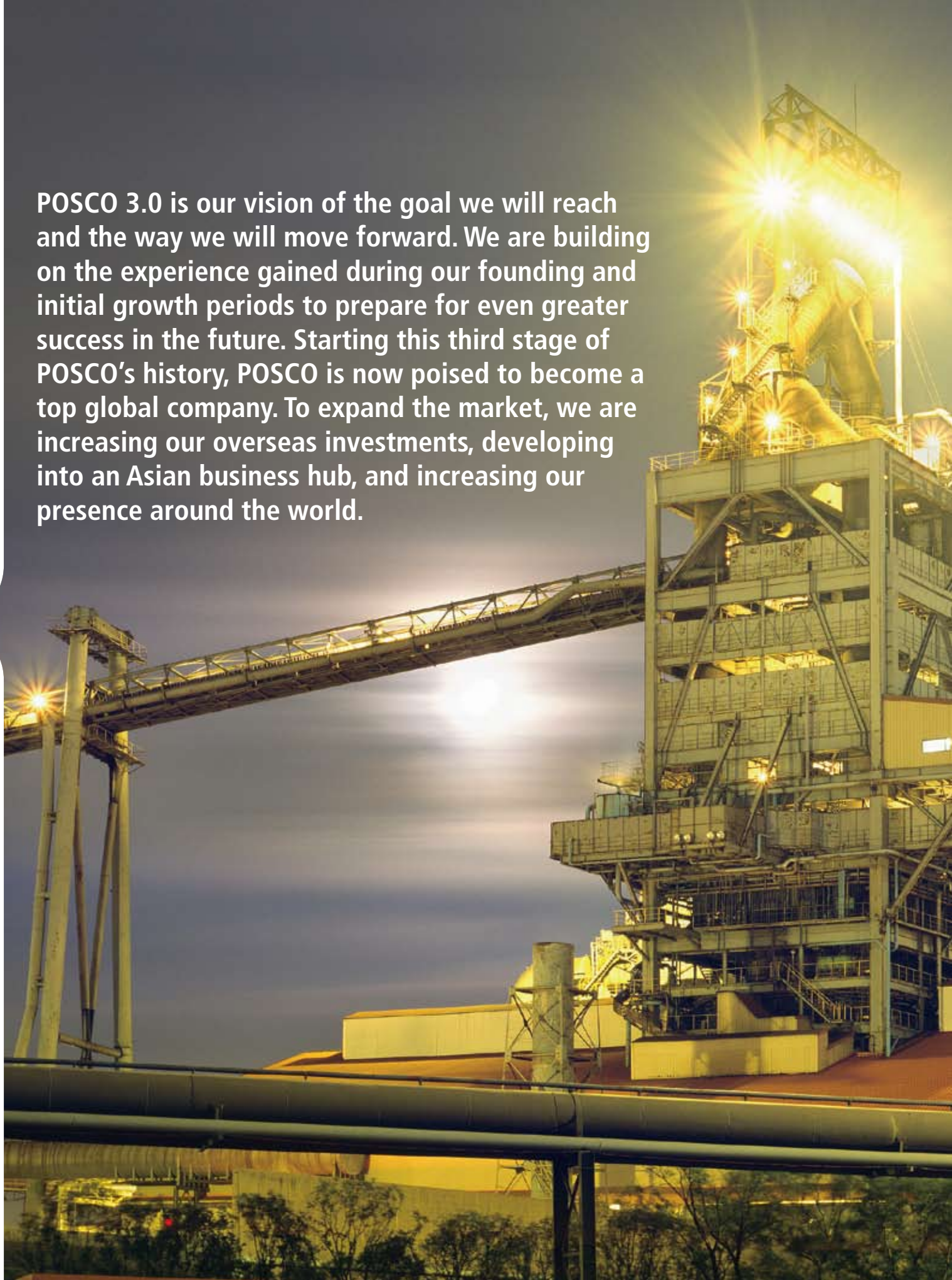
Sang-Yong Park, Chair

Wook Sun / Chang-Hee Lee

Through

Vision

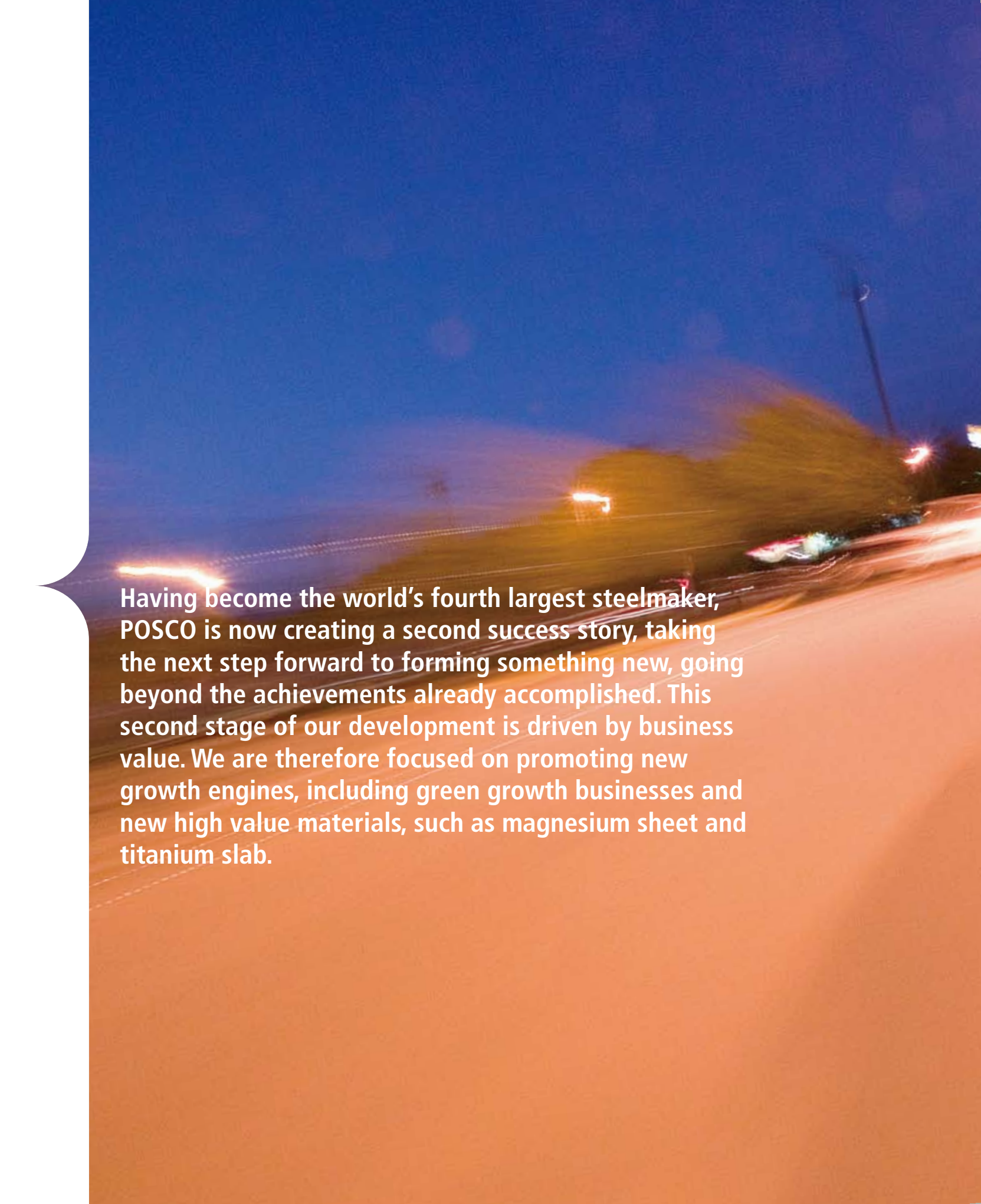
POSCO 3.0 is our vision of the goal we will reach and the way we will move forward. We are building on the experience gained during our founding and initial growth periods to prepare for even greater success in the future. Starting this third stage of POSCO's history, POSCO is now poised to become a top global company. To expand the market, we are increasing our overseas investments, developing into an Asian business hub, and increasing our presence around the world.





POSCO 3.0

3



Having become the world's fourth largest steelmaker, POSCO is now creating a second success story, taking the next step forward to forming something new, going beyond the achievements already accomplished. This second stage of our development is driven by business value. We are therefore focused on promoting new growth engines, including green growth businesses and new high value materials, such as magnesium sheet and titanium slab.



2nd Success Story

2

POSCO is striving to be a true No.1 company—a competitive leader in shareholder value, customer value, and socially responsible sustainable management. We've accelerated our global investments, from India to Brazil. We're leading the way in eco-friendly technologies, as we develop low-carbon steelmaking, bring our FINEX technology to more projects, and explore renewable energy. We're strengthening our position in our core business, while encouraging synergies by linking group businesses. Throughout, our focus is three-fold: shareholders, customers, society.



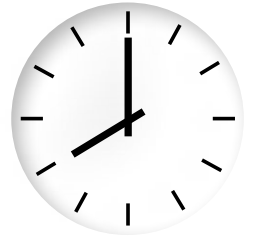
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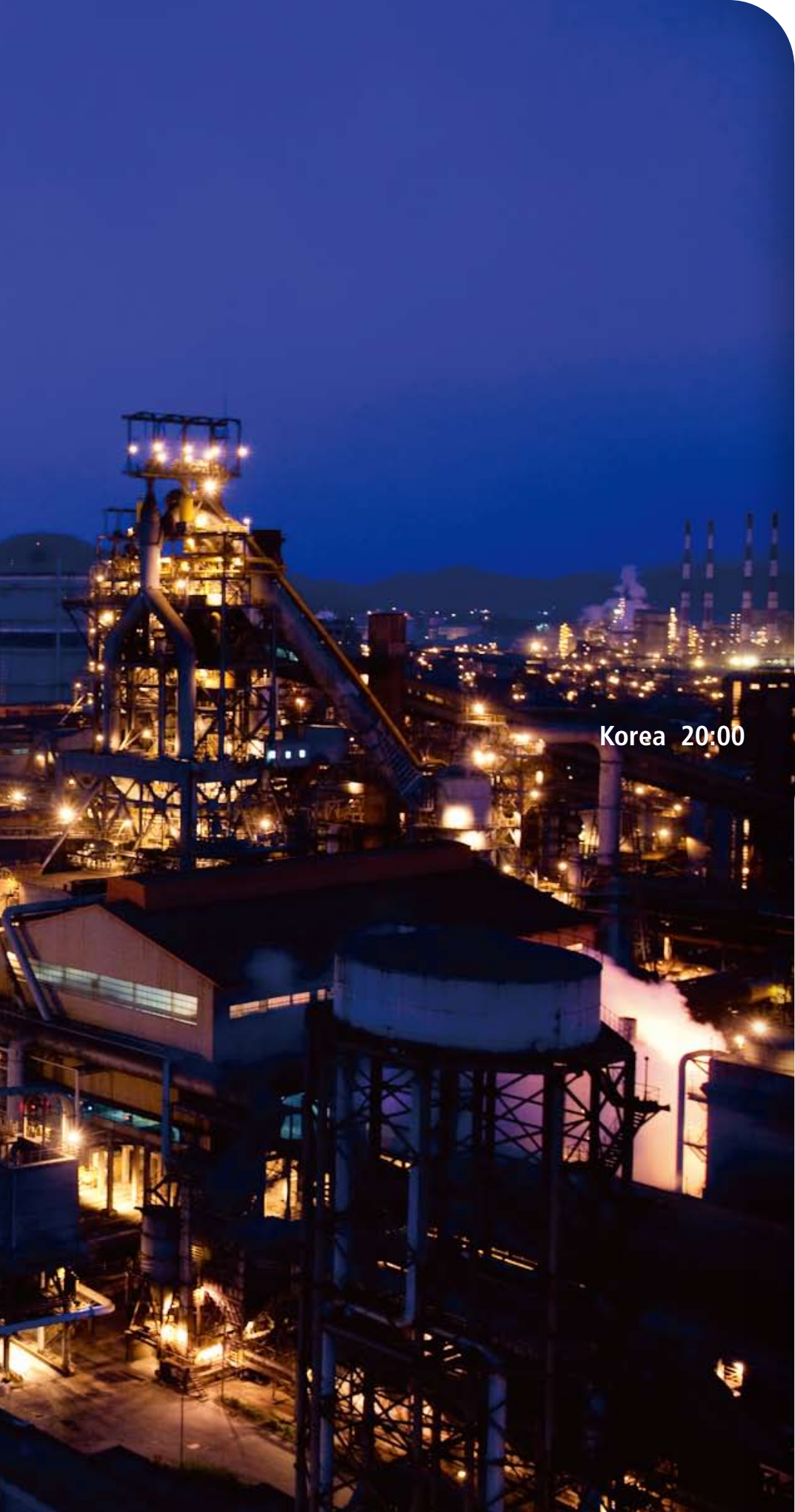
Through

Growth



POSCO strengthened its position as a trusted leader in the steel industry, upgrading the No.4 Blast Furnace in Gwangyang to 5,500 cubic meters capacity, producing 5.0 million tons of crude steel per year. It is the world's largest blast furnace. We are now also constructing a new steel making plant in Pohang and a plate plant in Gwangyang. Domestically, our capacity will be 40 million tons by 2012 and we are also very active with overseas investments to expand our global capacity. In addition, we have continued our investments in mining for raw materials to assure our competitive position far into the future.



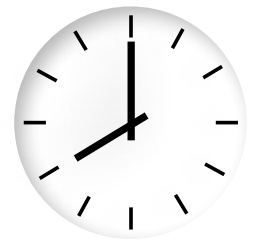


Korea 20:00

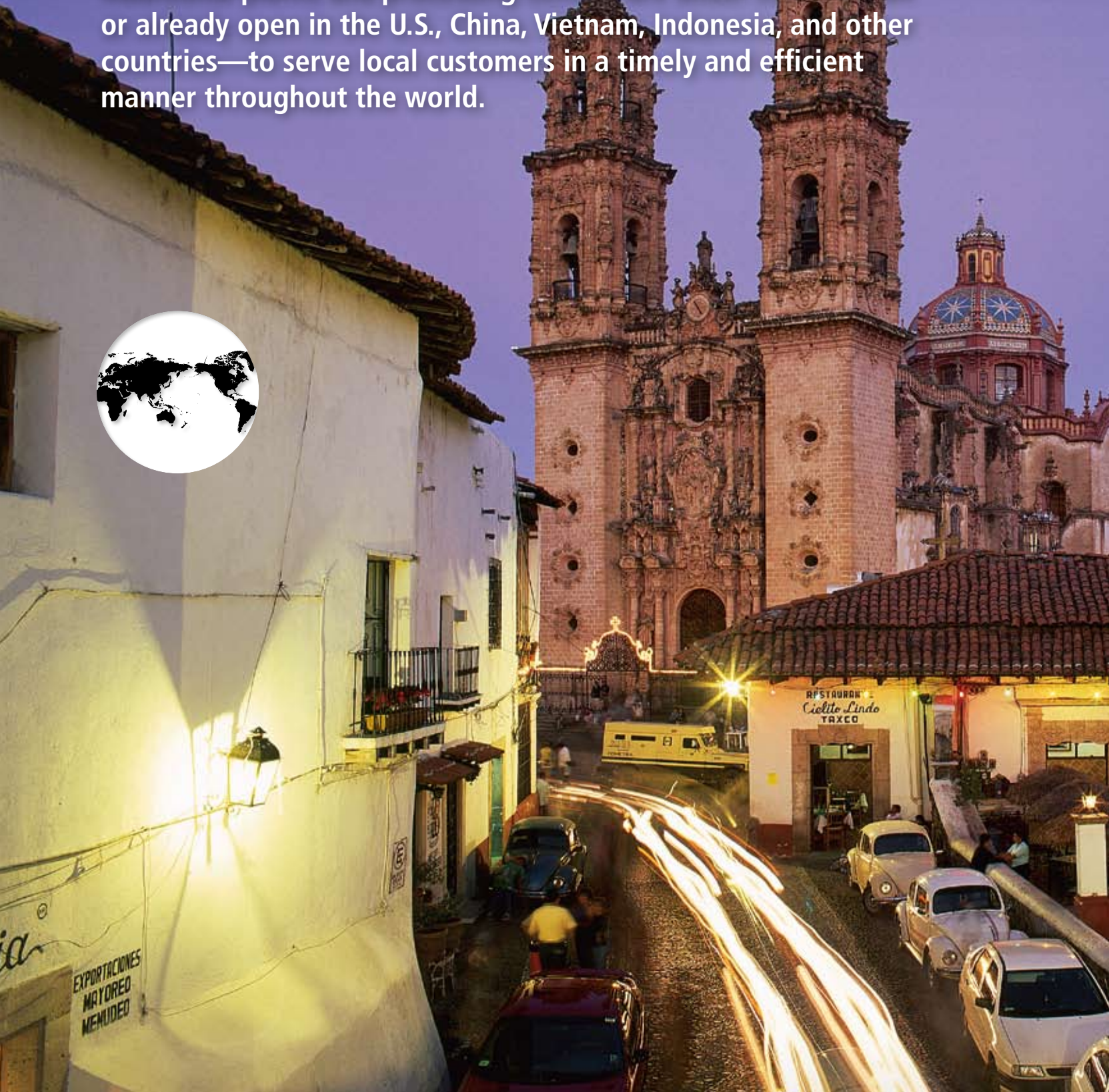
5.0

million tons

With the world's largest blast furnace in its Gwangyang plant, POSCO is the world's first steel producer able to produce 5.0 million tons of crude steel through a single blast furnace. It will lay the foundation for a new take-off of POSCO.



POSCO enhanced global operations by expanding its production and processing centers around the world. Last year, we completed the Mexico Continuous Galvanizing Line, which produces 400 thousand tons of automotive steel annually. Additional plants and processing centers are under construction or already open in the U.S., China, Vietnam, Indonesia, and other countries—to serve local customers in a timely and efficient manner throughout the world.

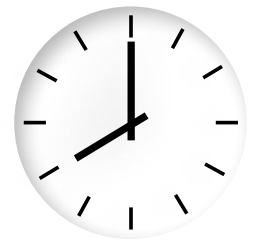


400

thousand tons

POSCO has gained a foothold in Central America's automotive industry with the completion in Mexico of its CGL with an annual capacity of 400,000 tons. The facility is located near Altamira in the Tamaulipas State, an emerging center for the region's automobile production.

Mexico 05:00



POSCO Group companies can truly deliver the synergistic performance needed to make us a comprehensive materials producer. Our Suncheon Plant puts out 3,000 tons of magnesium sheets a year and a Kazakhstan titanium slab plant JV will make us the 4th integrated titanium producer in the world. At the same time, our E&C, Energy, and ICT subsidiaries are already working together on increasing POSCO group synergy.



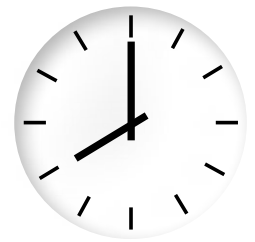


Kazakhstan 17:00

4th

integrated titanium producer

With this joint project, POSCO has made Korea the fourth country in the world with its own integrated titanium slab plant, joining Japan, Russia, and the U.S. This will reduce the need for imported titanium, strengthening our domestic competitiveness by reducing delivery time and stabilizing prices.





POSCO continues as the true industry leader in sustainable management, purchasing 20,000 hectares of forest in Uruguay to obtain up to 200,000 tons of carbon dioxide CERs* a year. Our next-generation FINEX process replaces blast furnaces, using less coal and reducing emissions by 81% for SO_x, 90% for NO_x, and 48% for dust. POSCO was also designated a model enterprise for low-carbon management by the Korean Commission of the CDP**

· *CERs: Certified Emission Reductions **CDP: Carbon Disclosure Project

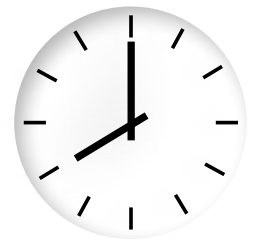


Uruguay 08:00

200

thousand tons

POSCO's Eurotaly SA subsidiary in Uruguay will obtain up to 200,000 tons of carbon dioxide CERs per year. This is being earned through the purchase of 20,000 hectares of land for afforestation to secure carbon credits under the United Nations Framework Convention on Climate Change.

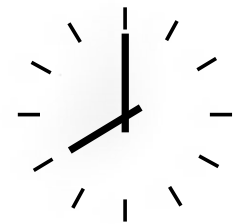




Opened in September 2009, Poreka is the icon of POSCO's creative management. Our CEO has emphasized creative management since his inauguration. His saying, "Creativity comes from insight, and insight comes from observation." is now engraved on a plate at the entrance to Poreka.



POSCO's Creative Plaza





Fun,





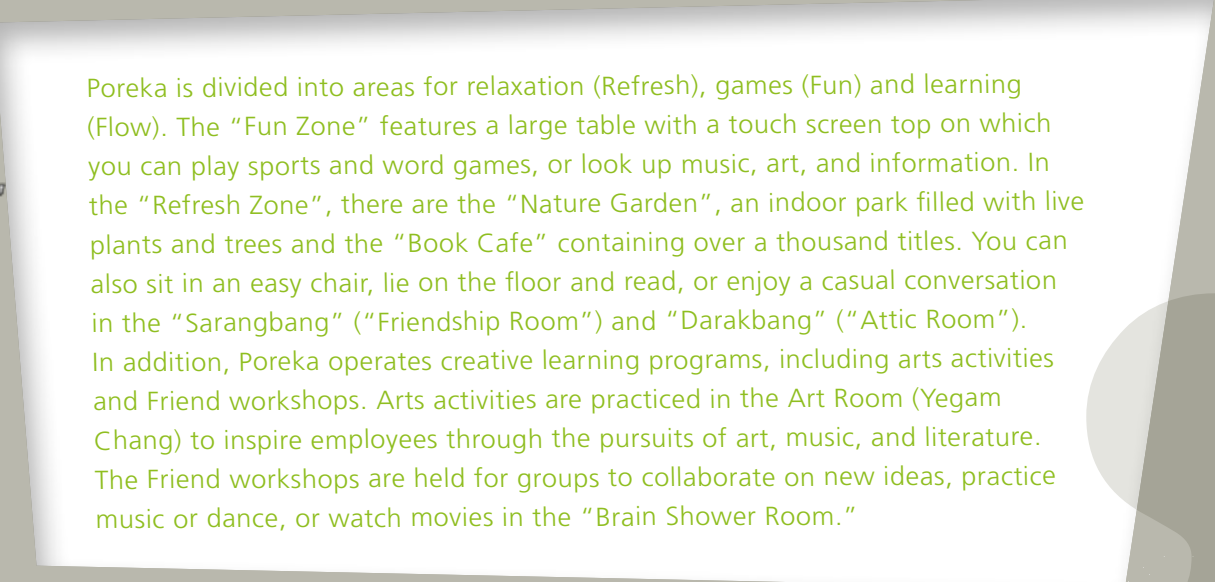
Refresh, and Flow



What does Poreka mean?

Poreka is a word we made up by combining "POSCO" and "Eureka"--meaning "I have found it!"—the exclamation made by the ancient scholar Archimedes.





Poreka is divided into areas for relaxation (Refresh), games (Fun) and learning (Flow). The "Fun Zone" features a large table with a touch screen top on which you can play sports and word games, or look up music, art, and information. In the "Refresh Zone", there are the "Nature Garden", an indoor park filled with live plants and trees and the "Book Cafe" containing over a thousand titles. You can also sit in an easy chair, lie on the floor and read, or enjoy a casual conversation in the "Sarangbang" ("Friendship Room") and "Darakbang" ("Attic Room"). In addition, Poreka operates creative learning programs, including arts activities and Friend workshops. Arts activities are practiced in the Art Room (Yegam Chang) to inspire employees through the pursuits of art, music, and literature. The Friend workshops are held for groups to collaborate on new ideas, practice music or dance, or watch movies in the "Brain Shower Room."

Poreka Spaces and Programs



POSC





Creative Time



To encourage employees to develop their creativity, POSCO has designated “creative time” to each employee of at least four hours per month. This includes two hours of creative education programs and two hours of free time at Poreka. We’re also organizing a one-year program for all employees to freely use the space. POSCO is now cooperating with professional institutes to operate Poreka and provide special content.



Group Activities Outside Work


Poreka offers a range of programs outside work. Groups interested in classical music, calligraphy, photography, and fine arts can meet regularly at Poreka to take lessons, practice performances, or prepare exhibitions. In addition, there are group discussions to explore innovative ideas or discuss business issues.

!

Poreka

We can enjoy Poreka for relaxation and creative activities during working hours or after work. On the weekends, Poreka is open to employees' families for arts programs, concerts, magic classes, and other cultural events.

Poreka has already had a positive impact on employees, improving creativity, opening up communications, and helping people use their time more effectively. By participating in Poreka programs, employees learn how to better collaborate with one another. This results in better teamwork, which also fosters creativity and technology development.



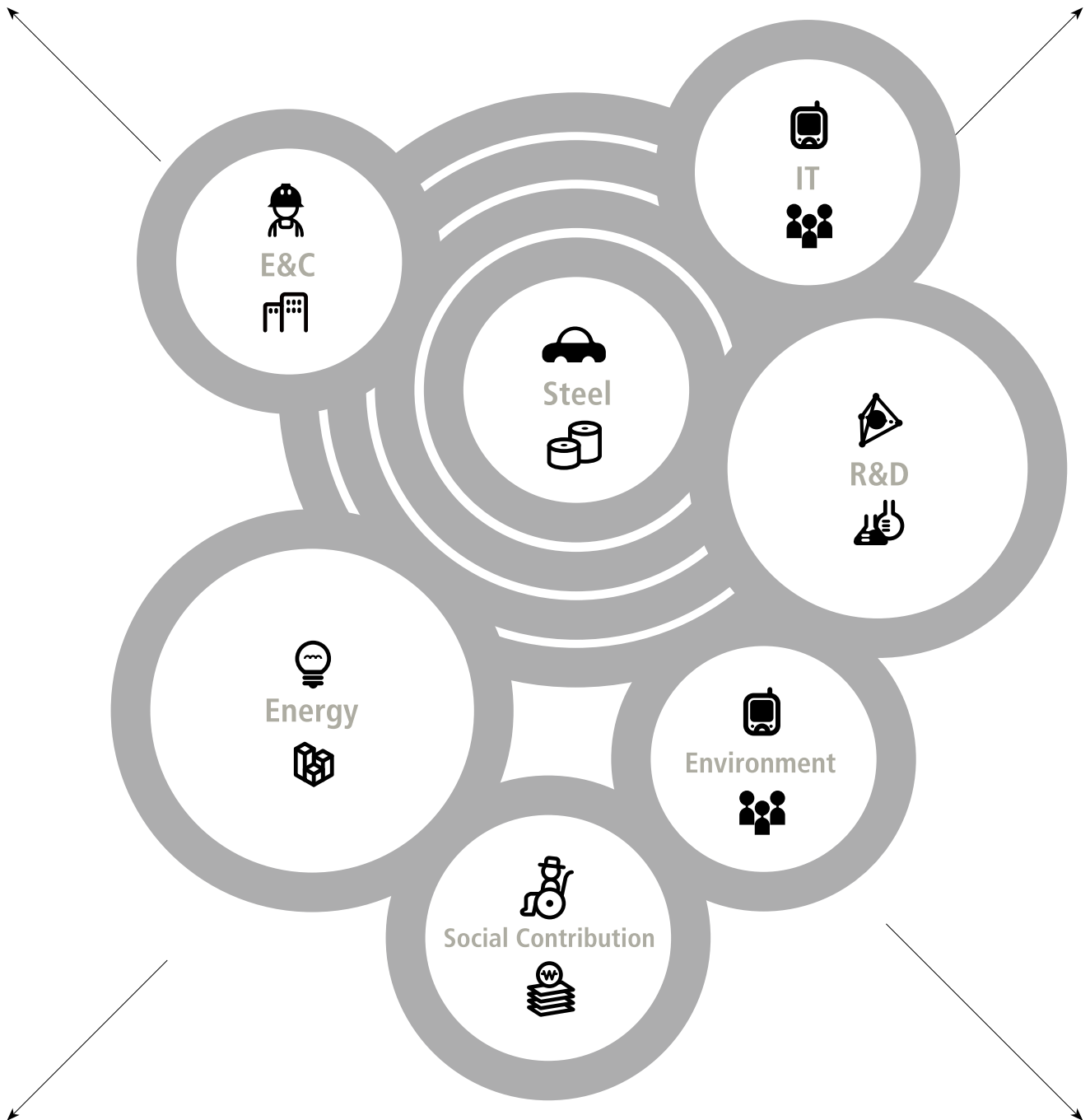
Poreka's 1,190 square meters makes it the largest such facility in Korea. It was conceived as a spacious, entertaining, and relaxing environment to cultivate creativity among employees. Poreka's unique space, with the concept of "Fun, Refresh, and Flow," encourages innovative thinking and fresh business perspectives for both individuals and groups. Poreka brings play into the workplace, giving us a creative break from their regular work experiences.

Review of

In 2009, POSCO stayed True to its goal of becoming a Top leader. Through the successful implementation of crisis management system, we overcame the global economic crisis by cutting costs and growing market share.

Through expanding capacity, securing raw materials, and leading in green technologies, we are accelerating into the POSCO 3.0 era. We are setting the stage for greater growth by focusing on our core steel business, new materials, global expansion, and synergy within our POSCO Family companies.

Operations





TRANSFORMING RECOVERY INTO LEADERSHIP

Steel



POSCO made the quickest recovery of any of its global peers. This allowed us to prepare for an even bigger worldwide role. We improved speed and efficiency by synchronizing all activities throughout the value-chain, eliminating losses and implementing vigorous cost savings. We stepped up our domestic investments to increase capacity and improve quality. We also continued our overseas growth, with upstream projects, downstream mills, the addition of SCM, and mining investments.

Aggressive cost-saving measures have resulted in total savings of

KRW 4.0 trillion

over the past four years.

1. POSCO (Carbon Steel)

Overcoming the crisis while investing for the future

In 2009, POSCO faced the challenges of a difficult economic climate.

However, in this most difficult business environment, POSCO overcame these critical conditions by implementing a 'crisis management system' on a group-wide level, pushing cost savings to the ultimate limit. The company also increased its investments at home and abroad to accelerate its momentum for growth.

As a result, we recorded the fastest recovery amongst global steelmakers, with KRW 27 trillion in revenue and KRW 3.1 trillion in operating income. Consolidated revenue totaled KRW 37 trillion, while operating income was KRW 3.9 trillion.

Strengthening our positions here and abroad

First and foremost, we further enhanced our crisis management capabilities and the ability to operate under adverse market conditions by implementing a 'crisis management system' on a group-wide level. We synchronized the management process throughout the value chain, strengthening cooperation among raw materials procurement, steel production, sales, and financial management.

We also achieved cost savings of KRW 1.4 trillion, the highest in our corporate history, by pushing these efforts to the ultimate limit. In addition, we strengthened both our domestic and overseas market positions by enhancing service for our domestic customers, while aggressively penetrating new overseas markets by adding new supply chain management at 42 SCM bases worldwide.

Along with these efforts to overcome the crisis, we continued to invest in growth opportunities both domestically and overseas, to establish a solid footing for growth once economic conditions recover. We completed the revamping of the Gwangyang #4 blast furnace and proceeded with the construction of a new steelmaking plant in Pohang and a plate plant in Gwangyang, as planned, with a target of reaching domestic capacity of



40 million tons by 2012. We have also expanded and renovated our production facilities for electrical steel, as part of our efforts to enhance our production base for premium products.

Investing in growth markets and products

We were also very active in overseas investments to expand our global presence. The India project is making visible and tangible progress, having received approval from the Indian government for forest diversion of the site in Orissa. In addition to India, we signed an MOA with Krakatau Steel to jointly construct an integrated steel mill in Indonesia, which is a high growth potential market with abundant resources. We also made investments to expand in downstream facilities, especially in the Asian and American markets where we expect demand for premium products to increase. This includes the completion of our Vietnam Cold Rolling Mill with an annual capacity 1.2 million tons, our Mexico Continuous Galvanizing Line, and our US API Pipe Plant.

POSCO minimized the business impact of the recession by focusing its R&D investments on product areas that would do well in an environment of decreasing demand for steel. This included expanding our line of products that are innovative (“World First”) or that set a new standard for quality (“World Best”). We developed 81 high value-added products, whose sales volume reached 2.9Mt last

year. R&D also contributed to last year’s profitability by developing 141 breakthrough technologies to produce high quality products with low cost materials.

To increase our raw material self-sufficiency, POSCO acquired a 16.7% stake in Jupiter Mines, an Australian iron ore development company. In addition, we are partnering in a project to develop coal mining, acquiring a 7.8% stake in Revuboe, a Mozambique coal mine development.

Protecting the planet

We have also made investments to promote green business and become a leader in addressing global climate change, as well as investments in new businesses that will establish a foundation for green growth.

In 2009, POSCO founded its “Green Growth Committee” consisting of people from the corporate, academic, and research communities. We then established a master plan for pre-emptive response to ever-strengthening environmental regulations. This plan sets forth KRW 7 trillion in investments over the next 10 years to develop low-carbon steelmaking technologies and sources of renewable energy.

In addition, we have actively entered environment-friendly green growth businesses, including the construction of a



2. POSCO (Stainless Steel)

In 2009 the stainless steel business experienced a downturn due to by the global economic recession. As a result, 2009 consolidated sales revenue for POSCO, POSCO China Stainless Steel, Qingdao Pohang Stainless Steel, POSCO VST, and POSCO AST decreased to KRW 5,499 billion, down KRW 740 billion from the previous year. Operating income for the year 2009 also weakened.

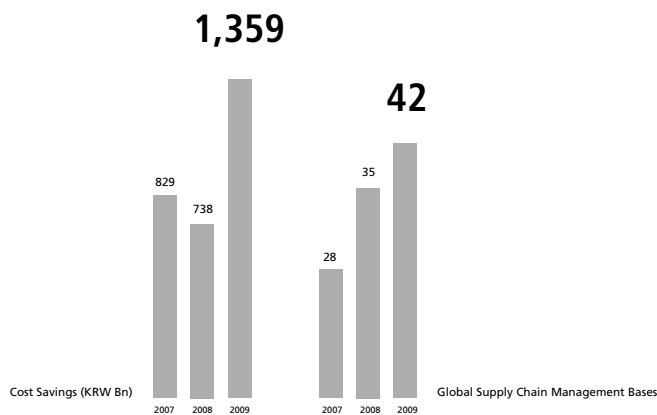
Even though sales volume in 2009 increased, Pohang Stainless Steel's sales revenue decreased by KRW 474.2 billion, to KRW 3,485 billion, because of price declines. POSCO China Stainless Steel showed a sales decrease of KRW 352.6 billion, to KRW 1,849 billion, also because of falling prices due to oversupply.

Progress amidst the economic challenges

SNNC, a joint venture with SMSR, a nickel mining company, achieved full operation in September 2009 within 11 months of the completion of its nickel refinery plant in October 2008. This surpassed global competitors, who usually take more than five years to initiate full plant operation. In 2009, SNNC provided POSCO with 20,000 tons of nickel, contributing to the stability of the business. Looking forward, SNNC will continue to expand production, while maximizing efforts to reduce costs.

In July 2009, POSCO acquired ASC, a cold-rolled stainless steelmaker in Vietnam, and Taihan ST, a stainless steel producer that was an affiliate of Taihan Electric Wire. With the strategic acquisition of these two companies, we expanded our capacity for cold-rolled stainless steel products. This helps our business become more profitable, focusing on the end-user market, and lets us respond to fluctuating markets with greater flexibility.

Completed in August 2009, our continuous cold-rolled facility produces 400,000 tons of stainless steel a year. It differs from a conventional facility in that it has separate rolling and annealing processes. This enables a significantly thinner product to be made for the first time in the industry. In addition, our new facility integrates the annealing and pickling line with the final line to produce a high quality product with more speed and stability.



Rotary Hearth Furnace plant to recycle steel byproducts. As part of our investments in new materials businesses, we established a JV to construct a titanium slab plant in Kazakhstan and signed an MOU for a magnesium smelting plant.

Moving forward to greater targets

POSCO has set 2010 stainless steel production targets at 2.6 million tons—1.8 million tons from Pohang and 800,000 tons from POSCO China Stainless Steel. That represents an increase of 390,000 tons over 2009. The sales target is KRW 6.9 trillion.

This year demand is expected to gradually recover around the world. But business forecasts remain severe, pressured by continued oversupply in China, the rise of national trade protections, and a deteriorating export market. Even so, we are putting strategies and management in place to achieve greater annual targets. To that end, we will increase overseas SCM sales outlets and enlist new customers, while expanding long-term contracts with large customers and making more downstream investments. We are also setting up a just-in-time (JIT) procurement system for raw materials and will continue to maximize our use of low-priced raw materials.

3. POSCO Specialty Steel Co., Ltd. (POSCO SS)

Acquired by the POSCO Group in 1997 as a steel bar and seamless pipe business, the former Sammi Steel has now evolved into a top-ranked specialty steelmaker. Starting with an operating loss on sales revenues of KRW 389.9 billion in 1997, POSCO SS has steadily improved its performance, reaching the KRW 1 trillion sales threshold in 2004. Even in the face of global economic recession, our operation remained profitable.

Last year was indeed challenging, with the economic slump deepening across the globe. The steel industry was particularly hit by the worldwide recession. Steelmakers were forced to cut plant operations, eroding profitability. POSCO SS also suffered from a continued decline in new orders, a sharp price drop for Ni, as well as sales and production slowdowns resulting from our customers' unsold inventory.

To deal with these market conditions, POSCO SS instituted a contingency management plan. To remain cost competitive, we increased our use of low-priced scrap and



to improve cash flow, we reduced inventory. In addition, we renewed our commitment to the company's second-stage investment plan, to ensure future growth and improved operating efficiency at all levels.

As a result of these measures, in 2009 we posted revenues of KRW 1.27 trillion and an operating profit of KRW 78.9 billion, which was above our target. Net income was KRW 65.0 billion.

Re-focused our sales efforts

In 2009, POSCO SS directed its sales force to target new customers, with an eye to replacing imports. We also readjusted the optimal sales mix of our product portfolios, with the goal of establishing profitability. Our sales efforts for the new No. 2 forging product were particularly strong.

In addition, POSCO SS reshuffled its sales organization from a sales team to a sales group system that enables a more agile reaction to rapid changes in the market. We've also increased accountability for the sales of each product under the new System. Finally, we've reinforced our sales capabilities at all offshore offices, as we prepare to expand our global marketing activities.

Renewed our commitment to new growth engines

At the end of 2008, POSCO SS completed its first-stage investment of KRW 240 billion for plant rationalization with the goals of improving quality and cost efficiency by lowering the costs of running aging facilities. In this first-stage investment, we successfully introduced new facilities, including AOD, the RSM/DST/No.2 Picking line and the HV Mill, taking our cost efficiency to a globally competitive level by improving the quality of our stainless steel and machine tool steel products. The investment also went to install large ingot and forging processes, which are key to generating new profits.

In 2009, POSCO SS renewed its commitment to the second-stage investment plan for sustaining its competitive edge far into the future. The second-stage investment will boost the productivity of existing facilities, further improving the quality and production of our value-added products. Plans include building a new steel making line and revamping our high reduction bloom mill and roughing mill in the wire rod plant. When the facilities are completed, the company will have an additional 240,000 tons of annual crude steel production and 221,000 tons of annual product production, likely to generate KRW 420 billion of additional revenue. In November 2009, we began work on building our new steel making line.

Launched our investment in Vietnam

As it pursues global growth, POSCO SS organized a Vietnamese Project Team with the goal of developing Vietnam as its number two growth market. We applied for approval of our investment project there in April 2009, and signed an MOU to cooperate with VN STEEL in May 2009. We obtained the approval of our environmental impact assessment in January 2010 and expect to obtain approval for our investment soon.

Developed high demand products and improved quality

POSCO SS has developed more than 20 core technologies, while coming up with new products to generate incremental demand. These include a super-size shaft using a 150-ton ingot—a coil steel structure. New technology includes the development of casting technology for ultra clean ingot and hollow ingot. Looking forward, in 2010, we are planning to develop: ITER (international thermonuclear experimental reactor) materials (forged bar and tube); heat resisting steel for use in gas turbines, which will give us a technology edge in the specialty steel sector. We have also boosted productivity by enhancing product quality and real-time yield by improving both our facilities and our approach to quality management.

4. POSCO Coated & Color Steel Co., Ltd. (POSCO C&C)

Founded at our Pohang Steel Complex in 1988, POSCO C&C specializes in developing and manufacturing galvanized, aluminized, and color steel.

Ramped up R&D

Undeterred by the adverse business environment, POSCO C&C committed to ramping up its R&D initiatives for high-profit and high-value-added new products. We believe that challenging business times can create opportunities for us to establish a healthy profit base and surpass our competitors. We therefore pursued a strategy of developing products that could be classified as either "World Best" or "World First." As a result, POSCO C&C strengthened its position in global markets with some key R&D achievements. We commercialized the production of 12 significant new products, including steel materials for automotive parts and home appliance.

In addition, POSCO C&C developed an Aluminum Continuous Galvanizing Line (AL-STs) as its proprietary manufacturing technology, which was awarded the government's 2009 Technology Grand Prize. The company also established a technology research institute, whose goal is to further advance AL-STs technology as a long-term growth engine. This institute also establishes an R&D infrastructure that enables us to react quickly to multiple custom requests.



Created global marketing synergy

POSCO C&C also generated company-wide synergy in its marketing efforts. The company built an SCM (Supply Chain Management) network of overseas branches to promote win-win cooperation with customers across the globe. We also established a stronger global marketing infrastructure to support the overseas markets with the greatest potential for growth. We added sales personnel and expanded our marketing organization to develop new demand for our most profitable products, such as specialty steel materials.

As an example of our success, one of the company's strategic products, ALCOSTA color steel plates for home appliances, maintained a 70% market share in Korea, thanks to marketing its quality edge. We also maintained the top position in C&C steel, which must be manufactured to strict quality standards for applications such as LED TVs, home video electronics, and refrigerator doors.

Became leaner and greener

To boost cost efficiency, POSCO C&C now adheres to a group-wide KPI (Key Performance Index) and pursues process innovation. As a result, the company posted a 10% reduction in manufacturing costs, which helped return it to profitable operation in the latter half of 2009. In this area, notable R&D achievements included our high-

speed galvanizing technology, Thinner Free C&C Product, and STS-ALCOSTA products. These all contributed not only to reducing costs, but also to helping us become a greener, more eco-friendly business.

A priority was also placed on improving processes to grow the business. To ensure its execution group-wide, we established an innovation department reporting directly to the CEO. Goals are shared by all POSCO C&C affiliated companies, but responsibility for the execution is at the departmental and individual employee level. This approach is delivering a dramatic increase in operating efficiency.



BUILDING A BRIGHTER FUTURE AROUND THE WORLD

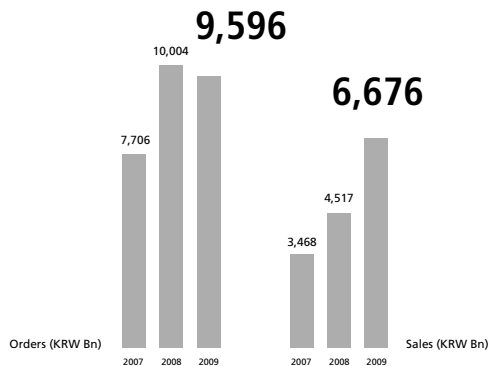


For its 15th anniversary, POSCO E&C last year announced its “Think Forward” vision, pledging to become a “Total Solution Provider” with industry-leading ideas, technologies, and customer commitment. The goal to become a Global Top 20 E&C company by 2018 will require orders of KRW 25 trillion, and net sales of KRW 15 trillion. To achieve this, the company will focus on three major missions: maximizing new orders, increasing total earnings capacity, and establishing a strong global infrastructure.

Sales at POSCO E&C jumped

47%

in 2009, with record-breaking performance.



Delivered top-tier performance

The global economic crisis that began in 2008 is stabilizing through global cooperation in 2009. Emerging market economies rose in the first half of the year, while the advanced countries began to recover from the recession. In spite of these business conditions, POSCO E&C achieved record-breaking performance: orders of KRW 9.6 trillion, revenues of KRW 6.7 trillion and net profits of KRW 300 billion. This puts POSCO E&C into the top-tier of the industry.

Built a foundation for growth

POSCO E&C's 2009 orders of KRW 9.6 trillion were a bit lower than the prior year's due to the global financial crisis, but they were still close to the company's record-high orders of KRW 10 trillion.

In plant business, the company strengthened its global position in steel plant building by successfully completing the Mexico CGL, a cold-rolled plant in Vietnam, and the Asia Special Steel plant in Japan. In energy plants, the company completed construction of a power plant in Ventanas, Chile, the first international coal-fired power plant built by a Korean company. POSCO E&C also entered the Peruvian market with the Kallpa Combined Cycle

Power Plant project. In addition, the company launched new growth engines with orders for a Synthetic Natural Gas plant for POSCO Energy Co. and a Refuse Derived Fuel plant in Busan, Korea.

In civil works business, POSCO E&C entered the global road construction market by winning orders for Vietnam's Noi Bai-Lao Cai Highway. In housing & building business, the company focused more on public sector business, including development projects for Songdo City.

To insure future growth, the company has stepped up its R&D efforts. This includes both mid-term and long-term R&D plans, as well as collaborations with other leading engineering companies. The strategy of using synergy to create a platform for growth began with the acquisition of Daewoo Engineering in 2008. POSCO E&C is also focusing on developing its core technologies, as well as more government driven projects.

Sound management moves enhanced corporate value

In 2009 POSCO E&C restructured its organization by combining its Housing & Building and Songdo Business divisions and strengthening its sales capability. The overall goal of the reorganization was to consolidate management responsibility for those businesses, resulting in more efficient and effective operations.

In the face of last year's deteriorating business environment, the company focused on reinforcing its risk management to better cope with uncertainties. It set up ERM system to minimize unnecessary spending, which led to cost reductions of KRW 138.8 billion in 2009.

POSCO E&C improved its financial liquidity through the sale of Shanghai POS Plaza, land intended for the Kiheung R&D Center, and assets in inventory. The company also issued a non-guaranteed bond and used industrial financing to increase liquidity. With a AA- rating for its bond and A1 for its commercial paper, POSCO E&C continued as the Korean construction company with the best credit rating 12 years in a row. In addition, Baa1 rating from Moody's and BBB+ rating from S&P are the highest levels in the industry for the Asia-Pacific region.



In order to recruit manpower globally and to strengthen its employee assistance programs, POSCO E&C brought 183 new employees into its Human Resources (HR) organization. Many come with global experience. In the career development program, the company expanded the job rotation system and HR workshops. It also enlarged its global business education programs and networks to further develop its global capabilities.

Management innovation addressed four areas

The POSCO E&C Management Innovation Program, started in 2007, has expanded into four key areas -- Cost Innovation, Process Innovation, Working Methods Innovation, and Corporate Culture Innovation.

In Cost Innovation, the company applied value engineering to standardize on-site technology to reduce both the support costs and overall costs of technology-related programs. Regarding Process Innovation, the company reduced lead times by using Type 2 (CPM) and put into place education programs for professional development. Working Methods Innovation included implementing loss removal activities throughout the company along with a visual planning program. Corporate Culture Innovation involved building a Corporate Culture Master Plan and instituting a CEO blog to promote communication between top management and employees.

Strengthened ethics management and win-win partnerships

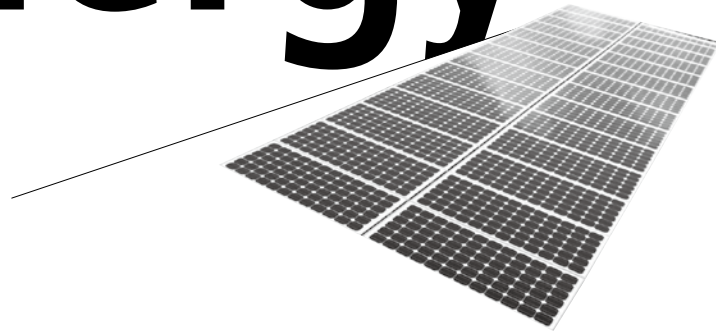
POSCO E&C conducted an ethics education program for both the company and its business partners. In 2009, these sessions involved 2,462 employees and 598 workers from partner companies.

In order to promote win-win partnerships with partner companies, POSCO E&C opened a website portal to facilitate purchasing. The company also provides a loan fund, management counseling, and educational support for partner companies and a profit-sharing program through technology co-development.



POWERING THE FUTURE FOR THE BENEFIT OF THE PLANET

Energy



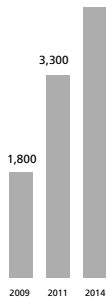
POSCO focuses on a wide range of energy-related projects to drive growth. These include Liquefied Natural Gas (LNG) and by-product gas, as well as the development of green energy, such as fuel cells, wind turbines, Synthetic Natural Gas (SNG), and Clean Development Mechanism (CDM).

POSCO Energy provides

10.6%

of the power supplied to the Seoul metropolitan area.

4,200



Power Capacity Expansion Plan (MW)

Expanded operational capacity for future growth

In 2009, POSCO Energy made a major leap forward with two full-scale expansion projects: the 1,200MW LNG Combined Cycle Gas Turbine (CCGT) Units No. 5 and No. 6 near the existing Incheon power plant and the 300MW by-product gas CCGT Units No. 1 and No. 2 in Gwangyang. With this expansion completed in 2011, the company will have a total installed capacity of 3,300MW.

As part of its foundation for sustainable growth, the company will finish a 1,200MW LNG Combined Cycle Power Plant and the 300MW by-product gas CCGT Units No. 1 and No. 2 in Gwangyang by 2011. The company is also taking part in two major projects in Indonesia. Coordinating with the building of a POSCO steel mill, POSCO Energy has launched a task force to plan for constructing a 200MW-class BOO (Build-Own-Operate) captive power plant. The company is also in the planning stage for Indonesia KDL's 300MW coal-fired power plant. In addition, POSCO plans to acquire equity in K-Power, owned by British Petroleum. K-Power operates a 1,074MW LNG CCGT and boasts the highest profitability in Korea, importing low-priced LNG directly from Indonesia's Tangguh consortium.



In response to the Korean government's Low Carbon Green Growth policy, POSCO Energy has been pursuing new and renewable energy on several fronts. In October 2009, the company signed a mutual investment agreement with the local government for a 5GW-class Wind Farm Complex in Jeollanamdo, Korea, where POSCO Energy will account for 600MW of the facility's output. The company is additionally engaged in the Ulleung Green Island Project and other eco-friendly ventures.

Continued LNG leadership

The first private company to directly import natural gas, POSCO built in 2005 the Gwangyang LNG receiving terminal, equipped with two 100,000-cubic-meter storage tanks and facilities to process a maximum of 1.7 million tons of LNG a year. Currently, the Gwangyang LNG terminal processes 1.15 million tons of LNG, including 600,000 tons for K-Power, 270,000 tons for Pohang Works, and 280,000 tons for Gwangyang Works. Under the policy of going "oil-less," heavy oil was replaced with clean LNG to produce steel, while complying with the carbon emission regulations of the United Nations Framework Convention on Climate Change (UNFCCC). POSCO is expanding its LNG facility with a 165,000-cubic-meter storage tank and additional facilities to meet the growing demand for LNG, while enhancing operational efficiency.

Developed the waste-to-energy business

In our commitment to low-carbon, green growth, and to a zero-waste society, POSCO is reprocessing sewage sludge and household waste into renewable fuel. Such projects not only are building new businesses in renewable waste treatment and electricity, but also securing future rights to the Renewable Portfolio Standard (RPS) and Convention on Climate Change. R&D projects are underway to investigate using sewage sludge as fuel for power plants, and we will be opening Refuse Derived Fuel (RDF) power plants in Pusan and Pohang by 2014.

In 2009, POSCO signed a contract with Busan Metropolitan City to build a waste management facility and power plants using waste for fuel. When completed, 900 tons of waste a day will produce 25MW of electricity. The company expects KRW 35 billion in sales revenue a year from this facility. Last year, POSCO created a new affiliate of POSCO E&C dedicated to the waste-to-energy business.

Established a solid foundation in the fuel cell business

Highly efficient and eco-friendly, fuel cells have become an essential energy source for future generations. In February 2007, POSCO made the fuel cell business part of POSCO Energy and signed an MOU for a strategic partnership with U.S.-based Fuel Cell Energy, a leader in Molten Carbonate Fuel Cell (MCFC) technology. POSCO is building a plant in Korea to produce stacks for fuel cells starting in December 2010. The company's ultimate goal is to fully localize stack production. In September 2008, POSCO Energy constructed the world's largest MCFC manufacturing plant, with an annual capacity of 50MW, in Pohang. As of January 2010, fuel cells installed for MCFC power generation produce 22.4MW in Korea giving POSCO Energy about 45% of the country's capacity, which it plans to increase.

Along with the domestic development of MCFC, POSCO Energy is concentrating on the Solid Oxide Fuel Cell (SOFC), a next-generation fuel cell technology. Beginning in 2007, we are committed to investing KRW 100 billion over five years to develop a 180KW-class SOFC hybrid system. The company successfully tested 5KW stacks in 2008 and 25KW stacks in 2009.

After opening KTAC (the Korean Technical Assistance Center) in April, POSCO Energy established its fuel cell R&D center in June to work on both technology and commercial applications. From October 2009 to December 2011, POSCO Energy will receive KRW 5 billion of government support to develop an MCFC backup power system. The company also established a group dedicated to fuel cells for ship engines and made an MOU for product development with Daewoo Shipbuilding & Marine Engineering. In addition, the company signed MOUs with local governments, including Seoul city and Gyeongsangbukdo to promote the fuel cell business.

Pioneered in synthetic natural gas (SNG)

With its economic efficiency and eco-friendliness, SNG is an attractive new source of energy. The company's coal gasification project produces SNG, ensuring a stable supply of this LNG substitute to meet demand from the company's growing needs. During 2010, we are preparing a 98 acre site at the Gwangyang slag disposal area for an SNG plant with an annual capacity of 500,000 tons targeted for operation in 2013. We are also taking part in government-sponsored SNG R&D and plant design.

Pursued CDM (Clean Development Mechanism) opportunities

To actively combat climate change and expand the green energy business, POSCO is implementing a CDM business in line with its environmental management work. This business will acquire CO₂ emissions rights from the UNFCCC by investing in a greenhouse gas reduction facility.

The company registered the Gwangyang hydro-powered plant as a CDM business at the UNFCCC, a first for the steel industry, securing 26,000 tons of CO₂ emissions rights for the next ten years. We are also planning to register our Rotary Hearth Furnace at Gwangyang as a CDM business along with Nippon Steel. The facility recovers resources from 200,000 tons of sludge produced in the steel making process. Another CDM effort to reduce CO₂ emissions involves a reforestation project in Uruguay. There will be an investment of US\$55 million in 20,000 hectare sites to acquire 206,000 tons of CERs a year for 30 years.



CONVERGING OUR CAPABILITIES FOR A NEW AGE OF TECHNOLOGY CONVERGENCE

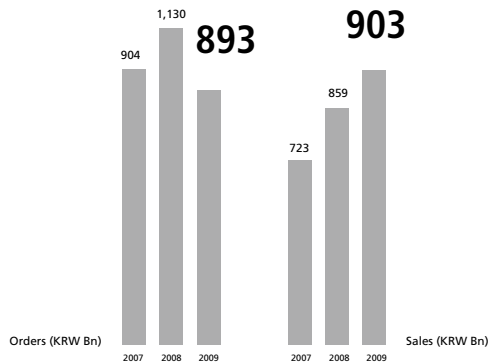


By merging the IT services of POSDATA with the engineering and automation of POSCON, POSCO ICT is poised for the convergence of technologies for a better future—enriching people’s lives through green growth and ubiquitous computing.

POSCO ICT aims to achieve sales of

KRW 2 trillion

by 2012.



Strengthening our foundation

In 2009, the world economic recession brought on by the global financial crisis had a serious impact on all businesses. The IT industry was no exception. Under these circumstances, POSDATA worked to strengthen the foundation of its business through a “Choose and Focus” strategy. To reduce financial risk, the company exited some unprofitable businesses, including WiBro, and invested more in its areas of greatest competency as an IT services business. As a result of these efforts, POSDATA achieved KRW 378.3 billion in revenue, which was similar to its 2008 performance, in spite of the economic difficulties. We posted a KRW 71.2 billion net loss, but this is a temporary situation due to the discontinuation of our WiBro business, including the depreciation of our investment in WiBro R&D up to that point. Without this loss, we would have reported operating income of KRW 17.2 billion in 2009. Consequently, we expect improved profits in 2010.

In addition, we strengthened our foundation for future growth through a convergence strategy that has re-organized and transformed our business. The company combined its POSDATA IT service business with its POSCON engineering business and has focused on implementing IT technologies and services in the environmental and energy

industries. This will both drive our growth and help our society progress to a more eco-friendly way of life. We do anticipate better economic conditions in 2010. However, it will take time before the world returns to the economic situation we had before the global financial crisis. Many corporations are still maintaining a “crisis” management approach, which tends to reduce their IT investment, resulting in a far more competitive market for us.

A fresh start into a new era

To create synergy from the convergence of similar POSCO Group businesses, in January 2010 we merged our POSCON engineering and automation business with our POSDATA IT service business and launched it as POSCO ICT. With this merger, we established a firm foundation for entering new businesses, which will become new growth engines for POSCO, adding to its success in the steel, engineering and construction, and energy businesses.

POSCO ICT’s three key businesses—engineering, process automation, and IT services—give it a solid foundation to move forward and create new growth in green businesses, including the Smart Grid and U-Eco City developments. In engineering, POSCO ICT is converging electric and process control engineering with IT technology to expand the overall sphere of business. We are focusing in particular on engineering IT services, including U-Eco City developments and the IBS, as well as engineering for railroad, environmental, energy, and logistics businesses.

In process automation, POSCO ICT will provide comprehensive services to increase plant productivity, from level 1 through level 4. These total solutions differentiate POSCO ICT from its competitors. We expect these complete capabilities to help us expand our work with the steel, paper, cement, and pharmaceutical industries, which all have similar process engineering needs. In IT services, POSCO ICT will improve its profitability by focusing on key strategic areas that build on our competitive strengths. These include defense, transportation, manufacturing, and public administration. The company will also provide integrated IT services to POSCO Group, as we keep raising our company’s information technology standards to better support the Group’s management.



Growth engines to global leadership

One of our new growth engines is Smart Grid, the next-generation power grid. Smart Grid is being constructed to optimize energy efficiency by integrating information technology with a conventional power grid. This technology will enable the real-time, interactive communication of power information between power suppliers and consumers. POSCO ICT will be supplying comprehensive IT services for increasing efficiency—including consulting on solutions and the construction of facilities, as well as providing energy management services. We will be working on the Micro-Grid part of the project, which optimizes energy distribution for industry, including steel plants, and establishes a low energy manufacturing standard.

In order to accelerate the commercialization of this business, POSCO ICT will take part in the government-driven Smart Renewable project in Jeju, Korea. Following its collaborative projects with POSCO Energy and POSCO Engineering & Construction, POSCO ICT will now provide service to POSCO Group, Korea's leading power consumer. This will help us gain experience to promote packaged programs along with other POSCO companies. Another growth engine for POSCO ICT is its work with U-Eco City developments. These are future-oriented, eco-friendly cities built in accordance with the energy saving and zero

carbon emission initiatives begun with conventional U-City developments. The company will provide comprehensive solutions for U-Eco City projects, ranging from strategy, design, and urban infrastructure development to the development and operation of integrated control centers.

Looking forward, POSCO ICT is striving to be the industry leader by converging its technology capabilities while maintaining the effectiveness of its organization. Building on these efforts, the synergy created between our converged businesses will successfully drive new businesses. With continuing innovations in management and R&D, POSCO ICT will maximize shareholder value as we make our company a global leader.



DEVELOPING WORLD-LEADING PRODUCTS AND PROCESSES

R&D

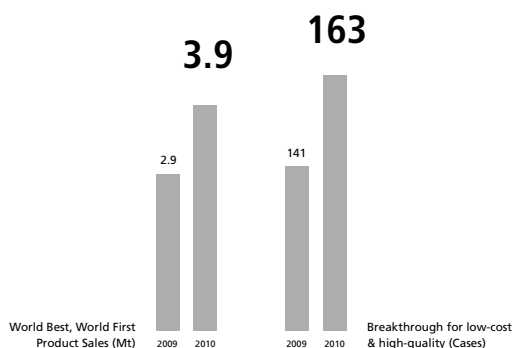


In an economically challenging year, POSCO increased its R&D investment in order to boost its competitive position in key products as the world markets recover. In addition, POSCO continues its commitment to developing the eco-friendly, cost efficient processes that will lead the global steel industry.

POSCO invested

1.69%

of revenue in 2009 in advanced technology, an increasingly critical factor in securing global leadership.



A trailblazer in steel technology

POSCO turned challenges into opportunities to assume the top position in steel technology among the world's major steelmakers by aggressively pursuing many technology initiatives. Even with last year's business constraints, POSCO successfully completed 62 challenging projects. Through creative R&D efforts, the company also developed 141 manufacturing technologies that were keys to overcoming the economic crisis and maximizing our financial performance. These included technology that allows the increased use of low-priced raw materials for sintering as well as Scumless Cold Rolling Technology. Along with these remarkable accomplishments, the company achieved cost savings that set a group-wide record of KRW 1.4 trillion.

Major R&D Accomplishments

Increasing efficiency, decreasing CO₂ emissions and costs

In 2009, POSCO developed proprietary manufacturing technologies to reduce CO₂ emissions. We did this by lowering the Hot Metal Rate of furnaces to 76%, using a steel converter process that melts the scrap iron in an electric arc furnace. In addition, we drastically reduced hot steel manufacturing costs with our proprietary steel converter, which cuts in half the side

raw materials needed. The company also developed a high-efficiency operation by directly connecting the steel converter, continuous caster, and smelting processes. As a result, lead times between these processes were reduced by 30%.

Accelerating the development of super-lightweight automotive steel

During the first half of 2009, POSCO introduced 6Stand through its No. 2 Cold-Rolled Rationalization. By adding production facilities for super high-tensile steel, we accelerated the development of super-lightweight automotive steel products, like TWIP steel. We also established a QA system with the goal of "zero defects." All these advances helped stabilize our manufacturing base.

In 2010, POSCO is establishing a 100,000 ton supply base with the production ramp-up of automotive steels, 57 parts including GA340BH-Grade outer panel for Toyota Motors. Through our participation in the EVI (Early Vendor Involvement) Exhibition in October, we hope to establish ourselves as a major supplier in the global automotive market. We are working hard to establish ourselves as a major producer who is strongly committed to developing innovative technology and who can nimbly react to sudden changes in the marketplace.

Developing high-grade API steel pipe technology

In 2009, steel pipe was a major portion of POSCO's sales of hot-rolled hot-final steel pipes, with volume increasing by 490,000 tons, year-over-year, to 1.31 million tons. With thick API steel, the company commercialized API-X80, which maintains its tensile strength at temperatures down to -20°C. This product came out of our increased commercial and technological partnerships with major energy companies and it will be used for the 4,000km pipeline connecting Russia to Eastern Europe. We also completed pilot development of our thickest 41mm steel pipe for undersea pipelines.

Establishing the STS Continuous Cold-Rolling Mill

The year 2009 was a turning point for POSCO in its shift to mainstream products, from hot-rolled to cold-rolled. The STS Continuous Cold-Rolling Mill has an annual production of 400,000 tons, manufactured on a TRM Rolling Line (a Z-Hi Mill of 4Stand) and in an APF (Annealing Pickling Finishing) processing facility for pickling by neutral salts. We are also planning to put our poStrip thin material on the STS Continuous Cold-rolling Mill, a low-cost, innovative manufacturing process.



Developing electrical steel

POSCO is increasing its production of high-grade electrical steel. In 2009 we developed the best quality of grain-oriented electrical steel with increasing the volume by 250,000 tons. In non-grain-oriented electrical steel, the company developed its proprietary hyper-product for hybrid car motors, and demand is rising rapidly because of this product's ability to reduce CO₂ gasses. Testing is underway to adopt this product for carmakers at home and abroad. Early Vendor Involvement (EVI) activities have been expanded to cover this development of high-grade, non-grain oriented electrical steel for automotive use.

Enhancing technologies for plate

In 2009, POSCO developed the technology for manufacturing high-tensile EH47 steel to acquire Classification Certification, enabling the use of high-efficiency EGW welding materials. We then started a project to develop rolling and cooling facilities and capstone design that applies these technologies to the production of high-quality thick plate products at a new plate mill in Gwangyang. The Gwangyang thick plate factory will begin operations in July 2010.

A global foundation for wire rod products

In the second half of 2009, POSCO matched its Japanese rivals in the surface flaw detection rate of wire rods for cold-rolled use, achieving greater credibility for these products. Our vision is to become a major vendor for global carmakers by 2012. To do

this, we established a mid-term strategy for six product sectors. In early 2000, POSCO launched an intensive effort to improve the quality of its wire rod products, which is delivering tangible improvements today.

R&D for FINEX

In 2009, we continued developing technology to increase using low-cost ore and coal. In this work, POSCO succeed to mix a certain amount of steaming coal to coal briquette. And the construction of our new 2 million ton/year FINEX plant is expected to reduce construction quantity up to 70% of that of current 1.5 million ton/year FINEX facility.

Commercialization for strip casting products

Last year POSCO sold 3,000 tons of strip casted 304, 316, and 301 series for real-demand customers. In 2010, the company is prioritizing the development of strip casted high-carbon martensite, high-alloy, and Duplex stainless steel, whose quality cannot be adequately monitored by the current continuous casting. We are also expanding the manufacturing scope of our continuous cold-rolled single-rolling material from 1.0mmt to 0.35mmt, by setting up HR thin materials (1.5t) manufacturing by our strip casting. This shortens the process and drastically cuts costs.



GROWING OUR VALUE THROUGH GREEN COMMITMENTS

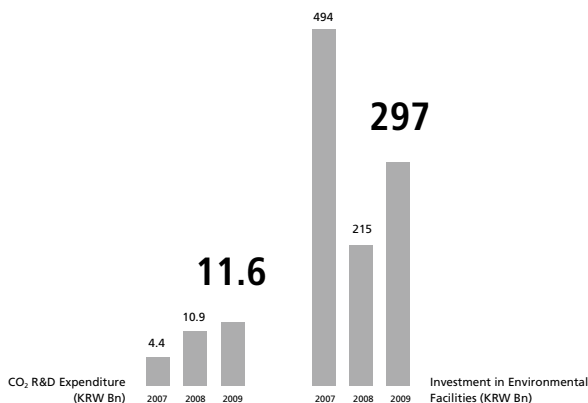


Environment

POSCO is dedicated to protecting the ecosystem and to encouraging others to become more resource-sensitive—with a variety of environmental policies, practices and programs.

Carbon dioxide intensity was 2.20 t-CO₂/t-S in 2008 and 2.14 t-CO₂/t-S in 2009, a reduction of

2.7%.



Preserving the planet for future generations

POSCO has structured and executed its environmental management system (EMS) to enable it to achieve the green management vision of human beings and nature living together. Under the system, we have clearly defined the goals, organization, and management approach to make certain it is systematically executed. To ensure that the plan reflects the current situation, we annually re-establish our environmental goals and from these formulate the most effective tactics to attain them. In the planning process, we take into consideration changing conditions at home and abroad, as well as the opinions of environmental experts.

2009 Environmental Goals

1. Establish global leadership in coping with climate change
2. Increase the value of the eco-friendly use of steel slag
3. Strengthen human and ecosystem-centric environmental management

In 2009, POSCO invested KRW 297.1 billion, or 9.8% of our total facility investments, for the purpose of protecting the environment. Our Pohang facilities received KRW 134.7 billion of that investment, while Gwangyang got KRW

162.5 billion. Also, since the company's founding in 1968, its accumulated total environmental investment adds up to KRW 3,958.6 billion, or 9.1% of its accumulated total capital expenditures.

Working to clear the air

POSCO continues to invest in improving air quality, boosting collector efficiency, and optimizing the yard sprinkling of raw materials used in sintering. In 2009, we were one of the first companies in Korea to construct an eco-friendly silo, the largest one on record. The silo is a fuel storage facility designed to eliminate dust scattering to permit the plant to operate in all weather conditions. We are planning to install a total of 21 silos—6 at Pohang Works and 15 at Gwangyang Works—with each silo able to store 60,000 tons of raw materials.

To conserve water, POSCO is raising the percentage of recycled water used in steel making process. We have also begun a project to minimize the amount of water discharged during the manufacturing process. The wastewater from steel making processes goes through primary waste water treatment facilities at each plant and more than 98% of the treated water is reused.

Promoting low-carbon, green-growth

POSCO has teamed up with the world's major steel makers to carry out innovative technology development projects to reduce CO₂ emissions. Meanwhile, we are independently pursuing the development of technology that will strengthen our competitive position. To this end, we are implementing the POSCO CO₂ Breakthrough Framework—a mid-to-long-term development project. As part of this framework, efforts are underway to develop "CO₂ separation technology," using ammonia, waste thermal heat, and triton (the steel slag used to restore the maritime biosystem).

In addition, POSCO is engaged in various activities aimed at lowering greenhouse gas emissions throughout society. These include supplying energy-saving materials such as lighter and stronger steel sheet for automobiles and using byproducts from steelmaking to produce cement. The energy-efficient steel materials we produce are helping to improve the fuel efficiency of cars, as well as boosting



the energy efficiency of electric transformers. In replacing cement as a raw material in steelmaking, POSCO led the industry in 2009, employing 7.14 million tons of granulated slag in our production process. As an indirect result of this replacement, we realized a reduction in CO₂ emissions amounting to 5.64 million tons. Using this granulated slag in place of cement clink (a cement lump before it is processed into cement) results in fewer CO₂ emissions and a reduction in the use of limestone.

POSCO is an active participant in the renewable energy business in partnership with companies in which we've invested. The company has installed 1MW-class solar-powered generators on the rooftops of warehouses at Pohang Works and Gwangyang Works. These solar systems will generate 2,500MW of electricity, enough to also supply 500 homes a year. In addition, projects for a wind power plant and small hydro-power plants are under way. Meanwhile, in partnership with POSTECH and RIST, POSCO made a strategic investment in solar cells as the next green business, completing construction of a 50MW-class solar cell production factory in September 2008.

In September 2009, POSCO launched its POSCO Carbon-Neutral Program, whose goal is to discover and support projects that reduce greenhouse gases. The program is designed to inspire people to participate voluntarily

in carbon-neutral activities through a business-social partnership for achieving a low-carbon, greener society. The POSCO Carbon-Neutral Program also aims to spread new environmental awareness among a diverse group of people, from schoolchildren and housewives to members of civic NGOs and the university community. The company is inviting these individuals to submit their ideas for carbon-neutral programs, which they could eventually run with POSCO. A total of ten projects will be selected to qualify for a one-year sponsorship by the company.



A WORLD OF GOOD, A WORLD OF PROGRESS



Social Contribution

POSCO contributes to a range of activities that benefit society, locally and worldwide. We are committed to fostering a society of cooperation and respect, with our business partners and in our communities. Our overall goal is to enthusiastically support the comfort and advance of humankind.

Our employment target for the underprivileged is

367

people in 2010.

30.0 (95%)



Total annual per-employee volunteer hours and percentage of the total workforce that engaged in volunteer services

Our Commitment to Society

Worldwide, POSCO engages in numerous charitable activities to share its success and support society as a responsible global corporate citizen. Our corporate culture of giving is demonstrated by the fact that 95% of the company's management and staff actively participate in volunteering. Through these activities, we express our caring culture with enthusiasm and compassion. This culture extends across the POSCO family of companies, including all offshore business units.

The company's Social Contribution Committee holds meetings twice a year with the participation of CEOs of the range of companies POSCO has invested in. We also run a Social Contribution Group and a Bureau of Corporate Ethics separately to ensure management transparency. Also, our mutually beneficial relationship with suppliers provides them with a range of assistance, from business issues to organizational growth.

Improving Our Communities

Volunteer activities

In 2009, POSCO employees spent over 500,000 hours providing voluntary social services to people in need. 95% of all employees and management participated in volunteer activities, and volunteer hours per capita reached 30.0 hours per year. This works out to every POSCO employee spending at least two hours a month with a neighbor in need. The company also holds two distinctive programs. "Sharing Saturday" is a monthly program in which, every third Saturday, employee volunteers regularly visit and help people in low-income neighborhoods in Pohang, Gwangyang, Seoul, and other cities. "Volunteer with a Theme" is designed to encourage employees and their families to volunteer. Each month, the company designs seasonally-related "service themes" to give everyone the opportunity to enjoy volunteering.

POSCO is devoted to developing pro bono volunteering. The company engages employees who have special skills with the people and places that need them. Employees get to develop their special skills and the recipients get better support. The POSCO Clean Ocean Volunteer Group is one of these professional volunteer groups, launched by employees holding skin diving and scuba diving licenses. foreign language study groups in the company also volunteer to serve as interpreters and teachers for foreign workers in Korea.

The company is devoted to spreading its voluntary service culture to all members of the POSCO family. In 2009, we founded the POSCO Family Volunteer Group that serves as the basis for volunteer activities jointly carried out by POSCO employees in Pohang, Gwangyang, and Seoul.

Social contribution consulting services are also available to POSCO family companies worldwide. These consulting services have helped the subsidiaries understand the importance of Corporate Social Responsibility, so they could increase their participation in volunteer activities. In 2009, these services formed the basis for planning and executing six projects that had the joint participation of different POSCO family members. We plan to gradually increase such joint projects in the future. Overseas, we do



local volunteer work at the world's major coil processing centers, so we can support our offshore offices.

A range of charitable activities

POSCO actively implements various programs to help the socially disadvantaged and to support balanced community development. We also continue to fund scholarships with the idea that our future growth potential lies in education. To bring these activities more effectively into our corporate culture, we operate the POSCO Social Contribution Group.

We want to bring POSCO's sharing culture to many communities. Since 1991, the company has operated a "Sisterhood Ties" program wherein a neighborhood village community is tied to a "sister department" within POSCO. For example, we share some of our skills with people in sister villages. We also joined a microcredit project to help low-income people gain financing. In January 2009, we launched POSWITH, the nation's first major affiliated employer of the handicapped. We founded POSEco Housing and POSPlate in Pohang and Gwangyang, which are run as social enterprises. We continue to operate many varied programs for socially needy people, including multi-cultural families and North Korean defectors.

Developing talent for the future

The development of talent has been important throughout

POSCO's history of contributing to society. After the company had established itself as a steel company poised to support the industrial foundation of the Korean economy, it also led the development of the nation's growth through educational investment. We founded POSTECH, now one of Korea's top universities devoted to science and engineering. The POSCO Educational Foundation and the POSCO TJ Park Foundation direct the company's sizeable scholarship efforts, identifying and sponsoring high-achieving students in Korea and other Asian countries. We organize "Beyond", the university student volunteer group to provide global volunteer services around the world, including India, Thailand, Indonesia and other less-developed countries.

Cultural and Sports Sponsorships

Promoting music and art

Since the beginning, POSCO has supported local cultural and sports programs. The company hosts one concert a month in the POSCO building in Seoul. It features a well-known musician and is open to everyone, free of charge. Over the years, POSCO has invited renowned musicians to perform wide-ranging programs, from classical to popular music. Concerts at the POSCO Center have been called "an oasis in the city," attracting world-famous musicians and

over 10,000 music lovers a year.

The POSCO Pohang Hyoja Art Hall and the POSCO Gwangyang Baekwoon Art Hall were built to provide regional centers for culture and the arts near the POSCO mills in Pohang and Gwangyang. At these halls, local people can attend free musical performances by talented musicians. Throughout the year, POSCO also stages Campus Symphony Festivals at major universities.

The POSCO Art Gallery provides an enriching experience for visitors to the POSCO Center and POSCO corporate headquarters, with revolving exhibitions of paintings, sculpture, photography, engravings and more, providing everyone in the immediate area with convenient access to fine art.

Supporting sports

Our love for the game of football (soccer) led to the rise of two major professional football clubs: the Pohang Steelers founded in 1983 and the Chonnam Dragons in Gwangyang in 1994. Because POSCO believes that sports provide a bond for the local community, the company has actively sponsored the growth of football for the past forty years. This has earned the company recognition as “the birthplace of Korean football,” especially since we’ve identified, developed, and sponsored so many young players who went on to become stars.

When POSCO founded its two professional football teams, it built a stadium for each – one in Pohang with 20,000 seats and the other in Gwangyang with 15,000 seats - the first football stadiums ever built in Korea. Now the company runs youth football classes and sends Korean youth to Brazil to learn football, all to help talented players make their dreams come true.

POSCO started the E&D Gymnastics Club in 2004 and also acts as president of the Korean Gymnastic Association (KGA). POSCO E&C actively develops talented gymnasts, including Yang Tae-Young, a bronze medalist in the 2004 Athens Olympics, while contributing more than half of the annual operating budget of the KGA. The seeds of this sponsorship grew into a bountiful harvest of achievements. Korean gymnasts have won: bronze medals in the 1988



Seoul Olympics and 1992 Barcelona Olympics; a silver medal in the 1996 Atlanta Olympics; silver and bronze medals in the 2000 Sydney Olympics; and silver medals in the 2004 Athens Olympics and 2008 Beijing Olympics. These medals have made Korea a country to watch in international gymnastics.

Upholding Business Ethics

Ethical behavior is the basis of all of POSCO's business activities. For us to act without ethics is unthinkable, either at work or in our daily lives, as we follow the corporate culture of 'a company that does the right thing in the right way.' All our employees are educated about the company's ethics code, which is summed up in three key principles: education, accountability, and taking initiative (leadership) at all levels. In addition, everyone at POSCO's affiliates and suppliers embrace these ethical practices as family members.

To ensure ethical practices, all employees must complete an e-learning course on corporate ethics, including education on sexual harassment. Supervisors above the team leader level receive two hours of group education a year. We also provide an ethics education course with management to promote ethical thinking and behavior. Our ethical

practices program, led by departmental heads, uses “Visual Management” to expose, share, and process ethical risks to improve our ethical performance. A monthly web magazine is also distributed to sub-contractors. There are even ethics-related pop-up windows and display protectors promoting ethical practices.

To ensure compliance, we request that all employees pledge at the beginning of each year to uphold the POSCO ethical code. We also have corporate ethics helpline and hotline through which counseling and reporting related to ethical standards via website, email, telephone, or fax. In addition, we have a sexual harassment helpline to create a sound organizational culture. To root out unethical practices, POSCO rewards reports of unethical behavior. In addition, we run a Gift Return Center so employees can donate unwanted gifts to a social welfare center or to an auction that donates the proceeds to charitable funds. POSCO hosts an annual mandatory meeting for new business partners to educate them about its ethics code. In addition, every contract with a partner must contain a clause that invokes sanctions in the event of unethical behavior. The POSCO code defines as unethical and appropriately sanctions any unfair behavior that may occur in the transaction process.

Nurturing Win-win Partnerships

POSCO’s principle of supply chain management is to put its long-term integrity before immediate gains. POSCO extends a helping hand toward partners throughout its value chains, not only for financial assistance, but also for technological cooperation and organizational innovation. The scope of our beneficiaries has expanded from first-tier to second-tier and third-tier suppliers, setting up the basis of sustainable growth for all our partners. POSCO’s Mutual Cooperation Practice Office has become the channel for supporting our partners’ growth. In 2009, we increased our help for partners by allowing all companies in the POSCO family to carry out programs of mutual cooperation.

POSCO helps cash-constrained Small and Medium Enterprises (SMEs) by operating a well-organized financing

program, with special guarantee and funding provisions. Furthermore, under our “Green Partnership” initiative, the company shares with partners its experience and expertise in environmental management systems, through special knowledge-transfer programs. Driving this effort is our belief that it is to our mutual benefit to have our small partners develop their technological competence through R&D cooperation. It is also in our best interests to have our partners improve their operations environmentally, with the help of our specialized knowledge and support.

Overall, we are dedicated to helping our partners become intelligent problem solvers for strategic, marketing and financial issues. To this end, we introduced a “management doctor system,” in which we provide consulting services, hold a talent-recruiting event and provide other support to our partners.

In December 2008, we signed a Management Mutual Benefit and Fair Transaction agreement with our suppliers, and in May 2009, we held the POSCO-wide Mutual Benefit Cooperation Committee meeting. These are examples of our drive to instill a win-win culture of cooperation group-wide. Furthermore, when we find exemplary cases of mutual cooperation between family companies and partners, we share them at the POSCO Family Festival of Mutual Benefit Cooperation. In this way, we encourage the growth of mutually-beneficial connections with our partners.

As a result of these activities, at an April 2009 government-hosted event, POSCO was presented the Presidential Award for being a “company of wonderful partnerships.” POSCO E&C and U-YOUNG Precision Co. were given Prime Minister Awards at the same event. In May 2009, POSCO earned a most outstanding enterprise (A+) rating and POSCO E&C an outstanding enterprise (A) rating, in recognition of our track-record of carrying out mutually beneficial management programs and fair transaction agreements. POSCO is proud to be recognized as a leader who is setting the standard for making mutually beneficial management a reality.

Milestones

Foundation Years

June 1967	Pohang City chosen as first building site of Pohang Iron and Steel Co., Ltd. (POSCO)
November 1967	Company's Development Committee established
March 1968	First general meeting established logo and corporate bylaws
April 1968	Pohang Iron and Steel Co., Ltd. officially incorporated

Pohang Construction Period

April 1970	Pohang Works, Phase 1 begun
December 1972	Headquarters moved to Pohang City
June 1973	Pohang Works No. 1 Blast Furnace tapped for the first time
July 1973	Pohang Works, Phase 1 completed (annual crude steel capacity: 1.03 million tons)
October 1973	Membership in World Steel Association (former International Iron and Steel Institute)
May 1976	Pohang Works, Phase 2 completed (annual crude steel capacity: 2.6 million tons)
December 1978	Pohang Works, Phase 3 completed (annual crude steel capacity: 5.5 million tons)
February 1981	Pohang Works, Phase 4-1 completed (annual crude steel capacity: 8.5 million tons)
November 1981	Gwangyang Bay selected as site for second steelworks

Gwangyang Construction Period

May 1983	Pohang Works, Phase 4-2 completed (annual crude steel capacity: 9.1 million tons)
May 1985	Gwangyang Works, Phase 1 begun
December 1986	Pohang University of Science and Technology (POSTECH) established
March 1987	Research Institute of Industrial Science and Technology (RIST) established
May 1987	Gwangyang Works, Phase 1 completed (annual crude steel capacity: 11.8 million tons)
June 1988	POSCO stock listed on the Korea Exchange (former Korea Stock Exchange)
July 1988	Gwangyang Works, Phase 2 completed (annual crude steel capacity: 14.5 million tons)
March 1989	Pohang Works No. 1 Stainless Steel Mill completed (annual stainless steel capacity: 0.32 million tons)
December 1990	Gwangyang Works, Phase 3 completed (annual crude steel capacity: 17.5 million tons)
October 1992	POSCO's quarter-century of construction completed (Gwangyang Works, Phase 4 completed; annual crude steel capacity: 20.8 million tons)

Global Expansion Period

December 1993	ISO 9002 certification acquired
October 1994	POSCO stock listed on the New York Stock Exchange
December 1994	Pohang Light Source (PLS) installed
September 1995	POSCO Center in Seoul opened
October 1995	POSCO stock listed on the London Stock Exchange
November 1995	Pohang Works COREX plant completed (annual crude steel capacity: 600,000 tons)
August 1996	Pohang Works No. 2 Stainless Steel Mill completed (annual stainless steel capacity: 0.84 million tons)
October 1996	Gwangyang Works No. 5 Blast Furnace begun and No. 1 Mini Mill completed
March 1997	Introduction of outside director and outside auditor systems
March 1999	Gwangyang Works No. 5 Blast Furnace completed (annual crude steel capacity: 28 million tons)
April 2000	Gwangyang Works No. 5 Blast Furnace initiated
October 2000	Privatization completed
July 2001	Introduction of POSPIA, an integrated digital information management system
March 2002	Corporate name is legally changed to POSCO
March 2002	Pohang Works No. 3 Stainless Steel Mill completed (annual stainless steel capacity: 1.66 million tons)
June 2003	New POSCO code of conduct announced
July 2003	The POSCO Museum in Pohang opened
November 2003	POSCO-China established
October 2004	POSCO-Japan established
August 2005	POSCO-India established
June 2006	Gwangyang Works No. 6 CGL completed (annual automotive steel sheet capacity: 6.5 million tons)
March 2007	Global POSCO Way vision announced
May 2007	Pohang Works FINEX Plant completed (annual crude steel capacity: 1.5 million tons)
April 2008	POSCO celebrated 40th anniversary
April 2008	Pohang Works accumulated Cold-rolled steel production totals 50 million tons since first operation
April 2008	Global R&D Center established at the Incheon Free Economic Zone
April 2009	Pohang Industrial Complex began operation of the world's largest fuel cell plant for power generation
August 2009	Mexico CGL facilities completed
October 2009	Vietnam Cold-rolled steel facilities completed



POSCO and Subsidiaries

Consolidated Financial Statements

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A photograph of a person's hand gently touching a field of tall, green grass. The background is a bright, hazy sky. The year '2009' is printed in white, bold, sans-serif font in the center of the image.

2009

Report of Independent Registered Public Accounting Firm



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The Board of Directors and Shareholders

POSCO:

We have audited the accompanying consolidated statements of financial position of POSCO and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of POSCO and subsidiaries as of December 31, 2009 and 2008 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

Accounting principles generally accepted in the Republic of Korea vary in certain significant respects from U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in note 31 to the consolidated financial statements.

The accompanying consolidated financial statements as of and for the year ended December 31, 2009 have been translated into United States dollars solely for the convenience of the readers. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Korean Won have been translated into United States dollars on the basis set forth in note 2 to the consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of POSCO's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 23, 2010 expressed an unqualified opinion on the effectiveness of POSCO's internal control over financial reporting.

Seoul, Korea
June 23, 2010

Report of Independent Registered Public Accounting Firm On Internal Control Over Financial Reporting



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The Board of Directors and Shareholders

POSCO:

We have audited POSCO's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). POSCO's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, POSCO maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of POSCO and subsidiaries as of December 31, 2009, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and our report dated June 23, 2010 expressed an unqualified opinion on those consolidated financial statements.

Seoul, Korea

June 23, 2010

Consolidated Statements of Financial Position

As of December 31, 2009 and 2008

(in millions of Korean Won and thousands of US Dollar)

	2009	2008	2009 (note2)
Assets			
Cash and cash equivalents, net of government grants (note 3)	₩ 2,196,731	2,490,264	\$ 1,881,407
Short-term financial instruments (note 3)	5,820,447	1,827,450	4,984,966
Trading securities (note 4)	505,811	1,238,261	433,206
Current portion of investment securities, net (note 7)	56,463	51,501	48,358
Trade accounts and notes receivable, net of allowance for doubtful accounts and present value discount (note 5)	5,145,022	5,894,093	4,406,495
Other accounts and notes receivable, net of allowance for doubtful accounts and present value discount (note 5)	447,693	538,510	383,430
Advance payments	588,354	1,033,513	503,900
Inventories (notes 6 and 30)	5,152,839	8,661,721	4,413,188
Deferred income tax assets (note 25)	404,401	109,578	346,353
Other current assets, net of allowance for doubtful accounts (note 11)	316,389	352,742	270,975
Total current assets	20,634,150	22,197,633	17,672,278
Property, plant and equipment (notes 8 and 30)	47,506,269	42,230,169	40,687,110
Less accumulated depreciation	(25,666,484)	(24,161,070)	(21,982,258)
Property, plant and equipment, net	21,839,785	18,069,099	18,704,852
Investment securities, net (note 7)	6,211,966	5,177,482	5,320,287
Intangible assets, net (notes 9 and 30)	629,969	723,767	539,542
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts and present value discount (note 5)	15,685	23,264	13,434
Long-term loans receivable, net of allowance for doubtful accounts and present value discount (note 5)	103,607	80,287	88,735
Deferred income tax assets (note 25)	294,441	317,023	252,176
Guarantee deposits	51,269	65,540	43,910
Long-term financial instruments (note 3)	18,634	16,462	15,959
Other long-term assets, net of allowance for doubtful accounts and present value discount (note 11)	512,242	290,725	438,712
Total non-current assets	29,677,598	24,763,649	25,417,607
Total assets	₩ 50,311,748	46,961,282	\$ 43,089,885

See accompanying notes to consolidated financial statements.

Consolidated Statements of Financial Position

As of December 31, 2009 and 2008

(in millions of Korean Won and thousands of US Dollar)

	2009	2008	2009 (note2)
Liabilities			
Trade accounts and notes payable	₩ 2,734,900	3,070,436	\$ 2,342,326
Short-term borrowings (note 12)	3,225,801	3,254,355	2,762,762
Current portion of long-term debts, net of discount on debentures issued (note 12)	786,887	770,142	673,936
Accrued expenses	344,274	237,917	294,856
Other accounts and notes payable	642,446	579,853	550,228
Withholdings	200,894	126,538	172,057
Income tax payable	393,719	2,083,472	337,204
Advances received	811,644	597,514	695,139
Deferred income tax liabilities (note 25)	71	-	62
Other current liabilities (note 15)	134,182	289,165	114,922
Total current liabilities	9,274,818	11,009,392	7,943,492
Long-term debts, net of current portion and discount on debentures issued (note 13)	8,229,781	6,895,862	7,048,459
Accrued severance benefits, net (note 14)	300,421	383,718	257,298
Deferred income tax liabilities (note 25)	531,927	70,363	455,573
Other long-term liabilities (note 15)	310,487	257,742	265,919
Total non-current liabilities	9,372,616	7,607,685	8,027,249
Total liabilities	18,647,434	18,617,077	15,970,741
Parent shareholders' equity			
Capital stock (notes 1 and 17)	482,403	482,403	413,158
Capital surplus (note 18)	4,446,032	4,319,083	3,807,838
Capital adjustments, net (note 21)	(2,410,668)	(2,509,081)	(2,064,635)
Accumulated other comprehensive income (loss)	455,471	(21,986)	390,091
Retained earnings (note 19)	27,935,726	25,393,246	23,925,767
	30,908,964	27,663,665	26,472,219
Non controlling interest	755,350	680,540	646,925
Total shareholders' equity	31,664,314	28,344,205	27,119,144
Total liabilities and shareholders' equity	₩ 50,311,748	46,961,282	\$ 43,089,885

Consolidated Statements of Income

For the years ended December 31, 2009, 2008 and 2007

(in millions of Korean Won and thousands of US Dollar except per share information)	2009	2008	2007	2009 (note 2)
Sales (note 30)	₩ 36,855,001	41,742,636	31,607,741	\$ 31,564,749
Cost of goods sold (note 30)	31,037,425	32,562,339	24,902,663	26,582,241
Gross profit	5,817,576	9,180,297	6,705,078	4,982,508
Selling and administrative expenses (notes 24 and 30)	1,949,414	2,006,368	1,785,217	1,669,591
Operating income	3,868,162	7,173,929	4,919,861	3,312,917
Non-operating income (note 30)				
Interest and dividend income	351,553	362,309	234,841	301,090
Gain on foreign currency transactions	814,758	1,078,243	158,346	697,806
Gain on foreign currency translation	541,007	122,287	19,179	463,350
Gain on valuation of trading securities	5,811	16,535	16,039	4,977
Gain on disposal of trading securities	21,298	55,056	57,236	18,241
Gain on disposal of property, plant and equipment	82,000	14,392	15,182	70,230
Gain on valuation of derivatives	51,101	346,932	12,741	43,766
Gain on derivative transactions	77,879	41,575	17,689	66,699
Equity in earnings of equity method accounted investees	75,250	32,931	71,563	64,448
Gain on recovery of allowance for doubtful accounts	7,736	19,116	41,124	6,625
Reversal of stock compensation expense	-	55,155	-	-
Gain on disposal of other long-term assets	234,314	48,141	26,442	200,680
Others	99,686	177,204	148,125	85,378
	2,362,393	2,369,876	818,507	2,023,290
Non-operating expenses (note 30)				
Interest expense	532,090	344,686	239,913	455,713
Other bad debt expense	11,253	23,269	16,335	9,638
Loss on disposal of trading securities	1,164	1,243	37	997
Loss on valuation of trading securities	21	3,870	440	18
Loss on foreign currency transactions	884,347	1,207,257	130,679	757,406
Loss on foreign currency translation	105,219	933,086	65,432	90,116
Loss on derivative transactions	67,697	103,739	6,312	57,979
Loss on valuation of derivatives	94,346	288,655	3,617	80,803
Donations	128,925	142,570	197,366	110,418
Loss on impairment of investments	285,961	120,840	11,542	244,913
Loss on disposal of property, plant and equipment	54,992	53,823	43,544	47,098
Loss on impairment of intangible assets	50,493	45,890	-	43,245
Equity in losses of equity method accounted investees	82,130	56,795	28,929	70,341
Others	192,642	122,443	95,291	164,993
	2,491,280	3,448,166	839,437	2,133,677
Net income before income tax expense and net income (loss) of consolidated subsidiaries before acquisition	3,739,275	6,095,639	4,898,931	3,202,530
Income tax expense (note 25 and 30)	(535,996)	(1,733,983)	(1,274,226)	(459,058)
Net income (loss) of consolidated subsidiaries before acquisition (note 30)	(39,032)	(11,552)	(53,259)	(33,429)
Net income	₩ 3,242,311	4,350,104	3,677,964	\$ 2,776,901
Net income attributable to controlling interest	₩ 3,218,425	4,378,751	3,558,660	\$ 2,756,444
Net income (loss) attributable to non controlling interest (note 30)	₩ 23,886	(28,647)	119,304	\$ 20,457
Basic and diluted earnings per share (note 26) (in Korean Won and US Dollar)	₩ 41,982	58,002	46,854	\$ 36

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2009, 2008 and 2007

(in millions of Korean Won)

		Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Non Controlling Interest	Total
Balance as of January 1, 2007	₩	482,403	4,035,273	(1,678,229)	209,754	18,863,333	489,208	22,401,742
Net income		-	-	-	-	3,558,660	119,304	3,677,964
Effect of changes in scope of consolidation		-	37	-	-	-	62,024	62,061
Effect of changes in percentage of ownership of investees		-	(5,500)	-	-	-	-	(5,500)
Dividends		-	-	-	-	(655,099)	-	(655,099)
Changes in treasury stock		-	175,231	(1,045,274)	-	-	-	(870,043)
Gain on valuation of available-for-sale securities, net		-	-	-	498,711	-	-	498,711
Changes in capital adjustments of equity method accounted investees		-	-	-	(7,455)	-	-	(7,455)
Foreign currency translation adjustments		-	-	-	87,957	-	-	87,957
Loss on valuation of derivatives		-	-	-	(4,034)	-	-	(4,034)
Effect of changes in percentage of non controlling interest		-	-	-	-	-	16,380	16,380
Other		-	(28,449)	(3,644)	-	408	(53,259)	(84,944)
Balance as of December 31, 2007	₩	482,403	4,176,592	(2,727,147)	784,933	21,767,302	633,657	25,117,740

(in millions of Korean Won)

		Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Non Controlling Interest	Total
Balance as of January 1, 2008	₩	482,403	4,176,592	(2,727,147)	784,933	21,767,302	633,657	25,117,740
Net income		-	-	-	-	4,378,751	(28,647)	4,350,104
Effect of changes in scope of consolidation		-	-	-	-	-	31,518	31,518
Effect of changes in percentage of ownership of investees		-	20,194	-	-	-	-	20,194
Dividends		-	-	-	-	(755,037)	-	(755,037)
Changes in treasury stock		-	121,938	213,951	-	-	-	335,889
Unrealized loss on available-for-sale securities, net		-	-	-	(1,276,043)	-	-	(1,276,043)
Changes in capital adjustments of equity method accounted investees		-	-	-	37,575	-	-	37,575
Foreign currency translation adjustments		-	-	-	438,314	-	-	438,314
Loss on valuation of derivatives		-	-	-	(6,765)	-	-	(6,765)
Effect of changes in percentage of non controlling interest		-	-	-	-	-	39,726	39,726
Others		-	359	4,115	-	2,230	4,286	10,990
Balance as of December 31, 2008	₩	482,403	4,319,083	(2,509,081)	(21,986)	25,393,246	680,540	28,344,205

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2009, 2008 and 2007

(in millions of Korean Won)

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

(in thousands of US Dollar)

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Non Controlling Interest	Total
Balance as of January 1, 2009	\$ 413,158	3,699,112	(2,148,922)	(18,830)	21,748,241	582,854	24,275,613
Net income	-	-	-	-	2,756,444	20,457	2,776,901
Effect of changes in scope of consolidation	-	-	-	-	-	21,786	21,786
Effect of changes in percentage of ownership of investees	-	8,228	-	-	-	-	8,228
Dividends	-	-	-	-	(590,210)	-	(590,210)
Changes in treasury stock	-	100,454	84,576	-	-	-	185,030
Unrealized gain on available -for-sale securities, net	-	-	-	499,324	-	-	499,324
Changes in capital adjustments of equity method accounted investees	-	-	-	8,566	-	-	8,566
Foreign currency translation adjustments	-	-	-	(108,219)	-	-	(108,219)
Loss on valuation of derivatives	-	-	-	9,250	-	-	9,250
Effect of changes in percentage of non controlling interest	-	-	-	-	-	26,297	26,297
Others	-	44	(289)	-	11,292	(4,469)	6,578
Balance as of December 31, 2009	\$ 413,158	3,807,838	(2,064,635)	390,091	23,925,767	646,925	27,119,144

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years Ended December 31, 2009 and 2008

(in millions of Korean Won and thousands of US Dollar)

	2009	2008	2007	2009 (note 2)
Cash flows from operating activities				
Net income	₩ 3,242,311	4,350,104	3,677,964	\$ 2,776,901
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	2,552,777	2,379,291	2,126,729	2,186,346
Accrual of severance benefits	79,186	314,156	211,758	67,819
Provision for doubtful accounts, net	45,537	28,186	37,237	39,002
Loss (gain) on derivatives transaction, net	(10,182)	62,165	(11,377)	(8,720)
Loss (gain) on foreign currency translation, net	(462,724)	750,464	49,334	(396,303)
Loss on impairment of investments	285,961	120,840	11,542	244,913
Loss (gain) on disposal of property, plant and equipment, net	(27,008)	39,431	28,362	(23,132)
Loss on impairment of intangible assets, net	50,493	45,890	-	43,245
Gain on disposal of trading securities, net	(20,134)	(53,813)	(57,199)	(17,245)
Gain on valuation of trading securities, net	(5,790)	(12,665)	(15,599)	(4,959)
Gain on valuation of derivatives, net	43,245	(58,277)	(9,124)	37,037
Equity in earnings (losses) of equity method accounted investees, net	6,880	23,864	(42,634)	5,892
Other employee benefits	6,822	71,070	66,827	5,843
Net income (loss) of consolidated subsidiaries before acquisition	(39,032)	11,552	(53,259)	(33,429)
Stock compensation expense, net	36,100	(55,155)	123,881	30,919
Others	(62,605)	64,615	61,738	(53,619)
	2,479,526	3,731,614	2,528,216	2,123,609
Changes in operating assets and liabilities				
Decrease (increase) in trade accounts and notes receivable	713,418	(1,538,854)	(613,548)	611,012
Decrease (increase) in inventories	3,344,506	(3,393,710)	(461,226)	2,864,428
Decrease (increase) in other accounts and notes receivable	97,462	(222,706)	67,929	83,472
Increase in accrued income	(5,092)	(11,914)	(15,218)	(4,361)
Decrease (increase) in advance payments	426,459	(586,601)	(70,847)	365,244
Decrease (increase) in prepaid expenses	32,837	(11,468)	(23,658)	28,123
Increase (decrease) in trade accounts and notes payable	(296,400)	609,200	561,078	(253,854)
Increase in other accounts and notes payable	55,564	7,829	164,460	47,588
Increase (decrease) in advances received	247,127	215,491	(16,884)	211,654
Increase (decrease) in accrued expenses	110,736	94,716	(108,184)	94,841
Increase (decrease) in income tax payable	(1,677,482)	1,146,204	162,806	(1,436,693)
Deferred income tax, net	(23,475)	(432,528)	(20,127)	(20,105)
Payment of severance benefits	(144,007)	(125,374)	(64,975)	(123,336)
Increase in group severance insurance deposits	(19,913)	(141,807)	(147,366)	(17,054)
Increase (decrease) in other current liabilities	(107,223)	28,816	(13,055)	(91,831)
Others	156,500	(31,997)	(54,105)	134,036
	2,911,017	(4,394,703)	(652,920)	2,493,164
Net cash provided by operating activities	₩ 8,632,854	3,687,015	5,553,260	\$ 7,393,674

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years Ended December 31, 2009 and 2008

(in millions of Korean Won and thousands of US Dollar)

	2009	2008	2007	2009 (note 2)
Cash flows from investing activities				
Acquisition of trading securities	₩ (2,061,180)	(7,058,161)	(8,173,811)	\$ (1,731,055)
Acquisition of short-term financial instruments	(11,946,832)	(5,098,326)	(2,678,616)	(10,231,956)
Acquisition of available-for-sale securities	(553,486)	(1,357,622)	(1,179,114)	(474,038)
Acquisition of property, plant and equipment	(6,406,503)	(4,093,313)	(2,892,247)	(5,486,899)
Acquisition of intangible assets	(101,202)	(131,107)	(81,946)	(86,675)
Acquisition of other long-term assets	(95,821)	(122,700)	(160,098)	(82,067)
Short-term loans provided	(94,042)	(79,876)	(50,687)	(80,543)
Long-term loans provided	(32,239)	(285,654)	(24,235)	(27,612)
Payment for business acquisition, net of cash acquired	(80,380)	(279,031)	(1,335)	(68,842)
Disposal of trading securities	2,823,359	7,008,770	9,064,842	2,383,829
Disposal of short-term financial instruments	7,934,977	5,045,613	1,705,169	6,795,972
Disposal of available-for-sale securities	201,395	26,752	9,412	172,486
Disposal of long-term financial instruments	1,824	279,610	34,555	1,562
Disposal of interest in subsidiaries	244,785	-	-	209,648
Disposal of property, plant and equipment	378,978	53,773	34,958	324,578
Collection on short-term loans	29,655	191,251	108,221	25,398
Others	39,783	97,252	21,220	34,075
Net cash used in investing activities	(9,716,929)	(5,802,769)	(4,263,712)	(8,322,139)
Cash flows from financing activities				
Proceeds from short-term borrowings	5,828,483	10,233,819	6,811,282	4,991,849
Proceeds from long-term debt	2,695,932	3,454,625	1,054,138	2,308,951
Proceeds from other long-term liabilities	96,279	49,851	37,060	82,459
Disposal of treasury stock	249,124	364,753	406,991	213,365
Repayment of current portion of long-term debt	(763,504)	(491,635)	(278,699)	(653,908)
Repayment of short-term borrowings	(5,836,058)	(9,042,662)	(6,599,799)	(4,998,337)
Repayment of long-term debt	(585,629)	(369,348)	(248,087)	(501,567)
Payment of cash dividends	(689,129)	(755,037)	(655,099)	(590,210)
Acquisition of treasury stock	-	(36,832)	(1,291,362)	-
Repayment of other long-term liabilities	(60,651)	(38,145)	(94,072)	(51,945)
Others	(72,749)	(252,807)	(143,209)	(62,307)
Net cash used in financing activities	862,098	3,116,582	(1,000,856)	738,351
Effect of exchange rate changes on cash and cash equivalents	(40,865)	141,536	30,901	(34,999)
Net increase in cash and cash equivalents from changes in consolidated subsidiaries	(28,699)	55,519	36,815	(24,580)
Net increase in cash and cash equivalents	(291,541)	1,197,883	356,407	(249,693)
Cash and cash equivalents				
Cash and cash equivalent at beginning of the year	2,490,711	1,292,828	936,421	2,133,189
Cash and cash equivalent at end of the year (note 3)	₩ 2,199,170	2,490,711	1,292,828	\$ 1,883,496

Supplemental cash flow information for the years ended December 31 is as follows:

(in millions of Korean Won and thousands of US Dollar)

	2009	2008	2007	2009
Cash paid for interest	₩ 487,472	319,224	229,113	\$ 417,499
Cash paid for income taxes	2,266,055	1,028,588	1,107,888	1,940,780

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

1. Consolidated Companies

General descriptions of POSCO, the controlling company, and its controlled subsidiaries (Collectively the "Company"), which consist of 30 domestic subsidiaries including POSCO Engineering & Construction Co., Ltd. and 50 foreign subsidiaries, whose accounts are included in the consolidated financial statements, and 35 equity-method investees, which are excluded from the consolidation, are as follows:

The Controlling Company

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

As of December 31, 2009, POSCO's shareholders are as follows:

	Number of Shares	Percentage of Ownership (%)
National Pension Service	4,427,612	5.08
Nippon Steel Corporation (*1)	4,394,712	5.04
Mirae Asset Investments Co., Ltd.	2,817,800	3.23
SK Telecom Co., Ltd.	2,481,310	2.85
Shinhan Financial Group Co., Ltd. (*2)	2,297,551	2.64
Others	70,767,850	81.16
	87,186,835	100.00

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

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

As of December 31, 2009, the shares of POSCO are listed on the Korea Exchange, while its depository receipts are listed on the New York, London and Tokyo Stock Exchanges.

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Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Consolidated Subsidiaries

The consolidated financial statements include the accounts of POSCO and its controlled subsidiaries. The following table sets forth certain information with regard to consolidated subsidiaries as of December 31, 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 Plant Engineering Co., Ltd. (formerly, POSCO Machinery & Engineering Co., Ltd.)	Steel work maintenance and machinery installation	1,700,000	1,700,000	-	1,700,000	100.00	-	Pohang
POSCO ICT Co., Ltd. (formerly, 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
POSCO Architects Consultants 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 Co., Ltd. (POSREC)	Manufacturing and sellings	5,907,000	3,544,200	-	3,544,200	60.00	-	Pohang
POSCO Terminal Co., Ltd.	Transporting and warehousing	5,000,000	2,550,000	-	2,550,000	51.00	-	Gwangyang
Metapolis Co., Ltd.	Construction	10,560,000	-	4,229,280	4,229,280	40.05	POSCO E&C (40.05)	Seoul
POSMATE Co., Ltd. (*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 Co., Ltd.(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 (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 and managemet	400,000	-	400,000	400,000	100.00	POSCO E&C (100.00)	Incheon

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December 31, 2009 and 2008

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
PNR Co., Ltd.	Steel by-products processing and sales	7,810,980	5,467,686	-	5,467,686	70.00	-	Pohang
Megaasset Co., Ltd.	Real estate rental and sales	2,000,000	-	2,000,000	2,000,000	100.00	POSCO E&C (100.00)	Cheonan
Daewoo Engineering Company	Construction and engineering service	5,000,000	-	4,612,947	4,612,947	92.26	POSCO E&C (92.26)	Sungnam
Universal Studio Resort Development Co., Ltd.	Resort development	1,482,000	-	462,000	462,000	31.17	POSCO E&C (24.42) POSCO ICT (6.75)	Hwaseong
PoHang Feul Cell Co. Ltd. (*2)	Generation of electricity	800,000	-	800,000	800,000	100.00	POSCO E&C (25.00) POSCON (25.00) POSCO Power (50.00)	Pohang
POSCO AST Co., Ltd. (*2) (formerly, Taihan ST Co., Ltd.)	Production of diverse stainless steel	4,000,000	3,400,000	-	3,400,000	85.00	-	Ansan
DaiMyung TMS Co., Ltd. (*2)	Cold-rolling of stainless steel, nickel alloy	250,080	-	250,080	250,080	100.00	POSCO AST (100.00)	Siheung
POS-HiMetal Co., Ltd. (*2)	Ferromanganese manufacturing	2,000,000	1,300,000	-	1,300,000	65.00	-	Gwangyang
POSCO E&E (*2)	Generation of electricity	3,480,000	3,480,000	-	3,480,000	100.00	-	Seoul
Foreign								
POSCO America Corporation (POSAM)	Steel trading	369,614	367,572	2,042	369,614	100.00	POSCAN (0.55)	USA
POSCO Australia Pty. Ltd. (POSA)	Steel sellings and mine development	761,775	761,775	-	761,775	100.00	-	Australia
POSCO Canada Ltd. (POSCAN)	Coal trading	1,099,885	-	1,099,885	1,099,885	100.00	Posteel (100.00)	Canada
POSCAN Elkview Coal Ltd.	Mine development	304,061	-	304,061	304,061	100.00	POSCAN (100.00)	Canada
POSCO Asia Co., Ltd. (POA)	Steel intermediate trading	9,360,000	9,360,000	-	9,360,000	100.00	-	China
VSC POSCO Steel Corporation (VPS) (*3)	Steel manufacturing	-	-	-	-	50.00	Posteel (5.00) POSCO Specialty Steel (10.00)	Vietnam
Dalian POSCO – CFM Coated Steel Co., Ltd. (*3)	Coated steel manufacturing	-	-	-	-	85.00	Posteel (15.00) POSCO-China (40.00)	China
POSCO-CTPC Co., Ltd. (*3)	Steel service center	-	-	-	-	94.00	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 (*3)	Real estate rental	-	-	-	-	60.00	-	Vietnam
POSTILAMA Steel Structure Co., Ltd. (*3)	Steel structure fabrication and sales	-	-	-	-	70.00	POSCO E&C (60.00) Posteel (10.00)	Vietnam

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Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
Zhangjiagang Pohang Stainless Steel Co., Ltd. (ZPSS) (*3)	Stainless steel manufacturing	-	-	-	-	82.48	POSCO-China (23.88)	China
Guangdong Pohang Coated Steel Co., Ltd. (*3)	Coated steel manufacturing	-	-	-	-	97.09	POSCO-China (10.04)	China
POSCO (Thailand) 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. (*3)	Stainless steel manufacturing	-	-	-	-	90.00	POSCO E&C (25.00) ZPSS (65.00)	China
POSCO-JOPC Co., Ltd.	Steel processing and sellings	4,900	-	2,785	2,785	56.84	POSCO-Japan (56.84)	Japan
POSCO Investment Co., Ltd.	Finance	5,000,000	5,000,000	-	5,000,000	100.00	-	China
POSCO-MKPC SDN. BHD.	Steel service center	56,550,200	25,269,900	14,315,238	39,585,138	70.00	Posteel (25.31)	Malaysia
Qingdao Pohang Stainless Steel Co., Ltd. (*3)	Stainless steel manufacturing	-	-	-	-	100.00	ZPSS (20.00) POSCO-China (10.00)	China
POSCO (Suzhou) Automotive Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	POSCO-China (10.00)	China
POSEC-Hawaii Inc.	Construction and sales	18,400	-	18,400	18,400	100.00	POSCO E&C (100.00)	USA
POS-Qingdao Coil Center Co., Ltd. (*3)	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. (*3)	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. (*3)	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.	Coal trading	450,000,000	450,000,000	-	450,000,000	100.00	-	India
POS-India Pune Steel Processing Centre Pvt. Ltd.	Steel service center	115,062,471	74,787,138	-	74,787,138	65.00	-	India
POSCO-JNPC Co., Ltd.	Steel service center	99,000	-	89,100	89,100	90.00	POSCO-Japan (90.00)	Japan
POSCO-Foshan Steel Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	POA (24.20) POSCO-China (36.20)	China
POSCO E&C (Beijing) Co., Ltd. (*3)	Construction and engineering	-	-	-	-	100.00	POSCO E&C (100.00)	China
POS-MPC S.A. de C.V. (*3)	Steel service center	-	-	-	-	61.00	POSAM (61.00)	Mexico

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
Zhangji gang Pohang Port Co., Ltd. (*3)	Raw material and steel depot service	-	-	-	-	100.00	ZPSS (75.11) POSCO-China (24.89)	China
POSCO-Vietnam Co., Ltd. (*3)	Cold-rolled steel manufacturing and sales	-	-	-	-	85.00	-	Vietnam
POSCO-Mexico Co., Ltd.	Cold-rolled steel manufacturing and sales	1,541,191,740	1,304,955,672	236,236,068	1,541,191,740	100.00	POSCAN (15.33)	Mexico
POSCO- India Delhi Steel Processing Centre Pvt. Ltd.	Steel service center	55,673,970	42,532,980	-	42,532,980	76.40	-	India
POS-NP Pty. Ltd.	Coal trading	35,000,000	-	35,000,000	35,000,000	100.00	POSA (100.00)	Australia
POSCO-Vietnam Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	86.86	-	Vietnam
POSCO (Chongqing) Automotive Processing Center Co., Ltd. (*3)	Steel service center	-	-	-	-	100.00	POSCO-China (10.00)	China
Suzhou pos-core Technology Co., Ltd. (*3)	Components manufacturing and sales	-	-	-	-	100.00	Posteel (15.15) POA (15.15) POSCORE (69.70)	China
POSCO-JYPC Co., Ltd.	Steel service center	99,000	-	81,550	81,550	82.37	POSCO-Japan (82.37)	Japan
POSCO-Malaysia SDN. BHD.	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. (*3)	Steel service center	-	-	-	-	100.00	POSCO-China (31.43)	China
&TV Communications (*2)	IPTV broadcasting & optional service	1,000,847	-	582,000	582,000	58.15	POSCO ICT (58.15)	USA
POSCO-Phillippine Manila Processing Center Inc. (*2,3)	Steel service center	-	-	-	-	100.00	Posteel (100.00)	Philippines
POSCO VST Co., Ltd. (*2,3)	Stainless cold steel manufacturing	-	-	-	-	90.00	-	Vietnam

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

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

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Summary of financial information of consolidated subsidiaries as of and for the year ended December 31, 2009 is as follows:

Subsidiaries	Summary of Financial Information (in millions of Korean Won) (*)				
	Total Assets	Total liabilities	Net Assets	Sales	Net Income (loss)
Domestic					
POSCO E&C Co., Ltd.	4,431,218	2,559,531	1,871,687	6,675,711	304,908
Posteel Co., Ltd.	744,723	268,921	475,802	1,626,916	(13,912)
POSCON Co., Ltd.	375,418	189,700	185,718	524,583	23,690
POSCO Coated Steel Co., Ltd.	460,084	209,865	250,219	703,476	(19,244)
POSCO Plant Engineering Co., Ltd. (formerly, POSCO Machinery & Engineering Co., Ltd.)	106,193	52,846	53,347	303,650	(3,432)
POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)	280,747	229,075	51,672	378,320	(71,203)
POSCO Research Institute	26,309	2,698	23,611	19,662	239
Seung Kwang Co., Ltd.	77,629	34,604	43,025	15,642	3,080
POSCO Architects Consultants Co., Ltd.	57,089	14,886	42,203	77,879	4,749
POSCO Specialty Steel Co., Ltd.	972,260	342,882	629,378	1,271,037	64,994
POSCO Machinery Co., Ltd.	35,860	13,860	22,000	127,980	(5,803)
POSTECH Venture Capital Corp.	36,342	783	35,559	1,309	121
POSCO Refractories & Environment Co., Ltd. (POSREC)	257,455	74,373	183,082	574,401	33,089
POSCO Terminal Co., Ltd.	53,181	6,373	46,808	54,593	9,156
Metapolis Co., Ltd.	482,199	364,155	118,044	254,205	14,158
POSMATE Co., Ltd.	59,804	17,096	42,708	82,199	6,265
Samjung Packing & Aluminum Co., Ltd.	165,141	96,525	68,616	303,350	3,933
POSCO Power Corp.	1,716,277	1,101,263	615,014	508,641	59,346
Postech 2006 Energy Fund	27,011	97	26,914	527	(2,475)
POSCORE Co., Ltd.	98,122	45,017	53,105	186,705	11,030
PHP Co., Ltd.	614,085	619,863	(5,778)	-	(7,020)
PNR Co., Ltd.	169,890	133,000	36,890	358	(2,650)
Megaasset Co., Ltd.	144,307	140,298	4,009	12,611	(4,075)
Daewoo Engineering Company	275,259	154,713	120,546	614,117	37,796
Universal Studio Resort Development Co., Ltd.	11,445	-	11,445	-	(3,302)
PoHang Feul Cell Co. Ltd.	14,161	10,131	4,030	3,766	(217)
POSCO AST Co., Ltd.	207,082	112,059	95,023	215,860	4,350
DaiMyung TMS Co., Ltd.	27,877	45,218	(17,341)	28,375	(3,648)
POS-HiMetal Co., Ltd.	9,445	419	9,026	-	(974)
POSCO E&E	17,303	-	17,303	-	(97)

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Subsidiaries	Summary of Financial Information (in millions of Korean Won) (*)				
	Total Assets	Total liabilities	Net Assets	Sales	Net Income (loss)
Foreign					
POSCO America Corporation (POSAM)	268,510	119,900	148,610	235,859	(21,852)
POSCO Australia Pty. Ltd. (POSA)	618,989	288,428	330,561	90,233	48,423
POSCO Canada Ltd. (POSCAN)	264,137	32,947	231,190	72,999	7,563
POSCAN Elkview Coal Ltd.	54,064	660	53,404	11,301	6,770
POSCO Asia Co., Ltd. (POA)	185,217	153,494	31,723	1,370,147	2,786
VSC POSCO Steel Corporation (VSC)	47,178	26,690	20,488	176,415	5,071
Dalian POSCO – CFM Coated Steel Co., Ltd.	50,919	45,868	5,051	21,042	(9,185)
POSCO-CTPC Co., Ltd.	62,981	48,372	14,609	146,527	755
POSCO-JKPC Co., Ltd.	86,759	73,894	12,865	52,573	(450)
IBC Corporation	95,810	58,024	37,786	30,914	16,320
POSLILAMA Steel Structure Co., Ltd.	41,562	61,706	(20,144)	29,703	(3,280)
Zhangjiagang Pohang Stainless Steel Co., Ltd. (ZPSS)	1,330,457	756,569	573,888	1,843,902	(18,282)
Guangdong Pohang Coated Steel Co., Ltd.	99,195	58,006	41,189	146,556	5,961
POSCO (Thailand) Co., Ltd.	120,628	88,664	31,964	161,197	(5,046)
Myanmar-POSCO Steel Co., Ltd.	18,088	10,001	8,087	25,728	3,384
Zhangjiagang POSHA Steel Port Co., Ltd. (ZPSP)	14,884	4,938	9,946	1,627	(82)
POSCO-JOPC Co., Ltd.	51,753	49,088	2,665	35,832	(3,922)
POSCO Investment Co., Ltd.	484,194	395,898	88,296	16,385	2,533
POSCO-MKPC SDN. BHD.	96,157	55,365	40,792	106,443	470
Qingdao Pohang Stainless Steel Co., Ltd.	247,181	138,111	109,070	397,802	(15,585)
POSCO (Suzhou) Automotive Processing Center Co., Ltd.	163,487	102,085	61,402	298,586	10,354
POSEC-Hawaii Inc.	12,383	670	11,713	32,644	(1,287)
POS-Qingdao Coil Center Co., Ltd.	48,470	34,875	13,595	142,277	118
POS-Ore Pty. Ltd.	66,611	7,197	59,414	72,294	32,514
POSCO-China Holding Corp.	276,502	45,501	231,001	130,691	(3,424)
POSCO-Japan Co., Ltd.	616,423	519,210	97,213	887,165	1,749
POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd.	2,124	12	2,112	96	32
POS-CD Pty. Ltd.	53,195	47,895	5,300	6,080	(4,025)
POS-GC Pty. Ltd.	27,106	4,665	22,441	16,625	3,261
POSCO-India Private Ltd.	113,568	708	112,860	-	-
POS-India Pune Steel Processing Centre Pvt. Ltd.	136,494	101,552	34,942	115,912	2,389
POSCO-JNPC Co., Ltd.	126,800	116,226	10,574	132,763	(1,249)
POSCO-Foshan Steel Processing Center Co., Ltd.	95,182	61,085	34,097	459,522	3,049
POSCO E&C (Beijing) Co., Ltd.	50,662	31,132	19,530	96,149	(1,263)
POS-MPC S.A. de C.V.	146,599	120,752	25,847	139,555	833
Zhangjiagang Pohang Port Co., Ltd.	29,245	14,480	14,765	4,685	299
POSCO-Vietnam Co., Ltd.	712,055	498,221	213,834	87,865	(31,992)
POSCO-Mexico Co., Ltd.	372,578	268,949	103,629	82,870	(17,683)
POSCO- India Delhi Steel Processing Centre Pvt. Ltd.	64,718	53,185	11,533	79,976	3,770

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Subsidiaries	Summary of Financial Information (in millions of Korean Won) (*)				
	Total Assets	Total liabilities	Net Assets	Sales	Net Income (loss)
POS-NP Pty. Ltd.	51,848	17,131	34,717	34,112	3,408
POSCO-Vietnam Processing Center Co., Ltd.	38,255	22,986	15,269	47,746	(21)
POSCO (Chongqing) Automotive Processing Center Co, Ltd.	69,869	59,554	10,315	81,921	1,203
Suzhou pos-core Technology Co., Ltd.	38,756	16,633	22,123	47,368	(2,481)
POSCO-JYPC Co., Ltd.	55,359	51,563	3,796	39,633	(5,674)
POSCO-Malaysia SDN. BHD.	62,546	89,667	(27,121)	77,678	(2,152)
POS-Minerals Corporation	117,165	11	117,154	-	(243)
POSCO (Wuhu) Automotive Processing Center Co., Ltd.	58,354	39,495	18,859	88,006	1,863
&TV Communications	6,102	501	5,601	472	(7,943)
POSCO-Phillippine Manila Processing Center Inc.	25,138	17,152	7,986	20,298	31
POSCO VST Co., Ltd.	105,542	64,476	41,066	87,926	(9,640)

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

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Equity-Method Investees

The following table sets forth certain information with regard to equity-method investees as of December 31, 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)	Material manufacturing	37,000,000	18,130,000	-	18,130,000	49.00	-	Gwangyang
Chungju Enterprise City	Construction	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)	Wind power plant construction and management	5,000,000	-	2,500,000	2,500,000	50.00	POSCO E&C (50.00)	Hoengseong
KOREASOLARPARK Co., Ltd. (*1)	Solar power plant construction and management	2,400,000	-	900,000	900,000	37.50	POSCO E&C (7.50) Postech 2006 Energy Fund (30.00)	Youngam
Cheongna IBT Co., Ltd. (*2)	Multiplex development	6,200,000	-	388,740	388,740	6.27	POSCO E&C (6.27)	Incheon
Garolim Tidal Power Plant Co., Ltd. (*1)	Generation of electricity	7,230,000	-	2,322,999	2,322,999	32.13	POSCO E&C (32.13)	Seosan
PSIB Co., Ltd (*1)	Non-resident building lease	200,000	-	98,000	98,000	49.00	POSCO E&C (49.00)	Seoul
Foreign								
KOBRASCO (*1)	Facilities lease	4,021,438,370	2,010,719,185	-	2,010,719,185	50.00	-	Brazil
USS - POSCO Industries (UPI) (*1,3)	Steel processing	-	-	-	-	50.00	POSAM (50.00)	USA
Poschrome (Proprietary) Limited	Material 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. (*1,3)	Steel manufacturing	-	-	-	-	50.00	-	Vietnam
PT POSMI Steel Indonesia (POSMI) (*1)	Steel service center	12,600	1,193	3,579	4,772	37.87	Posteel (28.40)	Indonesia
POSCO Bioventures L.P. (*3,4)	Investment in companies in the bio-tech industry	-	-	-	-	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

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December 31, 2009 and 2008

Investees	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Location
			POSCO	Subsidiaries	Total			
Liaoning Rongyuan Posco Refractories Co., Ltd. (*1,3)	Manufacturing and sellings	-	-	-	-	35.00	POSREC (35.00)	China
POSK (PingHu) Steel Processing Center Co., Ltd. (*3)	Steel processing	-	-	-	-	20.00	-	China
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd. (*3)	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
Ah khanh New City Development (*1,3)	Construction	-	-	-	-	50.00	POSCO E&C (50.00)	Vietnam
Henan Tsingpu Ferro Alloy Co., Ltd. (*1,3)	Material processing	-	-	-	-	49.00	ZPSS (49.00)	China
United Spiral Pipe, LLC. (USP) (*1,3)	Steel pipe manufacturing and sales	-	-	-	-	35.00	POSAM (35.00)	USA
Zhongyue POSCO (Qinhuangdau)	Specialty steel manufacturing	-	-	-	-	34.00	POSCO-China (10.00)	China
Tinplate Industrial Co., Ltd. (*1,3)								
BX Steel POSCO Cold Rolled sheet Co., Ltd. (*3)	Steel manufacturing	-	-	-	-	25.00	-	China
POSS-SLPC s.r.o. (*3)	Steel processing	-	-	-	-	30.00	-	Slovakia
Eureka Moly LLC. (*3)	Material processing	-	-	-	-	20.00	POS-Mineral (20.00)	USA
POS UTEK Development (*3)	Construction	-	-	-	-	25.00	POSCO E&C (25.00)	Russia
POSCO SAMSUNG Suzhou Steel Processing Center Co., Ltd. (*3)	Steel processing	-	-	-	-	30.00	-	China
POSCO SeAH Steel Wire (Nantong) Co., Ltd. (*3)	Steel processing	-	-	-	-	25.00	POSCO-China (25.00)	China
POS-JK LLC.	Steel processing	10,300	-	2,574	2,574	24.99	POSCO E&C (4.9) Posteel (20.08)	UAE

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

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

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

(*4) 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.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Subsidiaries or Investees Excluded from the Consolidated Financial Statements

Location	Investees	Country	Reason	
Domestic	Dakos Co. Ltd.	Korea	Small company	
	POSBRO Co., Ltd.	Korea	Small company	
	POSWITH Co., Ltd.	Korea	Small company	
	POSFINE	Korea	Small company	
	POMIC	Korea	Small company	
	Pohang SFC Co., Ltd.	Korea	Small company	
	HJ photovoltaics, Inc.	Korea	Small company	
	Daewoo national car Gwangju selling Co., Ltd.	Korea	Small company	
	Mapo high broad parking	Korea	Small company	
	BASYS INDUSTRY CO., LTD .	Korea	Small company	
	Pajoo & Viro	Korea	Small company	
	Uitrans Co. Ltd.	Korea	Small company	
	Universal Studios Resort Asset Management Coporation	Korea	Small company	
	POSTECH BD Newundertaking fund	Korea	Small company	
	AROMA POSTECH RENEWABLE ENERGY, CO., LTD.	Korea	Non-majority control	
	Suwon Green Environment.Co., Ltd.	Korea	Non-majority control	
	AsiaUnion Co., Ltd.	Korea	Non-majority control	01
	Innovalley Co., Ltd.	Korea	Non-majority control	02
	Busan-Gimhae Light Rail Transit Co., Ltd.	Korea	Non-majority control	03
	Applied Science Corp.	Korea	Non-majority control	04
	SENTECH KOREA CORP.	Korea	Non-majority control	05
	Incheon-Gimpo Highway	Korea	Non-majority control	06
	Green Jangryang Co., Ltd.	Korea	Non-majority control	07
	Green Cheonan Co., Ltd.	Korea	Non-majority control	08
Green Tongyeong Co., Ltd.	Korea	Non-majority control	09	
			10	
Foreign	DWEMEX,S.A.DE C.V.	Mexico	Small company	11
	POS MPC Servicios de C.V.	Mexico	Small company	12
	POSCO E&C SMART	Mexico	Small company	13
	POSCO MEXICO HUMAN TECH	Mexico	Small company	14
	POSCO MEXICO Logistics S.A. DE C.V. (POSCO-MESDC)	Mexico	Small company	15
	POSCO Engineering and Construction Venezuela C.A	Venezuela	Small company	16
	POSCO-Vietnam Hanoi Processing Centre LLC. (POSCO-VNPC)	Vietnam	Small company	17
	Europe Steel Distribution Center (POS-ESDC, Logistics, Trading and Investment d.o.o)	Slovenia	Small company	18
				19
	POSCO South East Asia Pte. Ltd.	Singapore	Small company	20
	POSCO Gulf Logistics LLC.	UAE	Small company	21
	Vectus Limited	UK	Small company	22
	EUROTALY S.A.	Uruguay	Small company	23
	POSCO E&C India Private Ltd.	India	Small company	24
	POSCO India Chennai Steel Processing Centre Pvt. Ltd. (POSCO-ICPC)	India	Small company	25
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	POSCO Maharashtra Steel Private Limited	India	Small company	27
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Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Location	Investees	Country	Reason
	POSCO CORE India PVT. LTD.	India	Small company
	Dalian Poscon Dongbang Automatic Co., Ltd.	China	Small company
	San Pu Trading Co., Ltd.	China	Small company
	Zhangjiagang BLZ Pohang International Trading Co., Ltd.	China	Small company
	Zhangjiagang Pohang Refractories Co., Ltd.	China	Small company
	Qingdao Posco Steel Processing Co., Ltd.	China	Small company
	POSDATA-CHINA	China	Small company
	POSCO (Liaoning) Automotive Processing Center Co., Ltd. (POSCO-CLPC)	China	Small company
	DAEWOO TECH THAILAND	Thailand	Small company
	POSCO-TNPC Celik Sanayi ve Ticaret A.S. (POSCO-TNPC)	Turkey	Small company
	POSA Cayman GP	Australia	Small company
	PT. MRI (PT. Motta Resources Indonesia)	Indonesia	Small company
	Yingkou Posrec Refractories Co., Ltd.	China	Non-majority control
	Miller Pohang Coal Company Pty Ltd. (MPCC)	Australia	Non-majority control
	PT.POSNESIA	Indonesia	Under liquidation

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

Changes in Scope of Consolidation in 2009

Investees	Location	Reason
POSCO AST Co., Ltd.	Ansan	The Company's ownership exceeded 50% through additional increase in paid in capital in 2009.
DaiMyung TMS Co., Ltd.	Siheung	The Company newly acquired more than 50% of interest related to this investment in 2009.
POS-HiMetal Co., Ltd.	Gwangyang	The Company made investments to establish.
POSCO E&E	Seoul	The Company made investments to establish.
Pohang Fuel Cell Co., Ltd.	Pohang	The Company made investments to establish.
&TV Communications Inc.	USA	Total assets exceeded ₩10,000 million as of December 31, 2008.
POSCO Phillippine Manila Processing Center Inc.	Philippines	Total assets exceeded ₩10,000 million as of December 31, 2008.
POSCO VST CO., LTD.	Vietnam	The Company newly acquired more than 50% of interest related to this investment in 2009.

The total assets, shareholders' equity, sales, and net income of the consolidated financial statements as of and for the year ended December 31, 2009, increased by ₩428,428 million, ₩174,367 million, ₩356,697 million, and ₩37,271 million, respectively due to the changes in scope of consolidation.

Subsidiaries Excluded from the Consolidated Financial Statements in 2009

Investees	Location	Reason
Shanghai Real Estate Development Co., Ltd.	China	Disposal of 100 % shares

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

The Effect from Adjustment of Accounting Policy in Consolidated Subsidiaries

The effects to the financial statements of consolidated subsidiaries resulting from the application of accounting principles and estimates of the controlling company to its subsidiaries for the years ended December 31, 2009 and 2008 are as follows:

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

(in millions of Korean Won)	2008		
	Net Assets Value before Adjustment	Adjustment Amount	Net Assets Value after Adjustment
Investees			
Posteel Co., Ltd.	451,564	(601)	450,963
POSCON Co., Ltd.	159,835	1,329	161,164
POSCO Coated Steel Co., Ltd.	216,853	(4,107)	212,746
POSCO Refractories & Environment Co., Ltd. (POSREC)	154,729	5,544	160,273
Samjung Packing & Aluminum Co., Ltd.	56,808	3,775	60,583
POSCO Power Corp.	552,569	(7,910)	544,659
POSCO Asia Co., Ltd.	31,420	(352)	31,068
Zhangjiagang Pohang Stainless Steel Co., Ltd.	635,615	(71,419)	564,196
POSCO Investment Co., Ltd.	92,599	(3,915)	88,684
Qingdao Pohang Stainless Steel Co., Ltd.	132,733	(21,682)	111,051
POSCO-Japan Co., Ltd.	107,306	(1,097)	106,209
POS-Qingdao Coil Center Co., Ltd.	14,515	(34)	14,481
POSCO E&C (Beijing) Co., Ltd.	22,244	(275)	21,969

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Notes to Consolidated Financial Statements

December 31, 2009 and 2008

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

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

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

Basis of Consolidated Financial Statements Presentation

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

Cash and Cash Equivalents

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

Revenue Recognition

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

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

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

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

Notes to Consolidated Financial Statements

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Allowance for Doubtful Accounts

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

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

Inventories

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

Investments in Securities

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

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

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

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

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

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

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

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Equity Method Investments

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

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

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

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

Property, Plant and Equipment

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

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

	Estimated Useful Lives
Buildings and structures	5-60 years
Machinery and equipment	3-25 years
Vehicles	3-10 years
Tools	4-10 years
Furniture and fixtures	3-10 years
Capital lease asset (*)	3-18 years

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

Notes to Consolidated Financial Statements

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

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

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

Leases

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

Intangible Assets

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

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

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

(*2) As of December 31, 2009, port facilities usage rights are related to the quay and inventory yard donated by POSCO in April 1987 to the local bureaus of the Maritime Affairs and Fisheries in Gwangyang, Pohang, Pyeongtaek and Masan.

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

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

Discounts on Debentures

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

Accrued Severance Benefits

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

Restructuring of Receivables

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

Foreign Currency Transactions and Translation

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

Derivative Financial Instruments

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

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

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

Notes to Consolidated Financial Statements

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Provisions and Contingent Liabilities

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

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

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

Treasury Stock

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

Sale of Receivables

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

Income Tax and Deferred Income Tax

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

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

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

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

Use of Estimates

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

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Notes to Consolidated Financial Statements

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Elimination of the Investments of Investing Company and the Stockholders' Equity of the Investees

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

Elimination of Inter-Company Transactions

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

(a) Calculation of unrealized gains and losses

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

(b) Elimination of unrealized gains and losses

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

Translation of Foreign Subsidiary's Financial Statements

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

Reclassification

Certain reclassifications have been made to the 2008 consolidated financial statements to conform to the 2009 presentation.

US Dollar Convenience Translation

The December 31, 2009 consolidated financial statements are expressed in Korean Won and have been translated into U.S. dollars at the rate of ₩1,167.6 to US\$1, at the Seoul Money Brokerage Services, Ltd., buying exchange rate in effect on December 31, 2009, solely for the convenience of the reader. These translations should not be construed as a representation that any or all of the amounts shown could be converted into U.S. dollars at this or any other rate.

Notes to Consolidated Financial Statements

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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 December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	Annual Interest Rate (%)		2009	2008
Cash and cash equivalents				
Cash on hand and bank deposits	0.00 - 3.00	₩	165,307	74,657
Checking accounts	0.00 - 2.00		7,427	3,160
Corporate bank deposits	0.00 - 6.20		417,390	459,023
Time deposits	0.36 - 5.00		529,564	598,000
Time deposits in foreign currency and others	0.00 - 3.00		382,904	517,561
Maintained by overseas affiliates	0.00 - 12.00		696,578	838,309
			2,199,170	2,490,710
Less : Government grants			(2,439)	(446)
		₩	2,196,731	2,490,264
Short-term financial instruments				
Time deposits	1.60 - 5.00	₩	2,962,298	1,049,535
Specified money in trust	-		71,193	80,455
Certificates of deposit	1.60 - 7.20		2,405,500	529,000
Commercial papers	-		-	20,000
Others	0.10 - 5.30		342,643	93,351
Maintained by overseas affiliates	0.01 - 10.49		38,813	55,109
		₩	5,820,447	1,827,450
Long-term financial instruments				
Installment accounts	0.00 - 10.00	₩	18,522	16,355
Guarantee deposits for opening accounts	0.00 - 1.00		112	107
		₩	18,634	16,462

The financial assets pledged as collateral include short-term financial instruments amounting to ₩22,343 million and ₩21,940 million as of December 31, 2009 and 2008, respectively, in relation to performance guarantee deposits, short-term borrowings, long-term debts and others; short-term financial instruments amounting to ₩10,667 million and ₩5,887 million as of December 31, 2009 and 2008, respectively, in relation to government-appropriated projects; and long-term financial instruments amounting to ₩112 million and ₩107 million as of December 31, 2009 and 2008, respectively, in relation to maintaining deposits for opening checking accounts.

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Notes to Consolidated Financial Statements

December 31, 2009 and 2008

4. Trading Securities

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

(in millions of Korean Won)	2009			2008
	Acquisition Cost	Fair Value	Book Value	Book Value
Beneficiary certificates and others	₩ 500,000	505,811	505,811	1,238,261

5. Accounts and Notes Receivable, and Others

(a) Accounts and notes receivable, and their allowance for doubtful accounts and present value discounts as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009	2008
Trade accounts and notes receivable	₩ 5,344,442	6,158,066
Less: Allowance for doubtful accounts	(199,318)	(263,802)
Less: Present value discount	(102)	(171)
	₩ 5,145,022	5,894,093
Other accounts and notes receivable	₩ 470,701	555,902
Less: Allowance for doubtful accounts	(23,008)	(17,153)
Less: Present value discount	-	(239)
	₩ 447,693	538,510
Long-term trade accounts and notes receivable	₩ 23,142	29,623
Less: Allowance for doubtful accounts	(6,250)	(4,528)
Less: Present value discount	(1,207)	(1,831)
	₩ 15,685	23,264
Long-term loans receivable	₩ 125,029	97,793
Less: Allowance for doubtful accounts	(21,395)	(17,448)
Less: Present value discount	(27)	(58)
	₩ 103,607	80,287

Notes to Consolidated Financial Statements

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(b) Accounts stated at present value under long-term deferred payment term and others as of December 31, 2009 are as follows:

(in millions of Korean Won)	Face Value	Present Value Discount	Book Value	Maturity	Discount Rate(%)
Long-term loans receivable					
Riviera C.C	372	27	345	2011	3.7
	₩ 372	27	345		
Long-term trade accounts and notes receivable					
BNG Steel Co., Ltd. (*)	₩ 4,680	72	4,608	2010	8.6
DK Dongsin Co., Ltd. (*)	6,609	208	6,401	2011	4.7
Others	21,968	1,308	20,660	2011-2016	4.7-6.5
	₩ 33,257	1,588	31,669		

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

(c) Valuation and qualifying accounts for allowance for doubtful accounts for the years ended December 31, 2009, 2008 and 2007 are as follows:

(in millions of Korean Won)	Balance at beginning of period	Additions		Deductions (*)	Balance at the end of period
		Charged to costs and expenses	Change in scope of consolidation		
Year ended December 31, 2009:	₩ 340,325	₩ 45,538	₩ 2,808	₩ 103,776	₩ 284,895
Reserves deducted in the balance sheet from the assets to which the apply:					
Allowance for doubtful accounts					
Year ended December 31, 2008:	341,766	28,186	1,072	30,699	340,325
Reserves deducted in the balance sheet from the assets to which the apply:					
Allowance for doubtful accounts					
Year ended December 31, 2007:	385,755	37,237	-	81,226	341,766
Reserves deducted in the balance sheet from the assets to which the apply:					
Allowance for doubtful accounts					

(*) Deduction for allowance for doubtful accounts includes amount written off as uncollectible and others.

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6. Inventories

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

(in millions of Korean Won)	2009	2008
Finished goods	₩ 877,850	2,003,646
By-products	28,756	41,841
Semi-finished goods	1,585,425	2,389,245
Raw materials	1,124,060	2,077,569
Fuel and materials	566,344	563,136
Materials-in-transit	1,036,108	1,698,042
Others	11,186	8,251
	5,229,729	8,781,730
Less: Provision for valuation loss	(76,890)	(120,009)
	₩ 5,152,839	8,661,721

Loss on valuation of inventories for the years ended December 31, 2009 and 2008 amounted to ₩76,890 million and ₩120,009 million, respectively.

7. Investment Securities

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

(in millions of Korean Won)	2009	2008
Available-for-sale securities	₩ 5,292,591	4,257,625
Held-to-maturity securities	91,792	87,321
Equity-method investments	827,583	832,536
	₩ 6,211,966	5,177,482

Available-for-Sale Securities

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

(in millions of Korean Won)	2009	2008
Current portion of available-for-sale securities		
Investments in bonds	₩ 35,746	30,888
Available-for-sale securities		
Marketable equity securities	3,973,531	2,917,595
Non-marketable equity securities	1,174,866	1,306,739
Investments in bonds	120,048	8,467
Equity investments	24,146	24,824
	5,292,591	4,257,625
	₩ 5,328,337	4,288,513

Notes to Consolidated Financial Statements

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(b) Investments in marketable equity securities as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won) Company	2009						2008
	Number of Shares	Percentage of Ownership(%)	Acquisition Cost	Fair Value	Book Value(*1)	Book Value	
SK Telecom Co., Ltd. (*1)	4,372,096	5.41	₩ 1,222,528	₩ 743,845	₩ 743,845	₩ 891,835	
Hana Financial Group Inc.	4,663,776	2.20	29,998	153,438	153,438	90,943	
Hyundai Heavy Industries Co., Ltd.	1,477,000	1.94	343,505	256,260	256,260	294,661	
Hanil Iron & Steel Co., Ltd.	206,798	10.14	2,413	2,575	2,575	1,596	
HI Steel Co., Ltd.	135,357	9.95	1,609	1,895	1,895	1,766	
Munbae Steel Co., Ltd.	1,849,380	9.02	3,588	5,419	5,419	3,921	
Dong Yang Steel Pipe Co., Ltd.	1,564,250	2.06	3,911	1,877	1,877	1,400	
Korea Line Corp.	-	-	-	-	-	14,347	
Shinhan Financial Group Inc.	4,369,881	0.92	228,778	188,779	188,779	113,326	
SeAH Steel Corp.	610,103	10.17	18,792	22,055	22,055	23,490	
Union Steel Co., Ltd.	1,005,000	9.80	40,212	22,110	22,110	14,472	
Hanjin Shipping Co., Ltd.	57,226	0.08	2,354	1,185	1,185	1,236	
Hanjin Shipping Holdings Co., Ltd.	11,033	0.08	298	151	151	-	
KB Financial Group Inc.	13,115,837	3.39	574,524	783,015	783,015	282,402	
LG Powercom Corporation (*2)	6,300,000	4.70	246,000	36,793	36,793	39,000	
DC Chemical Co., Ltd.	3,404	-	149	744	744	749	
Korea Semiconductor System Co., Ltd.	328,857	6.13	617	671	671	401	
Aromasoft Corp Co., Ltd.	150,000	2.21	143	603	603	877	
i-Components Co., Ltd .	39,500	0.82	119	277	277	290	
Nippon Steel Corporation (*1)	238,352,000	3.50	719,622	1,128,734	1,128,734	963,486	
Thainox Stainless Public Company Limited	1,200,000,000	15.00	42,301	67,658	67,658	40,299	
Macarthur Coal Limited (*3)	21,215,700	8.34	420,805	249,431	249,431	55,927	
Murchison Metals Ltd.	50,567,000	12.25	27,146	132,139	132,139	27,737	
Cockatoo Coal Ltd.	73,595,835	19.99	31,352	33,389	33,389	21,129	
Sandfire Resources NL	19,033,666	18.20	6,897	73,598	73,598	1,292	
Jupiter Mines Limited	48,000,000	13.00	8,159	9,531	9,531	-	
Silicon Motion Technology Corp.	136,925	0.42	3,052	545	545	394	
FuelCell Energy, INC.	10,786,418	12.80	57,156	47,354	47,354	18,651	
Others	-	-	14,049	9,460	9,460	11,968	
			₩ 4,050,077	₩ 3,973,531	₩ 3,973,531	₩ 2,917,595	

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

(*2) In October 2009, LG Powercom & LG Telecom announced their decision to exchange shares in 2010. By December 31, 2009, the Company recorded an impairment loss because the estimated recoverable amount of the investment in LG Powercom is less than the carrying value.

(*3) In 2008, the Company recognized excess of the acquisition cost of MacArthur Coal Limited over the fair value at the acquisition date amounting to ₩96,785 million as impairment losses.

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(c) Investments in non-marketable equity securities as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won) Company	2009				2008
	Number of Shares	Percentage of Ownership(%)	Acquisition Cost	Book Value	Book Value
Busan Gimhae Light Rail Transit Co., Ltd. (*1,2)	9,160,000	25.00	₩ 45,800	₩ 76,294	₩ 45,800
Seoul Metro Line 9 Corporation	4,090,985	12.25	20,455	30,444	20,455
Sinbundang Railroad Co., Ltd. (*1)	2,061,000	5.00	10,305	17,500	11,114
U-Space Co., Ltd.	2,800,000	10.00	14,000	14,000	14,000
Dream Hub Project Financial Investment Co., Ltd.	2,400,000	1.20	12,000	12,000	12,000
Enk Co., Ltd.	500,000	9.70	10,000	10,000	10,000
POSCO AST Co., Ltd. (*3) (formerly, Taihan ST Co., Ltd.)	-	-	-	-	13,930
Airport Railroad Co., Ltd.	-	-	-	-	179,026
Nacional Minerios S.A. (formerly, Big Jump Energy Participacoes S.A) (*1)	30,784,625	6.48	668,636	535,357	667,824
The Siam United Steel (*1)	11,071,000	12.30	34,658	65,135	58,367
POSCO Maharashtra Steel Private Limited (*4)	1,138,500	100.00	63,872	63,872	-
Elkview mine (*5)	-	2.50	32,723	32,723	30,692
POSCO-Turkey Nilufer Processing Center Co., Ltd. (*4,5)	-	100.00	19,983	19,983	-
POSCO (Liaoning) Automotive Processing Center Co., Ltd. (*4,5)	-	90.00	16,952	16,952	-
POSCO India Chennai Steel Processing Centre Pvt. Ltd. (*4,5)	-	100.00	14,925	14,925	-
Pallinghurst Kalahari (Mauritius) Limited	175,715	7.58	12,558	12,558	-
Others	-	-	249,691	253,123	243,531
			₩ 1,226,558	₩ 1,174,866	₩ 1,306,739

(*1) The fair values of those investments were based on the valuation report of a public rating services company. Other non-marketable investments are recorded at cost since fair value is not readily determinable.

(*2) This investment was not accounted for using the equity method even though the Company owns equity interest of more than 20% since it is established pursuant to Private Finance Law related to social infrastructure capital and the Company does not have ability to exercise significant influence on the investee.

(*3) This investment was reclassified to consolidated subsidiaries from available-for-sale securities since its total assets were greater than ₩10 billion as of December 31, 2008 through additional increase in paid in capital.

(*4) Those investments were not accounted for using the equity method as either they are under liquidation proceedings as of December 31, 2009 or their total assets were less than ₩10 billion as of December 31, 2008.

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

Notes to Consolidated Financial Statements

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- (d) Available-for-sale securities are stated at fair value, and the difference between the acquisition cost and fair value is accounted for in the accumulated other comprehensive income. The movements of such differences for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Korean Won) Company	2009			2008		
	Beginning Balance	Increase (Decrease)	Ending Balance	Beginning Balance	Increase (Decrease)	Ending Balance
SK Telecom Co., Ltd.	₩ (247,137)	₩ (126,237)	₩ (373,374)	₩ (98,383)	₩ (148,754)	₩ (247,137)
Hana Financial Group Inc.	47,537	48,746	96,283	148,666	(101,129)	47,537
Hyundai Heavy Industries Co., Ltd.	(38,098)	(29,954)	(68,052)	224,798	(262,896)	(38,098)
Hanil Iron & Steel Co., Ltd.	(809)	763	(46)	2,464	(3,273)	(809)
HI Steel Co., Ltd.	123	100	223	595	(472)	123
Munbae Steel Co., Ltd.	90	1,168	1,258	3,365	(3,275)	90
Dong Yang Steel Pipe Co., Ltd.	(1,958)	372	(1,586)	(782)	(1,176)	(1,958)
Korea Line Corp.	4,898	(4,898)	-	20,155	(15,257)	4,898
Shinhan Financial Group Inc.	(82,790)	51,591	(31,199)	(11,114)	(71,676)	(82,790)
SeAH Steel Corp.	3,664	(1,119)	2,545	5,246	(1,582)	3,664
Union Steel Co., Ltd.	(20,077)	5,958	(14,119)	(12,031)	(8,046)	(20,077)
Hanjin Shipping Co., Ltd.	(1,105)	69	(1,036)	-	(1,105)	(1,105)
Hanjin Shipping Holdings Co., Ltd.	-	10	10	-	-	-
KB Financial Group Inc.	(13,843)	176,467	162,624	-	(13,843)	(13,843)
LG Powercom Corporation	(161,460)	161,460	-	(92,314)	(69,146)	(161,460)
Nippon Steel Corporation	190,214	128,893	319,107	474,780	(284,566)	190,214
Thainox Stainless Public Company Limited	(1,562)	21,341	19,779	2,858	(4,420)	(1,562)
Macarthur Coal Limited	(209,113)	150,934	(58,179)	-	(209,113)	(209,113)
The Siam United Steel	18,493	5,278	23,771	-	18,493	18,493
Nacional Minerios S.A. (formerly, Big Jump Energy Participacoes S.A)	-	(103,957)	(103,957)	-	-	-
Others	17,374	96,027	113,401	112,181	(94,807)	17,374
	₩ (495,559)	₩ 583,012	₩ 87,453	₩ 780,484	₩(1,276,043)	₩ (495,559)

- (e) Investments in bonds as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009			2008
	Maturity	Acquisition Cost	Book Value	Book Value
Government bonds	Less than 1 year	₩ 568	₩ 568	₩ 494
	1-5 years	4,936	4,414	97
Corporate debt securities	Less than 1 year	35,112	35,178	30,394
	1-5 years	116,333	115,634	8,370
		156,949	155,794	39,355
Less: Current portion		(35,680)	(35,746)	(30,888)
		₩ 121,269	₩ 120,048	₩ 8,467

Notes to Consolidated Financial Statements

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(f) Equity investments as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009				2008	
	Acquisition Cost		Book Value		Book Value	
Constructor financial fund	₩	15,029	₩	17,876	₩	17,676
Others		5,974		6,270		7,148
	₩	21,003	₩	24,146	₩	24,824

(g) Details of gross unrealized gains and losses on available-for-sale securities for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009				2008			
	Amortized Cost (*)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost (*)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:								
Government and municipal bonds	₩ 5,504	₩ -	₩ 522	₩ 4,982	₩ 591	₩ -	₩ -	₩ 591
Other bonds	151,445	-	633	150,812	38,764	-	-	38,764
	156,949	-	1,155	155,794	39,355	-	-	39,355
Equity securities:								
Marketable equity securities	3,744,085	948,334	(718,888)	3,973,531	3,611,012	322,218	(1,015,635)	2,917,595
Non-marketable equity securities	1,179,887	137,002	(142,023)	1,174,866	1,239,895	108,445	(41,600)	1,306,739
Investment in capital	21,003	3,143	-	24,146	20,567	4,257	-	24,824
	4,944,975	1,088,479	(860,911)	5,172,543	4,871,474	434,920	(1,057,235)	4,249,158
	₩5,101,924	₩ 1,088,479	₩ (859,756)	₩ 5,328,337	₩ 4,910,829	₩ 434,920	₩(1,057,235)	₩4,288,513

(*) Acquisition cost less impairment loss

For the years ended December 31, 2009, 2008 and 2007, proceeds from sales of available-for-sale securities amounted to ₩201,395 million, ₩26,752 million and ₩9,412 million, respectively. Gross realized gains and losses amounted to ₩72,668 million and ₩7,436 million, respectively, for the years ended December 31, 2009 and 2008.

Held-To-Maturity Securities

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

(in millions of Korean Won)	2009				2008	
	Maturity	Acquisition Cost		Book Value		
Current portion of held-to-maturity securities						
Government bonds	Less than 1 year	₩	20,717	₩	20,717	
Held-to-maturity securities						
Government bonds (*)	1-5 years		101,031		91,792	
	5-10 years		-		-	
			101,031		91,792	
		₩	121,748	₩	112,509	
					₩ 107,934	

(*) Certain portion of the government bonds has been pledged as collateral for the consolidated subsidiaries. (note 10)

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Equity-Method Investments

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

(in millions of Korean Won)	2009					2008	
	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	Net Asset Value	Book Value	Book Value	
Investees (*1)							
SNNC Co., Ltd. (*2)	18,130,000	49.00	₩ 90,650	₩ 107,768	₩ 93,263	₩ 59,020	
Garolim Tidal Power Plant Co., Ltd. (*2)	2,322,999	32.13	11,615	11,041	11,041	-	
Taegisan Wind Power Corporation (*2)	2,500,000	50.00	12,500	9,038	10,955	5,273	
Midas IT Co., Ltd.	866,190	25.46	433	8,328	8,304	6,926	
Gale International Korea Inc.	85,306	29.90	427	7,966	7,917	6,983	
eNtoB Corporation	910,000	28.44	5,550	7,827	7,696	7,519	
Chungju Enterprise City	2,008,000	25.10	10,040	5,377	5,383	7,686	
Chungla International Business Town Co., Ltd. (*3)	388,740	6.27	3,910	2,146	2,159	3,354	
PSIB Co., Ltd. (*2,4)	98,000	49.00	490	(91)	-	-	
Songdo Cosmopolitan City Development Inc. (*4)	1,332,344	29.90	6,674	(70,615)	-	-	
Nickel Mining Company SAS (*2)	3,234,698	49.00	157,585	220,735	190,149	220,553	
Eureka Moly LLC. (*5)	-	20.00	121,209	32,822	113,105	121,209	
KOBRASCO (*2)	2,010,719,185	50.00	32,950	98,944	98,943	57,656	01
BX STEEL POSCO Cold Rolled Sheet Co., Ltd. (*5)	-	25.00	61,961	56,763	63,667	90,776	02
USS-POSCO Industries (UPI) (*2,5)	-	50.00	254,649	52,433	45,961	51,330	03
POSCO Bio Ventures L.P. (*5,6)	-	100.00	47,874	30,439	30,439	39,584	04
CAML Resources Pty. Ltd. (*2)	3,239	33.34	40,388	28,250	30,237	31,959	05
United Spiral Pipe, LLC. (USP) (*2,5)	-	35.00	29,354	23,997	23,984	32,260	06
Zhongyue POSCO (Qinhuangdao) Tinsplate Industrial Co., Ltd. (*2,5)	-	34.00	9,517	17,847	15,592	16,944	07
Poschrome (Proprietary) Limited	21,675	25.00	4,859	13,768	13,481	5,004	08
An Khanh New City Development Joint-Ventured Company Ltd. (*2,5)	-	50.00	20,429	12,644	12,643	21,184	09
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd. (*5)	-	30.00	3,236	9,734	9,899	10,552	10
Henan Tsingpu Ferro Alloy Co., Ltd. (*2,5)	-	49.00	8,846	4,664	4,664	5,084	11
POS-JK LLC. (*4)	2,574	24.99	1,990	(293)	-	-	12
Others			26,984	30,575	28,101	31,680	13
			₩ 964,120	₩ 722,107	₩ 827,583	₩ 832,536	14

(*1) Due to the difference in the closing schedule of December 31, 2009, the equity method of accounting is applied based on the most recent available financial information, which has not been audited or reviewed.

(*2) Although the Company owns over 30% equity interest in these subsidiaries, the Company is not their largest shareholder, excluding them from consolidation.

(*3) This investment was reclassified to equity-method investments since the Company has ability to exercise a significant influence on this investment through additional increase in paid in capital.

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(*4) The equity method of accounting has been suspended for investment in Songdo New City Development Inc., PSIB Co., Ltd. and POS-JK LLC. as the Company's net investments have been reduced to zero. Unrecorded changes in equity interests in these investments in 2009 amounted to ₩4,627 million and the accumulated unrecorded changes in equity interest prior to 2009 amounted to ₩71,114 million.

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

(*6) POSCO Bioventures L.P. was not included in the consolidated financial statements as it is not controlled by the controlling company even though the Company holds 100% of equity interest.

(b) The movements of equity method investments as of and for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	Dec. 31 2007 Balance	Equity method Profits (Losses)	Other Increase (Decrease) (*)	Dec. 31 2008 Balance	Equity method Profits (Losses)	Other Increase (Decrease) (*)	Dec. 31 2009 Balance
Investees							
SNNC Co., Ltd.	₩ 87,762	₩ (28,742)	₩ -	₩ 59,020	₩ 34,244	₩ (1)	₩ 93,263
Garolim Tidal Power Plant Co., Ltd.	-	-	-	-	(208)	11,249	11,041
Taegisan Wind Power Corporation	-	2,413	2,860	5,273	(3,722)	9,404	10,955
Midas IT Co., Ltd.	5,321	1,788	(183)	6,926	1,229	149	8,304
Gale International Korea Inc.	11,385	3,308	(7,710)	6,983	5,038	(4,104)	7,917
eNtoB Corporation	6,149	748	622	7,519	418	(241)	7,696
Chungju Enterprise City	9,576	(1,847)	(43)	7,686	(2,303)	-	5,383
Chungla International Business Town Co., Ltd.	-	(539)	3,893	3,354	(1,212)	17	2,159
Nickel Mining Company SAS	200,622	(35,918)	55,849	220,553	(3,634)	(26,770)	190,149
Eureka Moly LLC.	-	-	121,209	121,209	(305)	(7,799)	113,105
KOBRASCO	41,143	35,385	(18,872)	57,656	25,611	15,676	98,943
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	66,782	3,261	20,733	90,776	(23,086)	(4,023)	63,667
USS-POSCO Industries (UPI)	59,771	308	(8,749)	51,330	(18,530)	13,161	45,961
POSCO Bio Ventures L.P.	35,190	(8,288)	12,682	39,584	(5,037)	(4,108)	30,439
CAML Resources Pty. Ltd.	28,155	3,617	187	31,959	(6,561)	4,839	30,237
United Spiral Pipe, LLC. (USP)	-	(1,393)	33,653	32,260	(5,523)	(2,753)	23,984
Zhongyue POSCO(Qinhuangdau) Tinplate Industrial Co., Ltd.	10,043	2,361	4,540	16,944	(159)	(1,193)	15,592
Poschrome (Proprietary) Limited	5,165	3,288	(3,449)	5,004	6,237	2,240	13,481
An Khanh New City Development Joint-Ventured Company Ltd.	10,893	(2,697)	12,988	21,184	(6,509)	(2,032)	12,643
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd.	4,385	4,000	2,167	10,552	122	(775)	9,899
Henan Tsingpu Ferro Alloy Co., Ltd.	8,470	(5,043)	1,657	5,084	(40)	(380)	4,664
POS-JK	-	-	-	-	(1,931)	1,931	-
Others	13,800	126	17,754	31,680	(1,019)	(2,560)	28,101
	₩ 604,612	₩ (23,864)	₩ 251,788	₩ 832,536	₩ (6,880)	₩ 1,927	₩ 827,583

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

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(c) Details of differences between the initial purchase price and the Company's initial proportionate ownership in the book value of the investees for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	Dec. 31 2007 Balance	Increase (Decrease)	Amortization	Dec. 31 2008 Balance	Increase (Decrease)	Amortization	Dec. 31 2009 Balance
Investees							
SNNC Co., Ltd.	₩ 188	₩ -	₩ (42)	₩ 146	₩ -	₩ (42)	₩ 104
eNtoB Corporation	590	244	(138)	696	-	(183)	513
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	12,249		(2,672)	9,577	-	(2,673)	6,904
CAML Resources Pty. Ltd.	13,515	-	(5,764)	7,751	-	(5,764)	1,987
POS-JK	-	-	-	-	1,015	(1,015)	-
Others	34	1,733	(629)	1,138	667	(956)	849
	₩ 26,576	₩ 1,977	₩ (9,245)	₩ 19,308	₩ 1,682	₩(10,633)	₩ 10,357

(d) Details on the elimination of unrealized gain or loss from inter-company transactions for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009			2008		
	Inventories	Property, Plant and Equipment, and Intangible Assets	Total	Inventories	Property, Plant and Equipment, and Intangible Assets	Total
Investees						
SNNC Co., Ltd.	₩ (11,686)	₩ 1,195	₩ (10,491)	₩ 3,094	₩ (5,938)	₩ (2,844)
eNtoB Corporation	368	4	372	123	10	133
Midas IT Co., Ltd.	-	(8)	(8)	-	(2)	(2)
Nickel Mining Company SAS	4,935	-	4,935	(10,508)	-	(10,508)
KOBRASCO	14,090	-	14,090	(12,450)	-	(12,450)
USS-POSCO Industries (UPI)	2,368	-	2,368	(6,268)	-	(6,268)
United Spiral Pipe, LLC. (USP)	(14)	-	(14)	-	-	-
Zhongyue POSCO(Qinhuangdau)	(210)	-	(210)	(168)	-	(168)
Tinplate Industrial Co., Ltd.						
Poscrome (Proprietary) Limited	9,279	-	9,279	(7,674)	-	(7,674)
Henan Tsingpu Ferro Alloy Co., Ltd.	(154)	-	(154)	27	-	27
Others	(1,047)	3	(1,044)	(703)	(65)	(768)
	₩ 17,929	₩ 1,194	₩ 19,123	₩ (34,527)	₩ (5,995)	₩ (40,522)

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(e) Summary of financial information on equity-method investees as of and for the year ended December 31, 2009 is as follows:

(in millions of Korean Won)					
Investees	Total Assets	Total Liabilities	Sales	Net Income (Loss)	
SNNC Co., Ltd.	₩ 505,055	₩ 285,120	₩ 368,349	₩ 85,686	
Garolim Tidal Power Plant Co., Ltd.	34,850	486	-	(706)	
Taegisan Wind Power Corporation	86,572	68,496	7,918	(6,304)	
Midas IT Co., Ltd.	53,801	21,091	34,089	5,077	
Gale International Korea Inc.	45,797	19,156	39,735	17,087	
eNtoB Corporation	72,238	44,716	567,871	1,213	
Chungju Enterprise City	141,210	119,786	-	(8,575)	
Chungla International Business Town Co., Ltd.	327,997	293,771	-	(19,485)	
PSIB Co., Ltd.	299,718	299,903	-	(995)	
Songdo Cosmopolitan City Development Inc.	2,312,822	2,548,993	939,184	101,256	
Nickel Mining Company SAS	552,707	102,228	106,005	(14,604)	
Eureka Moly LLC.	168,767	4,659	-	(1,523)	
KOBRASCO	273,311	75,424	42,415	25,746	
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	1,018,978	791,925	1,135,803	(47,575)	
USS-POSCO Industries (UPI)	443,184	338,318	809,752	(41,795)	
POSCO Bio Ventures L.P.	30,439	-	-	(5,037)	
CAML Resources Pty. Ltd.	137,046	52,313	146,220	(1,886)	
United Spiral Pipe, LLC. (USP)	168,096	99,532	-	(16,749)	
Zhongyue POSCO (Qinhuangdau) Tinplate Industrial Co., Ltd.	122,646	70,155	130,245	6,259	
Poschrome (Proprietary) Limited	64,564	9,494	48,411	3,026	
An Khanh New City Development Joint-Ventured Company Ltd.	175,362	150,075	-	(6,937)	
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd.	56,046	23,600	41,582	405	
Henan Tsingpu Ferro Alloy Co., Ltd.	27,855	18,336	9,280	155	
POS-JK LLC.	16,915	18,089	3,188	(5,124)	
Others	341,044	241,149	433,161	3,857	

Notes to Consolidated Financial Statements

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8. Property, Plant and Equipment

(a) Property, plant and equipment as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009	2008
Buildings and structures	₩ 8,511,720	7,629,084
Machinery and equipment	31,538,967	28,854,834
Vehicles	228,082	205,973
Tools	419,818	467,142
Furniture and fixtures	314,052	302,801
Capital lease assets	31,830	11,900
	41,044,469	37,471,734
Less: Accumulated depreciation	(25,664,723)	(24,156,260)
Less: Accumulated impairment loss	(156)	(2,810)
Less: Government grants	(1,605)	(2,000)
	15,377,985	13,310,664
Land	2,142,621	1,861,451
Construction-in-progress	4,319,179	2,896,984
	₩ 21,839,785	18,069,099

The value of land based on the posted price issued by the Korean tax authority amounted to ₩4,358,124 million and ₩4,107,522 million as of December 31, 2009 and 2008, respectively.

As of December 31, 2009 and 2008, property, plant and equipment are insured against fire and other casualty losses for up to ₩16,946,755 million and ₩12,140,982 million, respectively. In addition, the Company carries general insurance for vehicles and accident compensation insurance for its employees.

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

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(b) The changes in the carrying value of property, plant and equipment for the years ended December 31, 2009 and 2008, are as follows:

(in millions of Korean Won)	For the year ended December 31, 2009						
	Beginning Balance	Acquisition (*1)	Disposal	Depreciation (*2)	Others(*3)	Elimination of Intercompany Transactions	Ending Balance
Land	₩ 1,861,451	₩ 153,118	₩ (26,083)	₩ -	₩ 160,305	₩ (6,170)	₩ 2,142,621
Buildings	2,855,902	876,087	(43,536)	(245,517)	155,786	(169,204)	3,429,518
Structures	1,590,231	196,500	(10,773)	(150,340)	99,480	(76,988)	1,648,110
Machinery and equipment	8,635,599	3,332,801	(165,204)	(2,005,954)	813,289	(539,183)	10,071,348
Vehicles	33,923	56,976	(23,383)	(17,294)	1,323	(480)	51,065
Tools	94,396	38,580	(2,180)	(33,519)	(28,490)	(432)	68,355
Furniture and fixtures	90,034	36,342	(2,305)	(37,445)	3,682	(4,284)	86,024
Financial Lease assets	10,579	3,410	(10)	(6,840)	16,426	-	23,565
Construction-in-progress	2,896,984	5,587,395	(32,049)	-	(3,788,448)	(344,703)	4,319,179
	₩ 18,069,099	₩10,281,209	₩ (305,523)	₩(2,496,909)	₩(2,566,647)	₩(1,141,444)	₩ 21,839,785

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

(*2) Includes depreciation expense of idle property.

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

(in millions of Korean Won)	For the year ended December 31, 2008						
	Beginning Balance	Acquisition	Disposal	Depreciation	Others	Elimination of Intercompany Transactions	Ending Balance
Land	₩ 1,509,189	₩ 119,753	₩ (26,404)	₩ -	₩ 260,018	₩ (1,105)	₩ 1,861,451
Buildings	2,623,024	231,885	(11,123)	(216,416)	405,973	(177,441)	2,855,902
Structures	1,546,816	152,673	(5,687)	(130,600)	104,876	(77,847)	1,590,231
Machinery and equipment	8,526,549	1,479,351	(29,270)	(1,795,165)	978,965	(524,831)	8,635,599
Vehicles	36,946	10,928	(2,064)	(15,040)	4,038	(885)	33,923
Tools	75,383	54,086	(548)	(43,896)	10,306	(935)	94,396
Furniture and fixtures	69,152	48,066	(733)	(34,838)	13,859	(5,472)	90,034
Financial Lease assets	10,829	403	-	(687)	34	-	10,579
Construction-in-progress	1,183,877	4,014,374	(33,483)	-	(2,018,206)	(249,578)	2,896,984
	₩ 15,581,765	₩ 6,111,519	₩ (109,312)	₩(2,236,642)	₩ (240,137)	₩(1,038,094)	₩ 18,069,099

(c) The Company entered into a capital lease contract with Ilshin Shipping Co., Ltd. for a Ro-Ro (roll-on roll-off) ship for the exclusive use of transporting plates and others. As of December 31, 2009, future minimum lease payments under such a capital lease are as follows:

(in millions of Korean Won)	Minimum Lease Payments
Less 1 year	₩ 6,813
1-5 years	11,566
Over 5 years	5,508
	₩ 23,887

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9. Intangible Assets

(a) Intangible assets, net of accumulated amortization, as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009	2008
Goodwill	₩ 272,092	270,842
Negative goodwill	(10,352)	(575)
Intellectual property rights	51,994	18,266
Research and development costs, net of government grants	48,496	82,221
Port facilities usage rights	99,552	116,078
Long-term electricity supply contract rights	48,483	55,170
Others	119,704	181,765
	₩ 629,969	723,767

(b) The changes in the carrying value of intangible assets for the years ended December 31, 2009 and 2008, are as follows:

(in millions of Korean Won)	For the year ended December 31, 2009						
	Beginning Balance	Acquisition	Disposal	Recovery (Amortization)	Others (*1)	Elimination of Intercompany Transactions	Ending Balance
Goodwill	₩ 270,842	₩ 39,527	₩ -	₩ (38,353)	₩ 76	₩ -	₩ 272,092
Negative goodwill	(575)	(11,468)	-	1,766	(75)	-	(10,352)
Intellectual property rights	18,266	40,917	(2,420)	(5,340)	571	-	51,994
Research and development costs, net of government grants (*2)	82,221	37,013	(8,535)	(14,302)	(47,689)	(212)	48,496
Port facilities usage rights	116,078	1,680	-	(18,090)	-	(116)	99,552
Long-term electricity supply contract rights	55,170	-	-	(6,687)	-	-	48,483
Others (*3)	181,765	29,113	(1,518)	(70,661)	(14,436)	(4,559)	119,704
	₩ 723,767	₩ 136,782	₩ (12,473)	₩ (151,667)	₩ (61,553)	₩ (4,887)	₩ 629,969

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

(*2) The Company recognized impairment loss on development cost amounting to ₩50,493 million including ₩45,378 million of impairment loss recognized by POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.) as it is assumed that the future economic benefits will not flow into the Company.

(*3) The Company has recorded expenses related to the ERP system and production innovation as other intangible assets.

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(in millions of Korean Won)	For the year ended December 31, 2008						
	Beginning Balance	Acquisition	Disposal	Recovery (Amortization)	Others	Elimination of Intercompany Transactions	Ending Balance
Goodwill	₩ 75,556	₩ 230,489	₩ -	₩ (33,327)	₩ (1,876)	₩ -	₩ 270,842
Negative goodwill	(1,243)	-	-	406	262	-	(575)
Intellectual property rights	1,811	2,625	(360)	(1,237)	15,427	-	18,266
Research and development costs, net of government grants	91,965	40,066	(2,037)	(18,071)	(29,214)	(488)	82,221
Port facilities usage rights	130,234	7,562	-	(21,604)	362	(476)	116,078
Long-term electricity supply contract rights	61,857	-	-	(6,687)	-	-	55,170
Others	210,599	72,532	(8,795)	(66,896)	(22,700)	(2,975)	181,765
	₩ 570,779	₩ 353,274	₩ (11,192)	₩ (147,416)	₩ (37,739)	₩ (3,939)	₩ 723,767

(c) The amortization expenses for the years ended December 31, 2009 and 2008 were classified under the following:

(in millions of Korean Won)	2009	2008
Cost of goods sold	₩ 72,028	75,826
Selling and administrative expenses	79,639	71,590
	₩ 151,667	147,416

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

(in millions of Korean Won)		2009	2008	Remaining Useful Life
Description				
Goodwill	Excess investment amount over fair value in POSCO Power Corp.	₩ 26,471	₩ 47,682	1 years
	Excess investment amount over fair value in Daewoo Engineering Company	198,580	209,461	18 years
	Excess investment amount over fair value in POSCO VST Co., Ltd.	36,955	-	5 years

(e) Research and development costs incurred for the years ended December 31, 2009 and 2008 were ₩452,589 million and ₩455,912 million, respectively. Research and development costs amounting to ₩368,207 million and ₩361,341 million were classified to cost of goods sold, while ₩84,382 million and ₩94,571 million were classified to selling and administrative expenses for the years ended December 31, 2009 and 2008, respectively.

(f) The estimated aggregated amortization expenses for each of the next five fiscal years are as follows:

(in millions of Korean Won)	Amount
Period	
2010	₩ 61,234
2011	44,863
2012	34,320
2013	23,348
2014	16,721
	₩ 180,486

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

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 December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	Beneficiaries	2009		2008
Land	Mizuho Bank and others	₩	220,732	225,628
Buildings and structures (note 8)	Korea Development Bank and others		105,465	172,159
Machinery and equipment (note 8)	Kookmin Bank and others		387,828	431,626
Short-term financial instruments (note 3)	Korea Development Bank and others		2,000	3,000
Trade accounts and notes receivable (note 5)	Mizuho Bank and others		53,898	84,557
Available-for-sale securities (*1) (note 7)	Exchangeable bond holder and others		1,233,523	2,033,862
Held-to-maturity securities (*2) (note 7)	Gyeongsangbuk-do provincial office		31,675	31,553
Equity investments (note 7)	Related creditors		15,793	7,196
		₩	2,050,914	2,989,581

(*1) As of December 31, 2009, 2,030,526 shares, equivalent to 18,274,731 American depository receipts ("ADRs") of SK Telecom Co., Ltd. have been pledged as collateral for the exchangeable bonds issued (note 13) and 156,472,000 shares of Nippon Steel Corporation have been pledged as collateral for the 1st samurai bonds issued.

(*2) As of December 31, 2009, government bonds and bonds issued by Seoul Metropolitan Rapid Transit Corp, amounting to ₩29,749 million and ₩1,926 million, respectively, were provided as collateral to the Gyeongsangbuk-do Provincial Office as guarantee for environmental remediation of POSCO No. 4 disposal site.

- (b) Details of loans from foreign financial institutions guaranteed by Korea Development Bank as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009				2008			
	Foreign Currency		Won Equivalent		Foreign Currency		Won Equivalent	
Financial Institution								
Korea Development Bank	EUR	3,964,242	₩	6,637	EUR	4,600,591	₩	8,171

- (c) As of December 31, 2009, POSCO and its subsidiaries were provided with guarantees amounting to ₩1,695,156 million from Korea Exchange Bank and others for their contract commitments.

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11. Other Assets

Other assets as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009	2008
Other current assets		
Short-term loans receivable	₩ 163,932	95,918
Accrued income	64,370	58,003
Prepaid expenses	45,140	82,891
Others	76,233	150,016
	349,675	386,828
Less: Allowance for doubtful accounts	(33,286)	(34,086)
	₩ 316,389	352,742
Other long-term assets		
Other investment assets	₩ 513,878	294,033
Less: Allowance for doubtful accounts	(1,636)	(3,308)
Less: Present value discount	-	-
	₩ 512,242	290,725

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

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

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

(in millions of Korean Won)	Annual Interest Rate (%)	2009		2008		
Financial Institutions						
Won currency borrowings						
The Export-Import Bank of Korea and others	2.61 - 9.80	KRW	733,867	₩ 733,867	509,129	509,129
Foreign currency borrowings						
Bank of America	0.50 - 1.80	USD	87,641,601	104,833	125,196,920	157,435
		CNY	14,629,409		-	
Shinhan Bank and others	0.71 - 17.00	USD	1,192,237,238	2,387,101	1,039,133,496	2,587,791
		JPY	40,030,261,210		40,950,068,039	
		CNY	1,876,379,123		2,890,648,137	
		MYR	171,400,734		203,334,260	
		VND	252,735,770,675		393,895,525,000	
		AUD	50,000,000		60,000,000	
		THB	1,170,000,000		507,400,000	
		MMK	1,184,424,000		1,346,619,061	
		NTD	40,000,000		-	
		INR	-		250,000,000	
				2,491,934		2,745,226
				₩3,225,801		3,254,355

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

(in millions of Korean Won)	Annual Interest Rate (%)	2009		2008		
Financial Institutions						
Debentures						
Domestic and foreign debentures	5.26 - 6.55	KRW	212,000	₩ 317,084	332,102	332,102
		USD	90,000,000		-	
Less: Discount on debentures issued				(219)		(205)
				316,865		331,897
Won currency borrowings						
National Agricultural Cooperative Federation and others	1.00 - 7.36	KRW	226,622	226,622	9,475	9,475
Foreign currency borrowings						
The Export-Import Bank of Korea and others	0.55 - 13.20	USD	138,000,000	242,335	309,624,451	427,640
		JPY	10,401,835,976		2,267,000,000	
		VND	2,443,430,595		-	
		MYR	9,680,526		-	
		CNY	-		29,000,000	
				468,957		437,115
Loans from foreign financial institutions						
NATIXIS	2.00	EUR	636,350	1,065	636,350	1,130
				₩ 786,887		770,142

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December 31, 2009 and 2008

13. Long-Term Debts

(a) Debentures as of December 31, 2009 and 2008 are as follow:

(in millions of Korean Won)	Issue date	Maturity	Annual Interest Rate(%)	2009		2008		
Domestic Debentures	10/21/2004 -	08/18/2009 -	4.02 - 6.80	KRW	3,372,050	₩ 3,882,688	2,584,102	3,137,102
	11/24/2009	08/27/2019		USD	340,000,000		340,000,000	
				JPY	9,000,000,000		9,000,000,000	
9th Samurai Bonds(Public)	06/28/2006	06/28/2013	2.05	JPY	50,000,000,000	631,410	50,000,000,000	696,945
1st Samurai Bonds(Private)	12/29/2008	12/29/2011	Tibor +1.6	JPY	50,000,000,000	631,410	50,000,000,000	696,945
1st FRN	11/11/2008	11/11/2011	Tibor +2.6	JPY	20,000,000,000	252,564	20,000,000,000	278,778
1st Euro Bonds	08/10/2006	08/10/2016	5.88	USD	300,000,000	350,280	300,000,000	377,250
Exchangeable Bonds (*)	08/19/2008	08/19/2013	-	JPY	52,795,000,000	666,706	52,795,000,000	735,904
Global Bonds	03/26/2009	03/26/2014	8.75	USD	700,000,000	817,320	-	-
						7,232,378		5,922,924
Add: Premium on bond redemption						10,067		11,112
Less: Current portion						(317,084)		(332,102)
Less: Discount on debentures issued						(70,449)		(74,990)
						₩ 6,854,912		5,526,944

(*) The Company issued exchangeable bonds, which is exchangeable with 18,274,731 SK Telecom Co., Ltd. ADRs, on August 19, 2008. Details of exchangeable bonds are as follows:

Issuance date:	August 19, 2008
Maturity date:	August 19, 2013
Rate:	Interest rate of zero percent
Face value:	JPY 52,795,000,000
Issuance price:	JPY 52,424,229,136
Premium on bond redemption	JPY 797,204,500 (redeemed on put date or maturity date)
Exchangeable price:	JPY 2,999.11/ADR
Fair value of an exchangeable right at issuance:	JPY 2,867,605,334
Fair value of an exchangeable right as of December 31, 2009:	JPY 168,944,000
Exercise period of exchangeable right:	Commencing ten business days following the issuance date until ten business days prior to maturity date
Exercise date of put by bondholders:	August 19, 2011

Notes to Consolidated Financial Statements

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

(in millions of Korean Won)				2009		2008	
Financial Institutions	Annual Interest Rate (%)						
Won currency borrowings							
The Korea Resources Corporation	Representative Borrowing Rate (*1) - 2.25	KRW	55,114	₩	55,114	49,308	49,308
Woori Bank	Representative Borrowing Rate (*1) - 1.25	KRW	20,405		20,405	-	-
The Korea Development Bank and others	1.00 - 7.36	KRW	537,418		537,418	595,037	595,037
Less: Current portion					(226,622)		(9,475)
					386,315		634,870
Foreign currency borrowings (*2)							
The Korea Development Bank and others	Representative Borrowing Rate (*1) - 2.25	CNY	1,307,960,156		1,225,317	29,000,000	1,154,647
		JPY	18,409,435,976			12,099,500,000	
		MYR	149,680,526			140,000,000	
		USD	622,927,180			745,808,410	
		VND	2,443,430,595			-	
Less: Current portion					(242,335)		(427,640)
					982,982		727,007
Loans from foreign financial institutions							
NATIXIS	2.00	EUR	3,964,241		6,637	4,600,591	8,171
Less: Current portion					(1,065)		(1,130)
					5,572		7,041
					₩ 1,374,869		1,368,918

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

(*2) Foreign currency borrowings include long-term borrowing amounting to ₩5,578 million, the repayment of which depends on the result of the oil exploration in the Aral Sea in Uzbekistan with Korea National Oil Corporation ("KNOC"). (note 16)

(c) Aggregate maturities of long-term debts as of December 31, 2009 are as follows:

(in millions of Korean Won)				Foreign Currency		Loans from Foreign		Total	
Period	Debentures (*)	Borrowings		Borrowings		Financial Institutions			
2010	₩ 317,084	₩ 226,622		₩ 242,335		₩ 1,065		₩	787,106
2011	2,196,964	186,836		332,230		1,065			2,717,095
2012	640,050	73,361		263,892		1,065			978,368
2013	2,060,747	26,047		354,689		1,065			2,442,548
Thereafter	2,027,600	100,071		32,171		2,377			2,162,219
	₩ 7,242,445	₩ 612,937		₩ 1,225,317		₩ 6,637		₩	9,087,336

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

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Notes to Consolidated Financial Statements

December 31, 2009 and 2008

14. Accrued Severance Benefits

(a) The changes in accrued severance benefits for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009	2008
Estimated severance benefits at the beginning of period	₩ 1,176,070	986,956
Provision for severance benefits	79,186	314,156
Payment	(144,007)	(125,374)
Others (*)	1,714	332
Estimated severance benefits at the end of period	₩ 1,112,963	1,176,070
Transfer to National Pension Fund	(1,751)	(1,959)
Deposit for severance benefits trust	(810,791)	(790,393)
Net balance at the end of period	₩ 300,421	383,718

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

(b) The Company expects to pay the following future benefits to its employees upon their normal retirement age:

(in millions of Korean Won)	Amount
Period	
2010	₩ 48,703
2011	60,386
2012	69,703
2013	70,160
2014-2019	671,826
	₩ 920,778

The above amounts were determined based on the employee' current salary rates and the number of service years that will be accumulated upon their retirement date. These amounts do not include amounts that might be paid to employees that will cease working with the Company before their normal retirement age.

15. Other Liabilities

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

(in millions of Korean Won)	2009	2008
Other current liabilities		
Unearned revenue	₩ 2,355	2,292
Derivatives liabilities	35,678	225,137
Others	96,149	61,736
	₩ 134,182	289,165
Other long-term liabilities		
Reserve for allowance	₩ 40,718	35,558
Derivatives liabilities	8,831	52,896
Liability related to stock appreciation rights	54,272	38,147
Deposit received	152,386	70,274
Others	54,280	60,867
	₩ 310,487	257,742

Notes to Consolidated Financial Statements

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16. Commitments and Contingencies

(a) As of December 31, 2009, contingent liabilities on outstanding guarantees provided for the repayment of loans of affiliated companies are as follows:

(in millions of Korean Won)								
Grantors	Entity Being Guaranteed	Financial Institution		Amount	Won Equivalent			
POSCO	POSCO Investment Co., Ltd.	HSB	CNY	630,000,000	₩ 107,767			
			MYR	280,000,000	95,427			
			USD	346,000,000	403,990			
POSCO E&C Co., Ltd.	POSCO-Vietnam Co., Ltd. BX STEEL POSCO Cold Rolled Sheet Co., Ltd. Taegisan Wind Power Corporation	The Export-Import Bank of Korea and others Bank of China and others Korea Development Bank	JPY	4,806,750,000	60,701			
			USD	230,000,000	268,548			
			CNY	359,180,000	61,441			
			USD	13,800,000	16,113			
			KRW	7,500	7,500			
POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd.	POSCO E&C(Beijing) Co., Ltd.	Korea Exchange Bank	USD	20,000,000	23,352			
			USD	47,522,000	55,487			
Posteel Co., Ltd.	POSCO Canada Ltd.	Hana Bank	USD	12,484,500	14,577			
POSCO ICT Co., Ltd.	Chungju Enterprise City	Nong Hyup Bank	KRW	2,530	2,530			
POSCO Investment Co., Ltd.	POSCO-MPC S.A. de.C.V. POSCO-Malaysia SDN. BHD. POSCO-Mexico Co., Ltd. POSCO Poland Wroclaw Steel Processing Center Co., Ltd. Qingdao Pohang Stainless Steel Co., Ltd. Zhangjiagang Pohang Stainless Steel Co., Ltd.	BOTM HSBC and others HSBC HSBC Standard Chartered Bank of China and others	USD	50,600,000	59,081			
			USD	81,751,820	95,453			
			USD	130,000,000	151,788			
			EUR	8,600,000	14,399			
			USD	42,000,000	49,039			
			CNY	630,000,000	107,768			
			USD	280,000,000	326,928			
			CNY	5,100,000	872			
			POSCO-Japan Co., Ltd.	POSCO ICT Co., Ltd. POSCO-JKPC Co., Ltd. POSCO-JNPC Co., Ltd. POSCO-JOPC Co., Ltd. POSCO-JYPC Co., Ltd.	Mizuho Bank Mizuho Bank and others Mizuho Bank and others Mizuho Bank and others Mizuho Bank and others	JPY	100,000,000	1,263
						JPY	2,990,000,000	37,758
JPY	3,300,000,000	41,673						
JPY	2,827,500,000	35,706						
JPY	2,506,250,000	31,649						
POSCO AST Co., Ltd.	DaiMyung TMS Co., Ltd.	Korea Development Bank	JPY	285,685,976	3,608			
			KRW	27,500	27,500			
					₩ 2,103,286			

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

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- (b) As of December 31, 2009, contingent liabilities on outstanding guarantees provided to non-affiliated companies for the repayment of loans are as follows:

(in millions of Korean Won)					
Grantors	Entity Being Guaranteed	Financial Institution	Amount Guaranteed		Won Equivalent
POSCO	Zeus (Cayman) Ltd.	Related creditors	JPY	52,795,000,000	₩ 666,706
POSCO E&C Co., Ltd.	The first district of Minrak, Busan	Kookmin Bank	KRW	38,680	38,680
	Association of the first district of Mokdong,	Woori Bank	KRW	5,060	5,060
Posteel Co., Ltd.	GIPI	Qatar National Bank and others	USD	12,000,000	14,011
	Asia Speciality Steel Co., Ltd.	The Yamaguchi Bank and others	JPY	2,700,000,000	34,096
POSCON Co., Ltd.	Dalian Poscon Dongbang Automatic Co., Ltd.	STX Construction (dalian) Co., Ltd. and others	KRW	1,725	1,725
POSCO ICT Co., Ltd.	Innovalley	Industrial Bank of Korea and others	KRW	115,336	115,336
POSCO Plant Engineering Co., Ltd.	Changhwan Dep. Co., Ltd.	Hana Bank	KRW	6,300	6,300
	Jaesan Energy Co., Ltd.	Hana Bank	KRW	6,693	6,693
	Halla Precision Eng. Co., Ltd.	Shinhan Bank	KRW	5,275	5,275
Samjung Packing & Aluminum Co., Ltd.	Pyungsan Si Co., Ltd.	Seoul Guarantee Insurance Company	KRW	571	571
Daewoo Engineering Company	Sen Structural Engineers Co., Ltd.	Youngdong Construction Co., Ltd. and others	KRW	142	142
	Kocen Co., Ltd.	Korea Power Engineering Co., Inc. and others	KRW	7,270	7,270
	Hyundai ENG Co., Ltd.	Samsung C&T Corporation and others	KRW	75,960	75,960
	DAEWOO TECH THILAND	Korea Exchange Bank	THB	178,124,800	6,238
					₩ 984,063

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 December 31, 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 ₩8,091 million for the year ended December 31, 2009. Future lease payments under the above lease agreements are as follows:

(in millions of Korean Won)	
Period	Amount
2010	₩ 6,070
2011	3,120
2012	1,484
2013	302
2014	297
Thereafter	1
	₩ 11,274

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- (d) As of December 31, 2009, the Company and certain subsidiaries are defendants in legal actions arising from the normal course of business. Details are as follows:

(in millions of Korean Won)			
Company	Plaintiff	Amount	Description
POSCO	Songdo Construction Co., Ltd. and others Korea Development	13,054	13 lawsuits including claim for operation damages due to loss of the sands at beach
POSCO E&C Co., Ltd.	Financing Corporation and others	35,539	44 lawsuits including claim for surety obligations of Korea Development Financing Corporation
Posteel Co., Ltd.	Samjin Line Co., Ltd.	1,155	2 lawsuits including claims for damages related import and export business
POSCON Co., Ltd.	Hyosung FMC	280	Litigation on subcontract service fees
POSCO ICT Co., Ltd.	Military Mutual Aid Association and others	1,191	2 lawsuits for receivables
POS-AC Co., Ltd.	Sungjee Construction Co., Ltd. and others	186	Litigation on consulting fee payables related the construction contract
Daewoo Engineering Company	Korea Environment Corporation and others	1,592	5 lawsuits on claims for damages
POSCO E&C (Beijing) Co., Ltd.	Beijing lantian jianzhu gongcheng youxiangongsi and others	850	2 lawsuits including claims of payables related the construction contract

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, chrome and stainless steel scrap. These contracts generally have terms of more than three years and provide for periodic price adjustments to the market price. As of December 31, 2009, 364 million tons of iron ore and 59 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 for 20 years. Purchase price is subject to change, following change of monthly standard oil price (JCC) and also price of ceiling is applicable.
- (g) POSCO entered into commitments of foreign currency long-term borrowings which are limited up to the amount of USD6.86 million and USD3.54 million. The borrowings are related to the exploration of gas hydrates in Aral Sea, Uzbekistan and the exploration of gas hydrates in Namangan-Chust, respectively. The repayment of borrowings depends on the success of the project. POSCO is not liable for the repayment of full or part of money borrowed if the project fails and also POSCO has agreed to pay certain portion of its profits under certain conditions as defined by borrowing agreements.
- (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, the Company has been provided with payment guarantee of ₩36,160 million from Seoul Guarantee Insurance as electric power supply collateral to Korea Electric Power Corp.
- (i) As of December 31, 2009, commitments and other contingencies provided to non-affiliated companies are as follows:
- 1) As of December 31, 2009, POSCO has bank overdraft agreements of up to ₩310,000 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 ₩240,000 million. POSCO has an agreement with Woori Bank and others to open letters of credit, documents against acceptance and documents against payment amounting to USD1,420 million and to borrow USD500 million in foreign short-term borrowings. The accounts receivables in foreign

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currency sold to financial institutions and outstanding as of December 31, 2009, amount to USD235 million for which POSCO is contingently liable upon the issuers' default.

- 2) As of December 31, 2009, POSCO E&C Co., Ltd. has provided 17 blank promissory notes, 6 blank checks and 6 other notes, approximately amounting to ₩61,704 million, to Korea Housing Guarantee Co., Ltd. and other financial institutions as collateral for agreements and outstanding loans. In addition, POSCO E&C Co., Ltd. has entered into a contract to guarantee the borrowings of subcontractors amounting to ₩1,188,693 million and USD22 million with financial institutions and also has entered into contracts to guarantee borrowings related to redevelopment project costs amounting to ₩38,608 million.
- 3) POSCO E&C Co., Ltd. has provided the completion guarantees for Samsung Corporation and Namkwang Engineering & Construction Co., Ltd. amounting to ₩2,678,631 million while Samsung Corporation and SK Engineering & Construction Co., Ltd. provides the completion guarantees and payment guarantees on customers' borrowings on behalf of POSCO E&C Co., Ltd. amounting to ₩1,937,279 million as of December 31, 2009. Also, POSCO E&C Co., Ltd. has loan agreements of up to ₩723,200 million and to open letters of credit of up to USD1,808 million with Woori Bank and others.
- 4) As of December 31, 2009, Posteel Co., Ltd. has entered into local and foreign credit agreements, of up to ₩671,872 million with Hana Bank and other banks of which ₩394,446 million remains unused.
- 5) As of December 31, 2009, POSCON Co., Ltd. has a loan agreement of up to ₩145,070 million and USD30 million of which ₩32,413 million and USD20 million remain unused with Shinhan Bank and others.
- 6) As of December 31, 2009, POSCO Coated & Color Steel Co., Ltd. has local credit loan agreements, credit purchase loan agreements and letters of credit in relation to trade of up to ₩140,329 million and USD0.5 million with Shinhan Bank and other banks of which ₩78,475 million and USD0.5 million remains unused.
- 7) As of December 31, 2009, POSCO Plant Engineering Co., Ltd. (formerly, 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 ₩44,000 million with Shinhan Bank and ₩36,612 million remains unused. In addition, POSCO Plant Engineering Co., Ltd. has entered into an agreement with Shinhan Bank of up to NTD500 million and NTD460 million remain unused.
- 8) As of December 31, 2009, Seoul Guarantee Insurance Company and Korea Software Financial Cooperative have issued guarantees of up to ₩102,624 million and ₩235 million, respectively, for POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)'s contractual performance related to certain system integration services.
- 9) As of December 31, 2009, POSCO Specialty Steel Co., Ltd. has a loan agreement, secured by trade accounts receivable, of up to ₩150,000 million with Woori Bank and others. POSCO Specialty Steel Co., Ltd. has used ₩100,955 million of this loan agreement. In addition, POSCO Specialty Steel Co., Ltd. has agreements with Woori Bank and seven other banks for opening letters of credit of up to USD55 million, and for a loan of up to ₩165,000 million and POSCO Specialty Steel Co., Ltd. has used USD0.9 million, JPY210 million and EUR88 thousand.
- 10) As of December 31, 2009, Samjung Packing & Aluminum Co., Ltd. has a credit purchase loan of up to ₩39,000 million with Woori Bank and four other banks and has entered into loan on bills agreement of up to USD20 million with Export and Import Bank of Korea related to investment to mine of Molybden. Samjung Packing & Aluminum Co., Ltd. has entered into an agreement with Woori Bank and four other banks for usance transaction in relation to trade of up to USD40 million.
- 11) As of December 31, 2009, POSCO Power Corp. has a loan agreement up to ₩108,000 million and USD70 million with Kookmin Bank and three other banks and has used USD10 million.

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- 12) As of December 31, 2009, Daewoo Engineering Company has a loan agreement and credit purchase loan agreement of up to ₩150,000 million and USD22 million with City bank and others.
- 13) As of December 31, 2009, POSCO America Corporation has loan agreements of up to USD120 million with Bank of America and others and has used USD92 million.
- 14) As of December 31, 2009, POSCO Asia Co., Ltd. has loan agreements of up to USD247 million with Bank of America and others and has used USD112 million.
- 15) As of December 31, 2009, Zhangjiagang Pohang Stainless Steel Co., Ltd. has loan agreements of up to CNY6,596 million and USD280 million with Bank of China and others.
- 16) As of December 31, 2009, Qingdao Pohang Stainless Steel Co., Ltd. has loan agreements of up to CNY991 million with Bank of China and others, and has used CNY395 million.
- 17) As of December 31, 2009, POSCO (Suzhou) Automotive Processing center Co., Ltd. has loan agreements of up to USD70.6 million with China Agriculture Bank and others and has used USD23.7 million.
- 18) As of December 31, 2009, POSCO-Japan Co., Ltd. has bank overdraft agreements for working capital of up to JPY53,800 million with MIZUHO bank and others and has used JPY37,000 million.
- 19) As of December 31, 2009, POSCO-Foshan steel processing center Co., Ltd. has a loan agreement of up to USD170 million and has used USD32 million.
- 20) As of December 31, 2009, POS-MPC S.A. de C.V. has a loan agreement of up to USD80.6 million with Standard Chartered and others and has used USD49.8 million.

17. Capital Stock

Under the Articles of Incorporation, the Company is authorized to issue 200 million shares of capital stock with a par value of ₩5,000 per share. As of December 31, 2009, exclusive of retired stock, 87,186,835 shares of common stock have been issued.

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

As of December 31, 2009, ending balance of capital stock is amounted to ₩482,403 million; however, it is different from par value amounted to ₩435,934 million due to retirement of treasury stock.

As of December 31, 2009, total shares of ADRs are 66,059,024 shares, equivalent to 16,514,756 of common shares.

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18. Capital Surplus

Capital surplus as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009	2008
Additional paid-in capital	₩ 463,825	463,825
Revaluation surplus	3,224,770	3,224,770
Others	757,437	630,488
	₩ 4,446,032	4,319,083

19. Retained Earnings

Retained earnings as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009	2008
Appropriated		
Legal reserve	₩ 241,202	241,202
Appropriated retained earnings for business rationalization	918,300	918,300
Reserve under Korean Tax Law	720,000	1,071,667
Voluntary reserve	22,768,724	18,739,895
	24,648,226	20,971,064
Unappropriated	3,287,500	4,422,182
	₩ 27,935,726	25,393,246

Notes to Consolidated Financial Statements

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20. Dividends

(a) Details of interim and year-end dividends for the years ended December 31, 2009, and 2008 are as follows:

Interim Dividends

(in millions of Korean Won)	2009		2008		2007	
	Dividend Ratio (%)	Dividend Amount	Dividend Ratio (%)	Dividend Amount	Dividend Ratio (%)	Dividend Amount
Common shares	30	₩ 114,855	50	₩ 188,485	50	₩ 189,541

Year-end Cash Dividends

(in millions of Korean Won)	2009		2008		2007	
	Dividend Ratio (%)	Dividend Amount	Dividend Ratio (%)	Dividend Amount	Dividend Ratio (%)	Dividend Amount
Common shares	130	500,714	150	574,274	150	566,552

(b) Details of the dividend payout ratios and dividend yield ratios for the years ended December 31, 2009 and 2008 are as follows:

	2009		2008		2007	
	Dividend Payout Ratio (%)	Dividend Yield Ratio (%)	Dividend Payout Ratio (%)	Dividend Yield Ratio (%)	Dividend Payout Ratio (%)	Dividend Yield Ratio (%)
Common shares	19.13	1.29	17.42	2.63	21.25	1.74

21. Capital Adjustments

(a) Capital adjustments as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009		2008
Treasury stock	₩	(2,403,263)	(2,502,014)
Others		(7,405)	(7,067)
	₩	(2,410,668)	(2,509,081)

(b) Treasury stocks which are maintained for stabilization of stock price in accordance with decision made by board of directors as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009		2008
	Number of Shares	Book Value	Book Value
Treasury stock	7,792,072	₩ 1,662,068	1,760,819
Specified money in trust	2,361,885	741,195	741,195
	10,153,957	₩ 2,403,263	2,502,014

The voting rights of treasury stock are restricted in accordance with the Korean Commercial Code of the Republic of Korea. In addition, the Company sold 462,962 shares of its treasury on October 19, 2009, as approved by the Board of Directors on October 16, 2009, and the difference between the carrying value and the proceeds from the sale of ₩150,373 million, net of tax of ₩33,082 million was recognized as gains on disposal of treasury stock in capital surplus in equity.

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22. 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:

	1st Grant	2nd Grant	3rd Grant	4th Grant	5th Grant	6th Grant	Total
Before the modifications (*)							
Number of shares	498,000 shares	60,000 shares	22,000 shares	141,500 shares	218,600 shares	90,000 shares	1,030,100 shares
Exercise price	₩ 98,400 per share	₩ 135,800 per share	₩ 115,600 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
After the modifications (*)							
Grant date	July 23, 2001	April 27, 2002	September 18, 2002	April 26, 2003	July 23, 2004	April 28, 2005	
Exercise price	₩ 98,900 per share	₩ 136,400 per share	₩ 116,100 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
Number of shares granted	453,576 shares	55,896 shares	20,495 shares	135,897 shares	214,228 shares	90,000 shares	970,092 shares
Number of shares cancelled	19,409 shares	-	-	-	-	-	19,409 shares
Number of shares exercised	434,167 shares	55,896 shares	20,495 shares	134,106 shares	115,064 shares	62,000 shares	821,728 shares
Number of shares outstanding	-	-	-	1,791 shares	99,164 shares	28,000 shares	128,955 shares
Exercise period	July 24, 2003 - July 23, 2008	April 28, 2004 - April 27, 2009	Sept. 19, 2004 - Sept. 18, 2009	April 27, 2005 - April 26, 2010	July 24, 2006 - July 23, 2011	April 29, 2007 - April 28, 2012	

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

- (b) Expenses (or income) related to stock appreciation rights granted to executives incurred for the year ended December 31, 2009 are as follows:

(in millions of Korean Won)	1st Grant	2nd Grant	3rd Grant	4th Grant	5th Grant	6th Grant	Total
Prior periods	₩ 59,945	₩ 10,801	₩ 4,843	₩ 29,770	₩ 54,680	₩ 25,486	₩ 185,525
Current period	-	(21)	1,228	2,126	26,559	6,208	36,100
	₩ 59,945	₩ 10,780	₩ 6,071	₩ 31,896	₩ 81,239	₩ 31,694	₩ 221,625

- (c) As of December 31, 2009 and 2008, liabilities related to stock appreciation rights which are stated as long-term accrued expenses amounted to ₩55,141 million and ₩42,779 million, respectively.

Notes to Consolidated Financial Statements

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(d) The following table summarizes information about appreciation rights granted:

(in Korean Won)	2009		2008		2007	
	Number of Stock Appreciation Rights	Weighted-Average Exercise Price per Share	Number of Stock Appreciation Rights	Weighted-Average Exercise Price per Share	Number of Stock Appreciation Rights	Weighted-Average Exercise Price per Share
Beginning of year	198,481	₩ 150,770	279,472	₩ 145,170	460,335	₩ 145,238
Granted	-	-	-	-	-	-
Exercised	(69,526)	117,169	(80,991)	115,715	(180,863)	145,344
Canceled	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Stock appreciation rights outstanding, end of year	128,955	160,402	198,481	150,770	279,472	145,170
Exercisable at the year end	128,955	₩ 160,402	198,481	₩ 150,770	279,472	₩ 145,170
Weighted-average fair value at grant date		₩ 143,779		₩ 140,206		₩ 116,176

(e) The following table summarizes information about stock appreciation rights outstanding at December 31, 2009:

(in Korean Won)	Appreciation Rights Outstanding		
	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price per Share
Exercise Prices			
102,900	1,791	0.32years	₩ 102,900
151,700	99,164	1.56years	151,700
194,900	28,000	2.33years	194,900
	128,955	1.71years	₩ 160,402

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23. Derivative Financial Instruments

The Company has entered into cross currency swap agreements to reduce interest rates and currency risks and currency forward contracts with financial institutions to hedge the fluctuation risk of future cash flows. The gains and losses on currency swap and currency forward contracts for the years ended December 31, 2009 and 2008 and related contracts outstanding as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	Company	Type of Transaction	Purpose of Transaction	Financial Institutions	Valuation Gain/Loss				Transaction Gain/Loss	
					Income Statement		Comprehensive Income		Income Statement	
					2009	2008	2009	2008	2009	2008
	POSCO	Currency forward	Trading	Woori Bank and others	₩ -	₩ -	₩ -	₩ -	₩ 14,177	₩ 830
		Embedded derivative (*)	Exchangeable Bonds	Related creditors	7,065	17,985	-	-	-	-
	POSCO E&C Co., Ltd.	Currency forward	Fair value hedge	HSBC and others	10,659	(124,870)	-	-	12,527	(53,070)
		Interest Swap	Cash flow hedge	Calyon Bank and others	(28,045)	72,182	-	(4,634)	(4,322)	1,718
		Valuation of Fixed contract	Fair market value hedge	-	(34,328)	177,940	-	-	-	-
	Posteel Co., Ltd.	Currency forward	Trading	SC Korea First Bank	23	-	-	-	(41)	2,659
	POSCO Coated & Color Steel Co., Ltd.	Currency forward	Trading	Shinhan Bank	-	-	-	-	-	(3,325)
		Currency Option	Trading	SC Korea First Bank and others	5,145	(138,472)	-	-	(6,935)	(19,228)
		Currency Swap	Trading	SC Korea First Bank and others	-	10,451	-	-	-	9,570
		Non-derivatives	Cash flow hedge	Citi Bank	-	-	-	-	2,150	-
	POSCO Plant Engineering Co., Ltd.	Currency forward	Trading	Korea Exchange Bank and others	-	(2,482)	-	-	(1,270)	(3,606)
	Posco Specialty Steel Co., Ltd.	Currency forward	Trading	SC Korea First Bank	6	(2)	-	-	211	-
		Currency Swap	Cash flow hedge	SC Korea First Bank	-	-	-	-	-	9,186
	Samjung Packing & Aluminum Co., Ltd.	Currency future	Trading	Woori Bank and others	-	215	-	-	969	-
	POSCO Power Corp.	Currency forward	Trading	Nong Hyup Bank and others	5,251	-	-	-	-	(1,365)
		Currency Swap	Cash flow hedge	Calyon Bank and others	(18,670)	51,800	-	(6,166)	-	-
	Daewoo engineering Company	Currency forward	Trading	Citi Bank	354	(5,886)	-	-	(7,284)	(5,385)
	POSCO Australia Pty. Ltd.	Derivatives	Trading	MML	9,295	(584)	-	-	-	-
	POS-MPC S.A. de C.V.	Currency future	Fair value hedge	Standard Chartered	-	-	-	-	-	(149)
					₩ (43,245)	₩ 58,277	₩ -	₩ (10,800)	₩ 10,182	₩ (62,165)

(*) The Company applied derivative accounting as exchangeable right to investors related to exchangeable bond issued in August 19, 2008 meets certain criteria of embedded derivatives. Fair values of exchangeable right are ₩2,133 million (JPY168,994,000) and ₩9,199 million (JPY 659,937,500) as of December 31, 2009 and 2008, respectively. This exchangeable right is included in other long-term liabilities. (note 15)

Notes to Consolidated Financial Statements

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24. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2009, 2008 and 2007 are as follows:

(in millions of Korean Won)	2009		2008		2007	
Transportation and storage	₩	648,345	₩	781,425	₩	619,499
Salaries		280,529		256,959		218,206
Welfare		142,429		159,732		123,584
Depreciation and amortization		123,525		106,271		87,257
Fees and charges		158,158		124,123		97,100
Advertising		94,696		98,780		103,979
Research and development expenses		84,382		94,571		52,846
Severance benefits		27,482		52,433		44,779
Sales commissions		80,159		83,057		54,955
Travel		24,827		30,537		25,870
Rent		30,929		24,204		19,389
Repairs		20,439		13,135		12,693
Training		18,104		24,397		20,094
Office supplies		8,378		8,482		9,053
Provision for doubtful accounts		42,020		24,033		62,026
Meeting		11,012		11,612		10,240
Taxes and public dues		24,500		29,595		29,519
Vehicle expenses		5,627		4,626		3,947
Membership fees		8,417		8,312		8,593
Sales promotions		8,186		7,638		5,651
Entertainment		11,393		12,542		10,561
Others		95,877		49,904		165,376
	₩	1,949,414	₩	2,006,368	₩	1,785,217

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25. Income Taxes

(a) Income tax expense for the years ended December 31, 2009, 2008 and 2007 are as follows:

(in millions of Korean Won)	2009	2008	2007
Current income taxes	₩ 576,303	₩ 2,181,238	₩ 1,341,252
Deferred income taxes	475,187	(712,233)	294,418
Carryforward income tax	(309,942)	(9,976)	2,714
Items charged directly to shareholders' equity	(229,701)	303,060	(304,580)
Tax effect due to consolidation entries	24,149	(28,106)	(59,578)
	₩ 535,996	₩ 1,733,983	₩ 1,274,226

(b) The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of tax expense recognized by the Company for the years ended December 31, 2009, 2008 and 2007:

(in millions of Korean Won)	2009	2008	2007
Net income before income tax expense	₩ 3,739,275	₩ 6,095,639	₩ 4,898,931
Income tax expense computed at statutory	904,905	1,676,301	1,347,206
Adjustments:			
Tax credit	(370,958)	(167,962)	(159,816)
Effect of changes in tax rate	14,074	74,493	-
Tax refunds (*1)	(140,442)	-	-
Others, net (*2)	128,417	151,151	86,836
Income tax expense	₩ 535,996	₩ 1,733,983	₩ 1,274,226
Effective rate (%)	14.3	28.4	26.0

(*1) Refunds of additional tax payments made in 2005 in accordance with a decision of Tax Tribunal that was finalized in 2009.

(*2) Consists of deferred tax assets, which have not been recognized as realization is not considered probable, of ₩49,995 million and foreign tax rate differential of ₩12,896 million for the year ended December 31, 2009 and deferred tax assets, which have not been recognized, as realization is not considered probable, of ₩119,632 million for the year ended December 31, 2008.

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(c) Changes in temporary differences and deferred income taxes for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	Temporary Differences			Deferred Income Tax		
	Dec. 31, 2008	Inc. (dec.)	Dec. 31, 2009	Dec. 31, 2008	Inc. (dec.)	Dec. 31, 2009
Deductible (taxable) temporary differences:						
Reserve for special repairs	₩ (281,825)	₩ 107,835	₩ (173,990)	₩ (62,422)	₩ 22,922	₩ (39,500)
Allowance for doubtful accounts	292,571	(124,231)	168,340	63,786	(24,261)	39,525
Reserve for technology developments	(9,464)	(826,236)	(835,700)	(2,150)	(182,109)	(184,259)
Dividend income from related companies	431,497	59,545	491,042	94,929	13,100	108,029
Depreciation expense	(274,668)	(90,165)	(364,833)	(60,194)	(23,064)	(83,258)
Valuation of equity method investments	(1,376,045)	(430,446)	(1,806,491)	(210,804)	(96,584)	(307,388)
Prepaid expenses	69,227	4,769	73,996	16,289	1,593	17,882
Impairment loss on property, plant and equipment	126,027	(5,160)	120,867	42,667	(31,358)	11,309
Gain/Loss on foreign currency translation	634,028	(395,179)	238,849	140,283	(88,776)	51,507
Accrued severance benefits	175,238	40,704	215,942	39,376	9,244	48,620
Group severance insurance deposits	(114,741)	(74,998)	(189,739)	(25,921)	(17,039)	(42,960)
Provision for construction losses	36,243	22,037	58,280	8,112	5,992	14,104
Provision for construction warranty	26,595	6,575	33,170	5,852	1,612	7,464
Appropriated retained earnings for technological development	(2,000)	1,000	(1,000)	(462)	220	(242)
Accrued income	68	(3,895)	(3,827)	15	(665)	(650)
Accrued on valuation of Inventories	12,121	22,391	34,512	2,944	5,255	8,199
Others	275,369	367,309	642,678	32,248	114,418	146,666
	₩ 20,241	₩(1,318,145)	₩ (1,297,904)	₩ 84,548	₩ (289,500)	₩(204,952)
Current and deferred income taxes recognized directly to equity:						
Capital adjustment arising from equity method investments	₩ (721,748)	₩ (7,579)	₩ (729,327)	₩ (159,500)	₩ (1,013)	₩(160,513)
Gain on valuation of available-for-sale securities	(340,226)	(680,246)	(1,020,472)	(74,222)	(164,351)	(238,573)
Loss on valuation of available-for-sale securities	962,542	(80,000)	882,542	212,140	(17,124)	195,016
Others	14,618	(14,618)	-	3,199	(3,199)	-
	₩ (84,814)	₩ (782,443)	₩ (867,257)	₩ (18,383)	₩ (185,687)	₩(204,070)
Deferred tax from tax credit and others:						
Tax credit				₩ 16,471	₩ 272,079	₩ 288,550
Deficit carryforwards				7,813	37,863	45,676
				₩ 24,284	₩ 309,942	₩ 334,226
Tax effect on elimination of intercompany profit						
				₩ 265,789	(24,149)	241,640
				₩ 356,238	₩ (189,394)	₩ 166,844

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(in millions of Korean Won)	Temporary Differences			Deferred Income Tax		
	Dec. 31, 2007	Inc. (dec.)	Dec. 31, 2008	Dec. 31, 2007	Inc. (dec.)	Dec. 31, 2008
Deductible (taxable) temporary differences:						
Reserve for special repairs	₩ (301,751)	₩ 19,926	₩ (281,825)	₩ (82,982)	₩ 20,560	₩ (62,422)
Allowance for doubtful accounts	292,763	(192)	292,571	80,532	(16,746)	63,786
Reserve for technology developments	(1,101,734)	1,092,270	(9,464)	(302,976)	300,826	(2,150)
Dividend income from related companies	366,233	65,264	431,497	100,714	(5,785)	94,929
Depreciation expense	(147,993)	(126,675)	(274,668)	(40,115)	(20,079)	(60,194)
Valuation of equity method investments	(1,296,880)	(79,165)	(1,376,045)	(274,370)	63,566	(210,804)
Prepaid expenses	34,431	34,796	69,227	9,467	6,822	16,289
Impairment loss on property, plant and equipment	420,085	(294,058)	126,027	121,483	(78,816)	42,667
Gain/Loss on foreign currency translation	-	634,028	634,028	-	140,283	140,283
Accrued severance benefits	161,926	13,312	175,238	44,574	(5,198)	39,376
Group severance insurance deposits	(44,275)	(70,466)	(114,741)	(12,175)	(13,746)	(25,921)
Provision for construction losses	21,227	15,016	36,243	5,836	2,276	8,112
Provision for construction warranty	21,065	5,530	26,595	5,794	58	5,852
Appropriated Retained Earnings for Technological Development	(2,833)	833	(2,000)	(780)	318	(462)
Accrued income	(8,328)	8,396	68	(2,313)	2,328	15
Accrued on valuation of Inventories	695	11,426	12,121	190	2,754	2,944
Others	293,860	(18,491)	275,369	73,419	(41,171)	32,248
	₩(1,291,509)	₩1,311,750	₩ 20,241	₩ (273,702)	₩ 358,250	₩ 84,548
Current and deferred income taxes recognized directly to equity:						
Capital adjustment arising from equity method investments	₩ (272,948)	₩(448,800)	₩ (721,748)	₩ (75,060)	₩ (84,440)	₩(159,500)
Gain on valuation of available-for-sale securities	(1,315,772)	975,546	(340,226)	(364,373)	290,151	(74,222)
Loss on valuation of available-for-sale securities	239,451	723,091	962,542	65,891	146,249	212,140
Others	4,276	10,342	14,618	1,176	2,023	3,199
	₩(1,344,993)	₩1,260,179	₩ (84,814)	₩ (372,366)	₩ 353,983	₩ (18,383)
Deferred tax from tax credit and others:				₩ 19,949	₩ (3,478)	₩ 16,471
Tax credit				2,526	5,287	7,813
Deficit carryforwards				(8,167)	8,167	-
				₩ 14,308	₩ 9,976	₩ 24,284
Tax effect on elimination of intercompany profit				237,683	28,106	265,789
				₩ (394,077)	₩ 750,315	₩ 356,238

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26. Earnings Per Share

Basic and diluted earnings per share for the years ended December 31, 2009, 2008 and 2007 are as follows:

(in millions of Korean Won, except per share data)	2009	2008	2007
Net income attributable to controlling interest	₩ 3,218,425	₩ 4,378,751	₩ 3,558,660
Weighted-average number of common shares outstanding (*)	76,661,240	75,493,523	75,952,869
Basic and diluted earnings per share	₩ 41,982	₩ 58,002	₩ 46,854

(*) Basic and diluted earnings per share is computed by dividing net income attributable to the shareholders of POSCO's common stock, by the weighted-average number of common shares outstanding for the years ended December 31, 2009, 2008 and 2007 :

	2009	2008	2007
Total number of common shares issued	87,186,835	87,186,835	87,186,835
Weighted-average number of treasury shares	(10,525,595)	(11,693,312)	(11,233,966)
Weighted-average number of common shares outstanding	76,661,240	75,493,523	75,952,869

27. Comprehensive Income

Comprehensive income for the years ended December 31, 2009, 2008 and 2007 are as follows:

(in millions of Korean Won)	2009	2008	2007
Net income	₩ 3,242,311	₩ 4,350,104	₩ 3,677,964
Other comprehensive income			
Gain (loss) on valuation of available-for-sale securities, net	776,060	(1,714,939)	690,805
Less: tax effect	(181,471)	427,512	(192,094)
Changes in capital adjustments arising from equity method accounted investments	34,077	48,139	27,243
Less: tax effect	(22,983)	(11,903)	(34,698)
Foreign currency translation adjustments	(165,124)	576,489	99,408
Less: tax effect	21,961	(75,291)	(11,451)
Gain on valuation of derivative instruments	14,541	(9,175)	(5,365)
Less: tax effect	(3,199)	1,868	1,331
	473,862	(757,300)	575,179
Comprehensive income	₩ 3,716,173	₩ 3,592,804	₩ 4,253,143
Controlling interest	₩ 3,695,881	₩ 3,571,832	₩ 4,118,011
Non controlling interest	₩ 20,292	₩ 20,972	₩ 135,132

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28. Assets and Liabilities Denominated in Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won, other currencies in thousands)	2009				2008			
	Foreign Currency (*2)		Won Equivalent		Foreign Currency (*2)		Won Equivalent	
Assets								
Cash and cash equivalents and financial instruments	USD	362,217	₩	422,925	USD	129,977	₩	163,447
	JPY	502		6	JPY	574,721		8,011
	EUR	882		1,477	EUR	2,313		4,109
Trade accounts and notes receivable	Foreign subsidiaries	723,876		845,198	Foreign subsidiaries	728,786		916,448
	USD	448,193		523,310	USD	370,388		465,763
	JPY	5,552,183		70,114	JPY	6,855,809		95,562
	EUR	38,941		65,198	EUR	14,802		26,292
Other accounts and notes receivable	Foreign subsidiaries	1,075,209		1,255,413	Foreign subsidiaries	807,654		1,015,625
	USD	14,023		16,373	USD	5,740		7,218
	JPY	8,879		112	JPY	8,879		124
Short-term and long-term loans receivable	Foreign subsidiaries	82,694		96,552	Foreign subsidiaries	101,680		127,863
	USD	849		991	USD	-		-
Long-term trade accounts and notes receivable	Foreign subsidiaries	481,875		562,637	Foreign subsidiaries	331,900		417,365
	Foreign subsidiaries	71		82	Foreign subsidiaries	71		89
Investment securities (*1)	Foreign subsidiaries	405,168		473,075	Foreign subsidiaries	96,983		121,956
Guarantee deposits	USD	361		422	USD	553		695
	EUR	135		226	EUR	129		229
	Foreign subsidiaries	6,526		7,619	Foreign subsidiaries	7,355		9,249
			₩	4,341,730			₩	3,380,045

(*1) Presented at face value.

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

Notes to Consolidated Financial Statements

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(in millions of Korean Won, other currencies in thousands)	2009				2008			
	Foreign Currency (*2)		Won Equivalent		Foreign Currency (*2)		Won Equivalent	
Liabilities								
Trade accounts and notes payable	USD	357,303	₩	417,187	USD	432,531	₩	543,907
	JPY	1,972,372		24,908	JPY	5,308,193		73,990
	EUR	40,581		67,944	EUR	3,455		6,136
	Foreign subsidiaries	883,962		1,032,114	Foreign subsidiaries	439,043		552,097
Other accounts and notes payable	USD	45,841		53,524	USD	37,652		47,347
	JPY	420,914		5,315	JPY	2,861,507		39,886
	EUR	3,396		5,686	EUR	9,256		16,441
	Foreign subsidiaries	44,249		51,666	Foreign subsidiaries	76,183		95,800
Accrued expenses	USD	1,479		1,727	USD	1,573		1,977
	JPY	137,450		1,736	JPY	2,322		32
	Foreign subsidiaries	29,795		34,789	Foreign subsidiaries	26,472		33,289
Short-term borrowings	USD	435,784		508,821	USD	304,956		383,482
	Foreign subsidiaries	1,984,096		2,316,630	Foreign subsidiaries	1,926,753		2,422,892
Withholdings	USD	39,148		45,709	USD	19,349		24,331
	JPY	372,553		4,705	JPY	161,870		2,256
	EUR	11,827		19,802	EUR	5,179		9,199
	Foreign subsidiaries	1,614		1,885	Foreign subsidiaries	3,688		4,638
Debentures (*1)	USD	1,340,000		1,564,584	USD	640,000		804,800
	JPY	182,592,205		2,305,811	JPY	182,592,205		2,545,134
	Foreign subsidiaries	-		-	Foreign subsidiaries	15,776		19,838
Loans from foreign financial institutions	USD	64,550		75,369	USD	36,134		45,439
	JPY	285,686		3,608	JPY	192,000		2,676
	Foreign subsidiaries	1,103,630		1,288,598	Foreign subsidiaries	923,439		1,161,224
Foreign currency loans	EUR	3,964		6,637	EUR	4,601		8,172
			₩	9,838,755			₩	8,844,983

(*1) Presented at face value.

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

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Notes to Consolidated Financial Statements

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29. Related Party Transactions

(a) As of December 31, 2009, the subsidiaries of the Company are as follows:

Domestic (30)	POSCO E&C Co., Ltd., Posteel Co., Ltd., POSCON Co., Ltd., POSCO Coated & Color Steel Co., Ltd., POSCO Plant Engineering Co., Ltd., POSCO ICT Co., Ltd., POSCO Research Institute, Seung Kwang Co., Ltd., POSCO Architects & Consultants Co., Ltd., POSCO Specialty Steel Co., Ltd., POSCO Machinery Co., Ltd., POSTECH Venture Capital Corp, POSTECH 2006 Energy Fund, POSCO Refractories & Environment Co., Ltd. (POSREC), POSCO Terminal Co., Ltd., POSMATE Co., Ltd., Samjung Packing & Aluminum Co., Ltd., POSCO Power Corp., PHP Co., Ltd., PNR Co., Ltd., Megaasset Co., Ltd., Daewoo engineering Company, Metapolis Co., Ltd., POSCORE Co., Ltd., PoHang Feul Cell Co., Ltd., POSCO AST Co., Ltd., DaiMyung TMS Co., Ltd., POS-HiMetal Co., Ltd., POSCO E&E, Universal Studio Resort Development Co., Ltd.
Foreign (50)	POSCO America Corporation, POSCO Australia Pty. Ltd., POSCO Canada Limited, POSCAN Elkview Coal Ltd., POSCO Asia Co., Ltd., VSC POSCO Steel Corp., Dalian POSCO-CFM Coated Steel Co., Ltd., POSCO-CTPC Co., Ltd., POSCO-JKPC Co., Ltd., International Business Center Corporation, POSLILAMA E&C Co., Ltd., Zhangjiagang Pohang Stainless Steel Co., Ltd., Guangdong Pohang Coated Steel Co., Ltd., POSCO(Thailand) Co., Ltd., Myanmar POSCO Steel Co., Ltd., Zhangjiagang Posha Steel Port Co., Ltd., POSCO-JOPC Co., Ltd., POSCO Investment Co., Ltd., POSCO-MKPC SDN BHD., Qingdao Pohang Stainless Steel Co., Ltd., POSCO (Suzhou) Automotive Processing Center Co., Ltd., POSEC-Hawaii Inc., POS-Qingdao Coil Center Co., Ltd., POS-ORE Pty. Ltd., POSCO-China Holding Corp., POSCO-Japan Co., Ltd., POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd., POS-CD Pty. Ltd., POS-GC Pty. Ltd., POSCO-India Private. Ltd., POS-India Pune Steel Processing Centre Pvt. Ltd., POSCO-JNPC Co., Ltd., POSCO-Foshan Steel Processing Centre Pvt. Ltd., POSCO E&C (Beijing) Co., Ltd., POSCO-MPC S.A. de C.V., Zhanjiagang Pohang Port Co., Ltd., POSCO-Vietnam Co., Ltd., POSCO Mexico Co., Ltd., POSCO-India Delhi Steel Processing Centre Pvt. Ltd., POSCO (Chongqing) Automotive Processing Center Co., Ltd., POS-NP Pty. Ltd., POSCO Vietnam Processing Center Co., Ltd., Suzhou pos-core Technology Co., Ltd., POSCO-JYPC Co., Ltd., POSCO-Malaysia SDN. BHD., POS-Minerals Corporation, POSCO (Wuhu) Automotive Processing Center Co., Ltd., &TV Communications, POSCO-Phillippine Manila Processing Center INC., POSCO VST Co., Ltd.

Notes to Consolidated Financial Statements

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(b) Significant transactions, which occurred in the ordinary course of business, with consolidated subsidiaries for the years ended December 31, 2009, 2008 and 2007, and the related account balances as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	Sales and Others (*1)			Purchases and Others (*1)		
	2009	2008	2007	2009	2008	2007
POSCO E&C Co., Ltd.	₩ 4,605	₩ 13,626	₩ 20,000	₩ 2,546,163	₩ 1,121,335	₩ 984,030
Posteel Co., Ltd.	1,167,877	1,455,354	1,072,032	158,260	244,908	220,459
POSCON Co., Ltd.	106	105	120	278,407	229,119	244,365
POSCO Coated & Color Steel Co., Ltd.	494,938	609,377	436,206	1,490	1,916	1,327
POSCO Plant Engineering Co., Ltd. (formerly, POSCO Machinery & Engineering Co., Ltd.)	1,509	4,309	157	200,772	158,275	152,844
POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)	1,015	1,685	4,516	190,127	187,186	173,660
POSCO Machinery Co., Ltd.	8,843	15,302	3,480	79,801	79,549	114,378
POSCO Refractories & Environment Co., Ltd. (POSREC)	87,121	57,189	250	475,269	350,153	213,753
Samjung Packing & Aluminum Co., Ltd.	18,945	25,115	16,985	203,179	268,044	233,125
POSCORE Co., Ltd.	130,964	131,497	39,002	39	176	-
POSCO AST Co., Ltd. (formerly, Taihan ST Co., Ltd.)	83,245	-	-	20,938	-	-
POSCO America Corporation (POSAM)	169,274	168,663	130,150	-	93	686
POSCO Canada Ltd. (POSCAN)	-	40	40	84,192	289,015	71,120
POSCO Asia Co., Ltd. (POA)	1,093,589	951,867	600,059	76,004	215,318	121,098
POSCO (Thiland) Co., Ltd.	70,129	91,077	47,248	5	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	185,002	93,232	82,581	-	-	-
POSCO-Japan Co., Ltd.	690,289	1,191,222	831,711	84,112	23,233	50,939
POS-India Pune Steel Processing Centre Pvt. Ltd.	110,901	66,931	53,981	-	-	9
POSCO Vietnam Co., Ltd.	117,296	1,026	-	-	-	-
Others	867,508	347,681	80,231	123,096	125,627	168,596
	₩ 5,303,156	₩ 5,225,298	₩ 3,418,749	₩ 4,521,854	₩ 3,293,947	₩ 2,750,389

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(in millions of Korean Won)	Receivables (*2)		Payables (*2)	
	2009	2008	2009	2008
POSCO E&C Co., Ltd.	₩ 142,813	₩ 396,743	₩ 536,857	₩ 249,792
Posteel Co., Ltd.	114,697	220,360	3,494	21,651
POSCON Co., Ltd.	30,071	62,895	65,126	62,943
POSCO Coated & Color Steel Co., Ltd.	109,616	48,785	199	71
POSCO Plant Engineering Co., Ltd. (formerly, POSCO Machinery & Engineering Co., Ltd.)	2,959	18,770	44,669	26,054
POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)	10,387	1,103	46,060	27,322
POSCO Machinery Co., Ltd.	1,724	5,032	15,315	16,401
POSCO Refractories & Environment Co., Ltd. (POSREC)	6,879	19,064	68,529	57,788
Samjung Packing & Aluminum Co., Ltd.	1,472	2,578	24,942	23,678
POSCORE Co., Ltd.	11,678	20,330	24	-
POSCO AST Co., Ltd. (formerly, Taihan ST Co., Ltd.)	17,492	-	7,572	-
POSCO America Corporation (POSAM)	6,163	2,818	-	-
POSCO Canada Ltd. (POSCAN)	-	20	-	-
POSCO Asia Co., Ltd. (POA)	40,548	27,224	1,170	2,978
POSCO (Thiland) Co., Ltd.	19,835	32,415	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	24,205	12,904	-	-
POSCO-Japan Co., Ltd.	25,637	21,040	8,949	1,104
POS-India Pune Steel Processing Centre Pvt. Ltd.	12,356	3,831	-	-
POSCO Vietnam Co., Ltd.	95,518	1,024	-	-
Others	43,597	29,520	19,237	21,728
	₩ 717,647	₩ 926,456	₩ 842,143	₩ 511,510

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Significant transactions, which occurred in the ordinary course of business, with equity method investees for the years ended December 31, 2009, 2008 and 2007, and related account balances as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	Sales and Others (*1)			Purchases and Others (*1)		
	2009	2008	2007	2009	2008	2007
eNtoB Corporation	₩ -	₩ -	₩ -	₩ 225,439	₩ 288,604	₩ 216,920
KOBRASCO	-	4,115	-	2,857	63,968	72,514
Poschrome (Proprietary) Limited	-	98	35	53,711	91,467	41,735
POSVINA Co., Ltd.	5,973	12,550	5,056	-	-	-
USS - POSCO Industries (UPI)	241,921	428,092	245,814	58	-	-
Guangdong Xingpu Steel Center Co., Ltd.	-	10,011	3,094	-	-	-
SNNC Co., Ltd.	1,437	2,245	343	368,742	33,867	-
Others	-	1	-	161	-	-
	₩ 249,331	₩ 457,112	₩ 254,342	₩ 650,968	₩ 477,906	₩ 331,169

(in millions of Korean Won)	Receivables (*2)		Payables (*2)	
	2009	2008	2009	2008
eNtoB Corporation	₩ -	₩ -	₩ 6,561	₩ 6,016
KOBRASCO	-	4,115	-	-
Poschrome (Proprietary) Limited	176	-	-	-
POSVINA Co., Ltd.	-	-	33,962	-
USS - POSCO Industries (UPI)	39,052	-	-	-
Guangdong Xingpu Steel Center Co., Ltd.	-	1,825	-	-
SNNC Co., Ltd.	1,974	19	26,963	1,926
Others	-	-	78	-
	₩ 41,202	₩ 5,959	₩ 67,564	₩ 7,942

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

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

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(c) Eliminations of inter-company revenues and expenses for the years ended December 31, 2009, 2008 and 2007, and receivables and payables as of December 31, 2009, 2008 and 2007 are as follows:

(in millions of Korean Won)	Sales and Others (*1)		Purchase and Others (*1)		Receivables (*2)		Payables (*2)	
Subsidiaries								
POSCO	₩	5,303,156	₩	4,521,854	₩	717,647	₩	842,143
POSCO E&C Co., Ltd.		3,634,705		332,882		762,020		278,340
Posteel Co., Ltd.		365,946		1,312,127		57,227		126,282
POSCON Co., Ltd.		342,839		9,537		96,467		41,300
POSCO Coated & Color Steel Co., Ltd.		84,296		504,020		5,979		111,075
POSCO Plant Engineering Co., Ltd. (formerly, POSCO Machinery & Engineering Co., Ltd.)		226,438		7,296		51,990		9,233
POSCO ICT Co., Ltd. (formerly, POSDATA Co., Ltd.)		245,956		5,963		60,041		12,196
POSCO Machinery Co., Ltd.		93,257		12,082		16,050		2,494
Mtapolis Co., Ltd.		-		153,390		-		24,763
Samjung Packing & Aluminum Co., Ltd.		205,443		19,356		24,942		1,625
POSCO Power Corporation		25,609		566,365		37,654		141,486
PHP Co., Ltd.		-		237,909		618		12,549
POSCORE Co., Ltd.		5,178		134,986		-		9,197
POSCO America Corporation (POSAM)		11,154		187,075		1,950		10,919
POSCO Canada Ltd. (POSCAN)		84,192		90		-		61
POSCO Asia Co., Ltd. (POA)		534,184		1,138,943		94,705		41,055
POSCO-CTPC Co., Ltd.		46		153,909		-		37,351
Zhangjiagang Pohang Stainless Steel Co., Ltd. (ZPSS)		380,268		27,011		62,434		1,625
POSCO (Thailand) Co., Ltd.		5		107,936		27		39,413
POSCO Investment Co., Ltd.		1,885		-		241,371		-
Qingdao Pohang Stainless Steel Co., Ltd.		169,883		330,015		23,452		64,432
POSCO (Suzou) Automotive Processing Center Co., Ltd.		1,532		261,279		34		44,801
POS-Qingdao Coil Center Co., Ltd.		-		136,989		45,631		-
POSCO-Japan Co., Ltd.		226,753		722,445		105,527		28,323
POS-India Pune Steel Processing Centre Pvt Ltd.		983		114,210		63		-
POSCO-JNPC Co., Ltd.		8,939		103,412		-		24,515
POSCO-Foshan Steel Processing Center Pvt. Ltd.		76		459,444		842		82,278
POSCO-MPC S.A. de C.V.		544		109,537		-		1,305
POSCO-Vietnam Co., Ltd.		25,068		196,210		-		93
POSCO-Mexico Co., Ltd.		6,501		133,972		3,600		108,666
Others		1,005,836		990,428		243,594		556,345
2009	₩	12,990,672	₩	12,990,672	₩	2,653,865	₩	2,653,865
2008		11,440,682		11,440,682		2,458,650		2,458,650
2007		8,153,327		8,153,327		1,125,494		1,125,494

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

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

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(d) For the years ended December 31, 2009 and 2008, details of compensation to key management officers excluding stock appreciation rights are as follows:

(in millions of Korean Won)	2009	2008
Salaries	₩ 43,608	46,142
Severance benefits	15,216	11,481
Management achievement awards and others	34,455	37,347
Total	₩ 93,279	94,970

Key management officers include directors (including non-standing directors), executive officials and fellow officials who have significant influence and responsibilities in the Company's business and operations. The Company recognized expense related to stock appreciation rights which were increased by ₩36,100 million, and decreased by ₩55,155 million for the year ended December 31, 2009 and 2008, respectively.

30. Segment and Geographic Information

Our operating businesses are organized based on the nature of markets and customers. We have four reportable operating segments — the steel segment, the engineering and construction segment, the trading segment and the segment that contains operations of all other entities which fall below the reporting thresholds. The steel segment includes production of steel products and sale of such products. The engineering and construction segment includes planning, designing and construction of industrial plants, civil engineering projects and commercial and residential buildings, both in Korea and overseas. The trading segment consists of exporting and importing a wide range of steel products and raw materials that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas.

The segment results are measured based on sales and operating income in accordance with Korean GAAP without any adjustment for corporate allocations. The segment assets are measured based on total assets in accordance with Korean GAAP without any adjustment for corporate allocations.

(a) The following table provides POSCO's segment financial information as of and for the year ended December 31, 2009:

(in millions of Korean Won)	Steel	Engineering and Construction	Trading	Others	Consolidation Adjustment	Consolidated
Sales						
Total sales	₩ 34,503,317	7,760,374	4,120,088	3,420,139	(12,948,917)	₩36,855,001
Inter-company sales	(6,090,338)	(3,852,222)	(1,137,776)	(1,868,581)	12,948,917	-
Net sales	₩ 28,412,979	3,908,152	2,982,312	1,551,558	-	₩36,855,001
Operating income	₩ 3,217,117	345,647	32,795	268,027	4,576	₩ 3,868,162
Inventories	₩ 4,208,446	718,815	156,083	157,836	(88,341)	₩ 5,152,839
Investments (non-current)	10,319,818	888,745	594,174	1,241,058	(6,572,796)	6,470,999
Equity method investments	5,712,306	496,807	536,999	546,857	(6,465,386)	827,583
Property, plant and equipment	19,694,065	1,143,885	220,729	2,087,110	(1,306,004)	21,839,785
Intangible assets (*1)	198,763	20,042	1,646	101,972	307,546	629,969
Goodwill	46,968	198,580	-	26,544	-	272,092
Total Assets	₩ 46,249,396	6,080,744	1,808,745	5,539,673	(9,366,810)	₩50,311,748
Depreciation and amortization (*2)	₩ 2,368,575	25,363	5,564	205,800	(52,220)	₩ 2,553,082
Capital expenditure	4,802,933	207,588	1,435	830,126	564,421	6,406,503
Stock compensation expenses	36,100	-	-	-	-	36,100

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The following table provides POSCO's segment information as of and for the year ended December 31, 2008:

(in millions of Korean Won)	Steel	Engineering and Construction	Trading	Others	Consolidation Adjustment	Consolidated
Sales						
Total sales	₩ 38,448,113	5,528,105	5,656,959	3,749,459	(11,640,000)	₩41,742,636
Inter-company sales	(6,547,017)	(1,855,696)	(1,392,356)	(1,844,931)	11,640,000	-
Net sales	₩ 31,901,096	3,672,409	4,264,603	1,904,528	-	₩41,742,636
Operating income	₩ 6,628,789	283,973	49,117	488,078	(276,028)	₩ 7,173,929
Inventories	₩ 7,569,508	847,481	323,164	219,574	(298,006)	₩ 8,661,721
Investments (non-current)	8,722,560	1,067,694	603,289	1,027,891	(6,143,269)	5,278,165
Equity method investments	5,094,239	659,363	537,533	688,493	(6,147,092)	832,536
Property, plant and equipment	17,393,603	614,477	231,164	1,637,042	(1,807,187)	18,069,099
Intangible assets(*1)	223,177	21,825	957	157,206	320,602	723,767
Goodwill	13,698	209,461	-	47,683	-	270,842
Total Assets	₩ 42,884,329	6,324,810	1,976,797	4,916,085	(9,140,739)	₩46,961,282
Depreciation and amortization(*2)	₩ 2,171,387	17,710	5,660	150,177	35,124	₩ 2,380,058
Capital expenditure	3,922,096	289,775	88,405	320,417	(527,380)	4,093,313
Stock compensation expenses	-	-	-	-	-	-

The following table provides POSCO's segment information as of and for the year ended December 31, 2007:

(in millions of Korean Won)	Steel	Engineering and Construction	Trading	Others	Consolidation Adjustment	Consolidated
Sales						
Total sales	₩ 29,184,546	3,801,882	4,018,003	2,715,242	(8,111,932)	₩31,607,741
Inter-company sales	(4,757,641)	(1,092,309)	(874,520)	(1,387,462)	8,111,932	-
Net sales	₩ 24,426,905	2,709,573	3,143,483	1,327,780	-	₩31,607,741
Operating income	₩ 4,534,201	284,632	31,068	187,613	(117,652)	₩ 4,919,862
Inventories	₩ 4,258,206	454,338	126,182	145,708	(82,418)	₩ 4,902,016
Investments (non-current)	8,205,751	565,983	333,688	775,105	(4,641,501)	5,239,026
Equity method investments	4,344,174	229,022	286,404	382,443	(4,637,431)	604,612
Property, plant and equipment	15,110,911	142,157	198,856	1,341,015	(1,211,174)	15,581,765
Intangible assets(*1)	246,932	25,152	897	166,992	130,806	570,779
Goodwill	-	-	-	75,556	-	75,556
Total Assets	₩ 34,634,495	3,246,818	1,195,492	3,530,588	(6,332,630)	₩36,274,763
Depreciation and amortization(*2)	₩ 1,940,677	16,527	5,591	140,059	24,578	₩ 2,127,432
Capital expenditure	2,787,662	79,961	919	241,643	(217,938)	2,892,247
Stock compensation expenses	123,881	-	-	-	-	123,881

(*1) Includes goodwill.

(*2) Includes depreciation expense of idle property.

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The following table provides reconciliation from the total segment operating profit to the Company's income before income taxes and net income (loss) of consolidated subsidiaries before acquisition for the years ended December 31, 2009, 2008 and 2007 are as follows:

(in millions of Korean Won)	2009	2008	2007
Total of segment results	₩ 3,863,586	7,449,957	5,037,514
Consolidation adjustment (*1)	4,576	(276,028)	(117,652)
Non-operating expense, net (*2)	(128,887)	(1,078,290)	(20,931)
Net income before income tax expenses	₩ 3,739,275	6,095,639	4,898,931

(*1) Consolidated adjustments consist primarily of the elimination of intersegment transactions.

(*2) See the Consolidated Statements of Income for details of non-operating income and expense items.

(b) Net sales for the years ended December 31, 2009, 2008 and 2007, and long-lived assets by geographic location as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won) Customer Location	Sales (*1)			Property, Plant and Equipment	
	2009	2008	2007	2009	2008
Korea	₩ 22,528,633	₩ 26,886,852	₩ 19,969,637	₩ 19,384,333	₩ 15,487,750
Japan	1,387,095	2,043,819	1,741,972	266,515	252,277
China	5,049,354	4,875,784	4,503,900	1,030,625	1,350,731
Asia/Pacific, excluding Japan and China	2,898,798	3,138,884	2,041,587	687,234	665,155
North America	751,983	800,817	732,002	18,984	19,703
Others	4,239,138	3,996,480	2,618,644	452,094	293,483
	₩ 36,855,001	₩ 41,742,636	₩ 31,607,742	₩ 21,839,785	₩ 18,069,099

(*1) Represents revenues, net of consolidation adjustments, incurred based on customers' locations instead of the Company and subsidiaries' locations.

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(c) Condensed consolidated statements of financial position as of December 31, 2009 and 2008 categorized by type of business are as follows:

(in millions of Korean Won)	Non-financial Institution		Financial Institution	
	2009	2008	2009	2008
Assets				
Current assets	₩ 20,233,636	21,819,672	₩ 400,514	377,961
Non-current assets	29,535,124	24,588,267	142,474	175,382
Investment assets	6,332,198	5,106,522	138,801	171,643
Property, plant and equipment	21,839,775	18,069,079	10	20
Intangible assets	629,918	723,724	51	43
Other non-current assets	733,233	688,942	3,612	3,676
Total Assets	49,768,760	46,407,939	542,988	553,343
Liabilities				
Current liabilities	8,878,677	10,609,425	396,141	399,967
Non-current liabilities	9,371,979	7,607,183	637	502
Total liabilities	₩ 18,250,656	18,216,608	₩ 396,778	400,469

(d) Condensed consolidated statements of income for the years ended December 31, 2009 and 2008 categorized by type of business are as follows:

(in millions of Korean Won)	Non-financial Institution		Financial Institution	
	2009	2008	2009	2008
Sales	₩ 36,836,780	41,727,093	₩ 18,221	15,543
Cost of goods sold	31,032,184	32,555,721	5,241	6,618
Selling and administrative expenses	1,944,829	1,999,701	4,585	6,667
Operating income	3,859,767	7,171,671	8,395	2,258
Non-operating income	2,361,475	2,368,851	918	1,025
Non-operating expenses	2,481,060	3,441,729	10,220	6,437
Net income before income tax expense	3,740,182	6,098,793	(907)	(3,154)
Income tax expense	536,068	1,734,095	(72)	(112)
Net income of Subsidiaries before purchasing	(39,032)	11,552	-	-
Net income	₩ 3,243,146	4,353,146	₩ (835)	(3,042)
Controlling interest	₩ 3,219,260	4,381,793	₩ (835)	(3,042)
Non controlling interest	₩ 23,886	(28,647)	₩ -	-

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31. Significant Differences between Korean GAAP and U.S. GAAP**Reconciliation to U.S. Generally Accepted Accounting Principles**

The consolidated financial statements of the Company are prepared in accordance with generally accepted accounting principles in the Republic of Korea ("Korean GAAP"), which differs in certain significant respects from generally accepted accounting principles in the United States of America ("U.S. GAAP"). Application of U.S. GAAP would have affected the consolidated financial position of POSCO as of December 31, 2009 and 2008 and the related consolidated net income for the three years ended December 31, 2009, 2008 and 2007 to the extent described below.

A description of the significant differences between Korean GAAP and U.S. GAAP as they relate to the Company are discussed in detail below.

(a) Reconciliation of Net Income from Korean GAAP to U.S. GAAP

(in millions of Korean Won, except share data)	Adjustments Before Deferred Income Tax		Deferred Income Tax Effect		Net Adjustments to Net Income
For the year ended December 31, 2009					
Net income attributable to controlling interest under Korean GAAP					₩ 3,218,425
Net income attributable to non controlling interest under Korean GAAP					23,886
Net income under Korean GAAP					3,242,311
Adjustments:					
Fixed asset revaluation	₩	10,361	₩	(2,280)	₩ 8,081
Capitalized costs		131,843		(29,005)	102,838
Investment securities		210,762		(46,368)	164,394
Goodwill		56,433		(12,414)	44,019
Derivatives		90,846		(22,446)	68,400
Others, net		576		(128)	448
	₩	500,821	₩	(112,641)	₩ 388,180
Tax effects resulting from intercompany transactions					(21,680)
					₩ 366,500
Net income in accordance with U.S. GAAP					₩ 3,608,811
Net income attributable to non controlling interest in accordance with U.S. GAAP					41,462
Net income attributable to controlling interest in accordance with U.S. GAAP					3,567,349
Basic and diluted earnings per share in accordance with U.S. GAAP					₩ 46,534
Weighted-average shares outstanding					76,661,240

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(in millions of Korean Won, except share data)	Adjustments Before Deferred Income Tax	Deferred Income Tax Effect	Net Adjustments to Net Income
For the year ended December 31, 2008			
Net income attributable to controlling interest under Korean GAAP			₩ 4,378,751
Net income attributable to non controlling interest under Korean GAAP			(28,647)
Net income under Korean GAAP			4,350,104
Adjustments:			
Fixed asset revaluation	₩ 12,046	₩ (2,650)	₩ 9,396
Capitalized costs	29,517	(6,494)	23,023
Investment securities	(444,834)	97,863	(346,971)
Goodwill	41,248	(9,074)	32,174
Derivatives	(72,981)	21,517	(51,466)
Others, net	(17,310)	(1,652)	(18,962)
	₩ (452,314)	₩ 99,510	₩ (352,806)
Effects of changes in tax rates			13,216
Tax effects resulting from intercompany transactions			73,300
			₩ (266,290)
Net income in accordance with U.S. GAAP			₩ 4,083,814
Net loss attributable to non controlling interest in accordance with U.S. GAAP			(22,076)
Net income attributable to controlling interest in accordance with U.S. GAAP			4,105,890
Basic and diluted earnings per share in accordance with U.S. GAAP			₩ 54,387
Weighted-average shares outstanding			75,493,523

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(in millions of Korean Won, except share data)	Adjustments Before Deferred Income Tax		Deferred Income Tax Effect		Net Adjustments to Net Income	
For the year ended December 31, 2007						
Net income attributable to controlling interest under Korean GAAP					₩	3,558,660
Net income attributable to non controlling interest under Korean GAAP						119,304
Net income under Korean GAAP						3,677,964
Adjustments:						
Fixed asset revaluation	₩	12,489	₩	(3,434)	₩	9,055
Capitalized costs		17,859		(4,911)		12,948
Investment securities		537		(148)		389
Goodwill		29,160		(8,019)		21,141
Derivatives		(71,011)		19,528		(51,483)
Others, net		9,311		(2,561)		6,750
	₩	(1,655)	₩	455	₩	(1,200)
Net income in accordance with U.S. GAAP					₩	3,676,764
Net income attributable to non controlling interest in accordance with U.S. GAAP						111,717
Net income attributable to controlling interest in accordance with U.S. GAAP						3,565,047
Basic and diluted earnings per share in accordance with U.S. GAAP					₩	46,938
Weighted-average shares outstanding						75,952,869

(b) Reconciliation of Total Equity from Korean GAAP to U.S. GAAP

(in millions of Korean Won)	Adjustments Before Deferred Income Tax Effect		Deferred Income Tax Effect		Net Adjustments to Equity	
As of December 31, 2009						
Controlling interest					₩	30,908,964
Non controlling interest						755,350
Total equity under Korean GAAP						31,664,314
Adjustments:						
Fixed asset revaluation	₩	(122,940)	₩	7,798	₩	(115,142)
Capitalized costs		479,526		(105,496)		374,030
Investment securities		6,449		(1,419)		5,030
Goodwill		161,037		(35,428)		125,609
Derivatives		(53,147)		11,692		(41,455)
Others, net		(9,496)		2,090		(7,406)
Tax effects resulting from intercompany transactions		-		51,620		51,620
	₩	461,429	₩	(69,143)	₩	392,286
Total equity in accordance with U.S. GAAP					₩	32,056,600
Non controlling interest in accordance with U.S. GAAP						747,460
Shareholders' equity attributable to controlling interest in accordance with U.S. GAAP						31,309,140

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(in millions of Korean Won, except share data)	Adjustments Before Deferred Income Tax	Deferred Income Tax Effect	Net Adjustments to Net Income
As of December 31, 2008			
Controlling interest			₩ 27,663,665
Non controlling interest			680,540
Total equity under Korean GAAP			28,344,205
Adjustments:			
Fixed asset revaluation	₩ (133,301)	₩ 10,077	₩ (123,224)
Capitalized costs	347,683	(76,490)	271,193
Investment securities	(142,071)	31,256	(110,815)
Goodwill	104,604	(23,013)	81,591
Derivatives	(143,993)	34,138	(109,855)
Others, net	(10,072)	2,216	(7,856)
Tax effects resulting from intercompany transactions	-	73,300	73,300
	₩ 22,850	₩ 51,484	₩ 74,334
Total equity in accordance with U.S. GAAP			₩ 28,418,539
Non controlling interest in accordance with U.S. GAAP			659,176
Shareholders' equity attributable to controlling interest in accordance with U.S. GAAP			27,759,363

(c) Fixed Asset Revaluation

Under Korean GAAP, certain fixed assets were subject to upward revaluations in accordance with the Asset Revaluation Law, with the revaluation increment credited to capital surplus. As a result of this revaluation, depreciation expense on these assets were adjusted to reflect the increased basis. Under U.S. GAAP, such a revaluation is not permitted and depreciation expense should be based on historical cost. As a result, the gain or loss on sale of fixed assets determined in accordance with U.S. GAAP is different from the amount determined under Korean GAAP.

(d) Capitalized Costs

Under Korean GAAP, the Company capitalizes certain foreign exchange gains and losses on borrowings associated with property, plant and equipment during the construction period. Under U.S. GAAP, all foreign exchange gains and losses are included in the results of operations for the current period. No foreign exchange gains and losses have been capitalized for the years ended December 31, 2009, 2008 and 2007 under Korean GAAP. Depreciation of net capitalized foreign exchange gains and losses carried forward from prior periods amounted to ₩135 million, ₩841 million and ₩1,048 million for the years ended December 31, 2009, 2008 and 2007, respectively.

In addition, effective from the period beginning after December 31, 2002, under Korean GAAP, interest costs that would have been theoretically avoided had expenditures not been made for assets which require a period of time to prepare them for their intended use are generally expensed as incurred, except when certain criteria are met for capitalization. The Company has adopted this application and expensed financing costs. Under U.S. GAAP, the Company is required to capitalize such amount. Capital projects that have had their progress halted would suspend the capitalization of interest.

Capitalized interest for the years ended December 31, 2009, 2008 and 2007 are as follows:

(in millions of Korean Won)	2009	2008	2007
Capitalized interest	₩ 184,955	₩ 96,980	₩ 104,014
Depreciation of capitalized interest	(98,328)	(90,113)	(73,888)
Net income impact	₩ 86,627	₩ 6,867	₩ 30,126

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Under Korean GAAP, research and development costs and internal use software costs have been recorded as intangible assets and amortized over a period not exceeding 20 years. Under U.S. GAAP, organization costs as well as research and developments costs are generally expensed as incurred. In addition, certain costs incurred for software developed for internal use, U.S. GAAP requires that costs incurred in the preliminary project stage be expensed as incurred. External direct costs such as material and service, payroll or payroll related costs for employees who are directly associated with the project, and interest costs incurred when developing computer software for internal use, are capitalized and amortized on a straight-line method over the estimated useful life. Training costs, data conversion costs and general administrative costs are expensed as incurred.

U.S. GAAP reconciliation adjustments for the capitalization and amortization of intangible assets, which arose mostly from capitalized research and development costs, for the years ended December 31, 2009, 2008 and 2007, are as follows:

(in millions of Korean Won)	2009	2008	2007
Net income impact	₩ 45,351	₩ 21,809	₩ (13,315)

(e) Guarantees

Under Korean GAAP, the guarantor is required to disclose guarantees, including indirect guarantees of indebtedness of others. Under U.S. GAAP, the guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. As of December 31, 2009, the aggregate initial fair value of outstanding guarantees issued by the Company for the repayment of loans was ₩420,212 million, excluding guarantees issued either between parents and their subsidiaries or between corporations under common control (note 16). Upon initial recognition of the liability for the fair value of the obligation undertaken in issuing the guarantee, the corresponding amount is recorded in selling and administrative expenses in the statement of income as such obligation is undertaken on a stand alone basis for no consideration. Subsequent to initial recognition, the Company's release from the risk of guarantee is recognized as the fair value of obligation changes. The changes in fair value are recognized in the statement of income. The Company has recognized guarantee expense amounting to ₩837 million and ₩3,260 million and ₩566 million for the years ended December 31, 2009, 2008 and 2007, respectively. This adjustment is included in others, net in the reconciliation of net income and equity from Korean GAAP to U.S. GAAP.

(f) Stock Appreciation Rights

Under Korean GAAP, the Company accounted for stock-based compensation in accordance with the intrinsic value method for awards that call for settlement in cash, shares, or a combination of both measures. Stock compensation liabilities at the end of each period are determined as the amount by which the moving weighted average of quoted market value of the shares of the enterprise's stock covered by a grant exceeds the option price. The moving weighted average of quoted market value is calculated based on the weighted average market price of last one week, last one month and last two months of each period.

Under U.S. GAAP, Accounting Standards Codification ("ASC") Topic 718, "Compensation – Stock Compensation" (Statement of Financial Accounting Standards ("SFAS") No. 123(R)) is effective as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. The Company adopted ASC Topic 718 (FAS123(R)) on January 1, 2006 using the modified prospective method, under which a grant-date fair value approach is applied to all awards granted after the effective date and to awards modified, repurchased or cancelled after effective date. The cumulative effect of initially applying this statement is recognized as of the required effective date. The compensation expense for the portion of the awards that are outstanding at December 31, 2005 for which the requisite service period has not been rendered was determined based on its fair value on the adoption date, and any difference to be reflected as the cumulative effect of change in accounting principle, net of any related tax effect. Also, reflected in the cumulative effect of change in accounting principle is the net cumulative impact of estimating future forfeitures in the determination of periodic expense, rather than recording forfeitures when they occur as previously permitted. Prior to adoption of ASC Topic 718 (FAS 123(R)), the Company applied the intrinsic value approach under APB 25 and recorded stock-based compensation liabilities using the quoted market value of the shares of the Company's stock in excess of option price.

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The Company remeasured the value of its stock appreciation rights as of January 1, 2006 and applied the estimated future forfeitures, which resulted in a cumulative effect of change in accounting principle, net of tax, totaling ₩(2,970) million.

All the stock appreciation rights will be settled in cash upon vesting under service condition, therefore, stock appreciation right is classified as liability awards, and the fair value of stock options granted was remeasured as of the reporting date using a Black-Scholes option-pricing model with the following assumptions:

	2009
Dividend yield range	1.29 - 1.89%
Expected volatility range	30 - 50.5%
Risk-free interest rate range	2.82 - 3.69%
Expected lives (in years)	0.25 - 1.82

The percentage of the fair value of the awards that is accrued as compensation cost at the end of each period equals the percentage of the requisite service that has been rendered at that date. Changes in the fair value of the liability that occur after the end of the requisite service period are recorded as compensation cost of the period in which the changes occur.

U.S. GAAP reconciliation adjustments for stock appreciation rights granted to employees and executives recognized for the years ended December 31, 2009, 2008 and 2007 are included in others, net and are as follows:

(in millions of Korean Won)	2009	2008	2007
Net income impact	₩ 1,969	₩ (13,056)	₩ 10,759

The total stock compensation expense, in accordance with U.S. GAAP, for the years ended December 31, 2009, 2008 and 2007 amount to ₩34,131 million, ₩(42,099) million and ₩113,122 million, respectively.

(g) Investment Securities

The differences in accounting for investment securities between Korean GAAP and U.S. GAAP relate to (i) recognition of impairment losses, (ii) recognition of gain or loss on disposal of investments due to different classifications and (iii) classification of and accounting for certain non-marketable equity securities.

(i) Recognition of an impairment loss

Under Korean GAAP, investment securities are evaluated at each balance sheet date to determine whether there is any objective evidence of indicating an impairment loss. A significant deterioration in financial position of the issuer, such as bankruptcy, liquidation, negative net asset values and cessation of operations, would be the type of objective evidence that indicates an impairment loss. When any such objective evidence exists, unless there is a clear counter-evidence that recognition of impairment is unnecessary, management estimates the recoverable amount of the impaired security and recognizes any impairment loss in current operations. A significant or prolonged decline in the fair value of a marketable equity security below its carrying value would not be an indicator of an impairment loss unless there is also objective evidence that the financial position of the issuer has also deteriorated as described above.

The amount of impairment loss of a non-marketable equity security, measured as the difference between the estimated recoverable amount and its carrying amount, is charged to current operations by a write-down of the carrying amount of the investment. For available-for-sale marketable equity securities carried at fair value, the impairment loss is charged to current operations by reversing the unrealized loss recorded in accumulated other comprehensive (loss) income. If the fair value of the impaired investment security subsequently recovers, a gain is recognized up to the amount of previously recognized impairment loss.

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Under U.S. GAAP, a significant and prolonged decline in fair value of an equity investment below its cost would result in an impairment loss if the decline in value is determined to be other-than-temporary. The impairment loss is charged to current operations and a new cost basis is established. Any subsequent reversal of previously recognized impairment losses is prohibited.

The reconciliation of net income determined in accordance with Korean GAAP and U.S. GAAP for the year ended December 31, 2008 included other-than-temporary impairment losses amounting to ₩442,840 million recognized under U.S. GAAP but not under Korean GAAP for certain available-for-sale marketable equity securities. The aggregate acquisition cost and fair value of these available-for-sales marketable equity securities were ₩937,929 million and ₩225,646 million, respectively, at December 31, 2008 under Korean GAAP and U.S. GAAP, both of which are recorded at fair value. Under Korean GAAP, the unrealized losses recorded in accumulated comprehensive (loss) income related to these securities amounted to ₩615,498 million at December 31, 2008. There was no unrealized loss for U.S. GAAP purposes related to these securities due to the other-than-temporary impairment losses of ₩442,840 million recorded in 2008 and the impairment losses recorded in the prior years of ₩172,658 million.

Included in other-than-temporary impairment losses recorded under U.S. GAAP in 2008 is an impairment loss of ₩364,878 million related to the Company's available-for-sale investment in MacArthur Coal Limited. The Company acquired a 10% equity interest in MacArthur Coal Limited on July 22, 2008 for ₩420,805 million. For Korean GAAP purposes, the Company recognized the excess of the acquisition cost of this investment over its fair value at the acquisition date as an impairment loss amounting to ₩96,785 million (note 7(b)). As of December 31, 2008, the fair value of this investment was ₩55,927 million, which was significantly lower than the Company's acquisition cost. No additional impairment loss was recognized in the statement of income under Korean GAAP as management, based on its assessment, concluded no objective evidence existed that would indicate a significant deterioration in the financial position of MacArthur Coal Limited. For U.S. GAAP purposes, management determined that the decline in fair value of this investment is other-than-temporary and as a result, an impairment loss amounting to ₩364,878 million was recorded in earnings resulting in an additional impairment loss of ₩268,093 million.

The reconciliation of net income determined in accordance with Korean GAAP and U.S. GAAP for the year ended December 31, 2009 included impairment losses amounting to ₩207,000 million recognized under Korean GAAP but not under U.S. GAAP for LG Powercom. Under Korean GAAP, the Company recorded an impairment loss in 2009 because in 2009, LG Powercom & LG Telecom announced their decision to exchange shares in 2010. The Company considered the announcement as objective evidence of indicating an impairment loss since the Company would have loss upon the disposal of those shares and accordingly, the differences between the fair values and the acquisition costs were recognized as impairment losses while the Company had recorded other-than-temporary impairment losses prior to 2009 under U.S. GAAP.

(ii) Recognition of gain on disposal of available for sale investments

The Company disposed certain securities that had been previously impaired under U.S. GAAP purposes. The fair value of these securities subsequently recovered resulting in the reversal of the impairment under Korean GAAP. As a result, the Company's cost basis relating to those securities was higher under Korean GAAP than under U.S. GAAP. This difference in cost basis resulted in a gain of ₩3,762 million under U.S. GAAP upon disposal for the year ended December 31, 2009.

A summary of the U.S. GAAP adjustments relating to investment securities for the years ended December 31, 2009, 2008 and 2007 are as follows:

(in millions of Korean Won)	2009	2008	2007
Impairment loss	₩ 207,000	₩ (445,225)	₩ -
Recognition of gains on disposal	3,762	391	537
Net income impact	₩ 210,762	₩ (444,834)	₩ 537

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(iii) Classification of and accounting for certain non-marketable equity securities

Under Korean GAAP, a non-marketable equity security with no quoted price is classified as available-for-sale if a reasonable estimate of its fair value can be made without incurring excessive costs. Such investments in non-marketable equity securities are carried at fair value, with any unrealized gain or loss recorded as a component accumulated other comprehensive (loss) income. When a reasonable estimate of fair value cannot be made without incurring excessive costs, the investment is carried at cost within the available-for-sale securities category. Under U.S. GAAP, investments in non-marketable equity securities for which the fair value is not readily determinable are accounted for using the cost method and classified as other investment securities.

The Company recorded an adjustment to cancel net unrealized loss amounting to ₩54,992 million which recorded as a component accumulated other comprehensive loss or gain under Korean GAAP related with non-marketable securities including Nacional Minerios S.A. (formerly, Big Jump Energy Participacoes S.A) as of December 31, 2009.

Information with respect to available-for-sale debt and equity securities as of December 31, 2009, 2008 and 2007 is as follows:

Available-for-Sale Securities and Other Investments Securities:

(in millions of Korean Won)	2009	2008
Available-for-Sale Securities under Korean GAAP		
Marketable Securities	₩ 3,973,531	₩ 2,917,595
Non-marketable Securities	1,354,806	1,370,918
	₩ 5,328,337	₩ 4,288,513
Available-for-Sale Securities and Other Investment Securities under U.S. GAAP		
Available-for-Sale Securities	₩ 3,973,531	₩ 2,917,595
Other Investment Securities	1,354,806	1,370,918
Accumulated impairment loss added (deducted) under U.S. GAAP	6,449	(142,071)
	1,361,255	1,228,847
	₩ 5,334,786	₩ 4,146,442

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2009 were as follows:

(in millions of Korean Won)	Less than 12 months		12 months or more		Total	
	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value
Available for Sale Securities:						
Equity securities	₩ 97,946	₩ 398,314	₩ 101,587	₩ 311,707	₩ 199,533	₩ 710,021

(h) Goodwill

Under Korean GAAP, goodwill is amortized over the useful life during which future economic benefits are expected to flow to the enterprise, not exceeding twenty years using straight-line method. Under U.S. GAAP, goodwill is not subject to amortization rather an impairment test is required at least annually.

Goodwill is tested annually for impairment and whenever events or circumstances indicate that the carrying value may not be recoverable. The evaluation of impairment involves comparing the current fair value of each of the Company's reporting units to their recorded value, including goodwill. The Company uses a discounted cash flow model (DCF model) to determine the current fair value of its reporting units. Based on its

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assessment, management concluded that goodwill was not impaired as of December 31, 2009.

Under U.S. GAAP, total goodwill as of December 31, 2009 and 2008 amounted to ₩389,174 million and ₩350,314 million, respectively. Goodwill allocated to the steel segment, engineering and construction segment and others segment as of December 31, 2009 amounted to ₩56,711 million, ₩217,622 million and ₩114,841 million, respectively. Goodwill allocated to the steel segment, engineering and construction segment and others segment as of December 31, 2008 amounted to ₩17,851 million, ₩217,622 million and ₩114,841 million, respectively.

(i) Embedded Derivative

The Company issued exchangeable bonds in 2003 and 2008. And the issued in 2003 was redeemed in 2008. The exchangeable bonds are exchangeable into SK Telecom American Depository Receipts at the option of the holders. The exchangeable right is considered an embedded derivative instrument. Both Korean GAAP and U.S. GAAP requires that an embedded derivative instrument shall be separated from the host contract and accounted for as a derivative instrument if all of the specific criteria are met.

Prior to 2008

Under Korean GAAP, when the total number of shares to be converted in the contract is significant compared to the daily transaction volume, this embedded equity conversion option to shares is not regarded as an embedded derivative because it could not meet the characteristics of readily convertible to cash which is one of criteria in determining net settlement condition.

Under U.S. GAAP, in assessing whether a contract, which can contractually be settled in increments, meets definition of net settlement, an entity must determine whether or not the quantity of the asset to be received from the settlement of one increment is considered readily convertible to cash. If the contract can be settled in increments and those increments are considered readily convertible to cash, the entire contract meets the definition of net settlement.

As of December 31, 2007, The Company did not bifurcate exchangeable right related to exchangeable bond issued in 2003 since it did not meet the criteria of derivatives under Korean GAAP. However, exchangeable right is bifurcated and stated at fair value under U.S. GAAP.

2008 and thereafter

The Company adopted the following new Statements of Korean Financial Accounting Standards (SKFAS) issued by the Korea Accounting Standards Board:

In 2007, Financial Supervisory Service's Accounting Implementation Guide [2007-2] issued by the Korea Accounting Standards Board. According to implementation guide, the daily transaction volume is not a factor to determine whether readily convertible to cash or not when there is not significant risk to sell or process the shares converted. Due to the adoption of this implementation guide, there is no GAAP difference in determining net-settlement.

As of December 31, 2009, Exchangeable right in relation to exchangeable bond issued in 2008 is bifurcated and stated at fair value both under Korean GAAP and U.S. GAAP.

(j) Change in Hedge Accounting

According to the Implementation Guidance [2008-2] issued by KASB, effective January 1, 2008, the Company could change the designation of hedging prospectively when the contracts meet conditions of firm commitment whereas U.S. GAAP does not permit the prospective approach and therefore it's not accounted for as derivative. The impact resulting from this GAAP difference is increase to net income of ₩68,400 million (net of income tax effect of ₩22,446 million) under U.S. GAAP for the year ended December 31, 2009.

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(k) Deferred Income Taxes

In general, accounting for deferred income taxes is substantially the same between Korean GAAP and U.S. GAAP. The Company is also required to recognize the additional deferred tax effects resulting from differences between the reported Korean GAAP and U.S. GAAP amounts.

Under Korean GAAP, the elimination of the net tax effect of an intercompany transaction is recorded at the tax rate of the purchaser as a deferred tax asset that is subject to changes in tax rates or laws. Under U.S. GAAP, such net tax effect arising in the seller's jurisdiction is recorded as a deferred charge, not as a deferred tax asset, and the tax effects of changes in tax rates or laws are included in income from continuing operations in the period that includes the enactment date. The impact resulting from this GAAP difference in applicable tax rate in elimination of the net tax effect of an intercompany transaction is a decrease to net income of ₩21,680 million and an increase to net income of ₩73,300 million under U.S. GAAP for the years ended December 31, 2009 and 2008, respectively. In addition, such net tax effect arising in the seller's jurisdiction which is recorded as a deferred charge amounted to ₩293,260 million and ₩339,089 million under U.S. GAAP as of December 31, 2009 and 2008, respectively while the corresponding amounts are recorded as deferred income taxes under Korean GAAP.

Under Korean GAAP, a deferred tax asset is recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and tax loss and credit carryforwards can be utilized. Under U.S. GAAP, deferred tax assets are recognized and then reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

(l) Accounting for Uncertainty in Income Taxes

In July 2006, the FASB issued ASC Subtopic 740-10, "Income Taxes - Overall" (FASB Interpretation No. 48 ("FIN48"))—"Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109,") which set out a consistent framework to use to determine the appropriate level of liability for unrecognized tax benefits. This interpretation uses a two-step approach wherein a tax benefit is recognized if a position is more likely than not to be sustained based on the tax technical merits upon examination. A recognized tax position is then measured at the largest amount that is greater than 50% likely of being realized. The difference between the benefit recognized for a position in accordance with ASC Subtopic 740-10 (FIN 48) and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit.

As of the ASC Subtopic 740-10 (FIN 48) adoption date on January 1, 2007, and for the years ended December 31, 2007, 2008 and 2009, the Company did not have any unrecognized tax benefits and thus, no interest and penalties related to unrecognized tax benefits were accrued. The Company's policy is to record interest and penalties related to unrecognized tax benefits as components of income tax expense in the consolidated statements of income.

The Company's major tax jurisdiction is the Republic of Korea. POSCO is currently under audit by the local tax authority for the fiscal years 2005 and 2006. With few exceptions, the tax years from 2007 to 2009 remain open to tax examination by the local tax authority for POSCO and its Korean subsidiaries.

The Company does not believe that it is reasonably possible that the amount of unrecognized tax benefits will significantly change within 12 months after December 31, 2009.

(m) Capitalized Repairs

Under Korean GAAP, major repair costs associated with the Company's furnaces had been expensed as incurred, regardless of the nature of the expenditure until 2001. U.S. GAAP requires that repairs which extend an asset's useful life or significantly increase its value be capitalized when incurred. Routine maintenance and repairs are expensed as incurred. Depreciation of capitalized repairs carried forward from prior periods has been recorded.

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(n) Income Taxes and Deferred Income Taxes in accordance with U.S. GAAP

Net income before income tax expense and income tax expense are as follows:

(in millions of Korean Won)	2009	2008	2007
Net income before income tax expense:			
POSCO and domestic subsidiaries	₩ 4,236,360	₩ 5,496,976	₩ 4,777,705
Foreign subsidiaries	48,777	131,135	191,300
	₩ 4,285,137	₩ 5,628,111	₩ 4,969,005
Current:			
POSCO and domestic subsidiaries	₩ 540,138	₩ 2,035,904	₩ 1,308,986
Foreign subsidiaries	36,165	145,334	32,266
	576,303	2,181,238	1,341,252
Deferred:			
POSCO and domestic subsidiaries	96,182	(635,043)	(51,028)
Foreign subsidiaries	3,841	(1,898)	2,017
	100,023	(636,941)	(49,011)
Income tax expense	₩ 676,326	₩ 1,544,297	₩ 1,292,241

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2009 and 2008 under U.S. GAAP are as follows:

(in millions of Korean Won)	2009	2008
Deferred tax assets:		
Fixed asset revaluation	₩ 7,798	₩ 10,077
Impairment loss on property, plant and equipment	40,464	72,052
Investment securities	272,833	243,731
Allowance for doubtful accounts	40,966	63,905
Allowance for severance benefits	5,660	13,455
Derivatives	11,692	34,138
Gain/Loss on foreign currency translation	51,823	141,181
Tax credit carryforwards	303,144	18,994
Tax loss carryforwards	141,269	78,161
Others	47,192	11,916
Total gross deferred tax assets	922,841	687,610
Less: Valuation allowance	(154,375)	(104,380)
Net deferred tax assets	₩ 768,466	₩ 583,230
Deferred tax liabilities:		
Equity in earnings of equity method investments and subsidiaries	₩ 395,300	₩ 298,388
Reserve for special repairs	39,500	62,422
Reserve for technology developments	184,501	2,612
Capitalized repairs	5	128
Accrued income	650	-
Capitalized costs	105,496	76,490
Investment securities	238,573	74,222
Total gross deferred tax liabilities	964,025	514,262
Net deferred tax assets (liabilities)	₩ (195,559)	₩ 68,968

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Current and non-current deferred tax assets and deferred tax liabilities as of December 31, 2009 and 2008 are as follows:

(in millions of Korean Won)	2009		2008	
Current deferred tax assets	₩	334,385	₩	65,515
Non-current deferred tax assets		208,014		288,654
Non-current deferred tax liabilities		737,958		285,201

The beginning of the year balance of valuation allowance was increased because of change in circumstances that caused a change in judgment regarding the realizability of the related deferred tax assets in future years. Such amounts were ₩154,375 million and ₩104,380 million as of December 31, 2009 and 2008, respectively, and is primarily attributable to the uncertainty regarding the realization of a portion of tax loss carryforwards and tax credit carryforwards.

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible or utilized, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowance recorded at December 31, 2009 and 2008. The amount of the deferred income tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

As of December 31, 2009, the Company has available unused tax loss carryforwards of ₩612,414 million and investment tax credit carryforwards of ₩303,144 million. The amounts of tax loss carryforwards will expire if not used by the end of 2010, 2011, 2012, 2013 and 2014 are ₩83,662 million, ₩60,532 million, ₩71,564 million, ₩69,661 million and ₩326,995 million, respectively. The amounts of investment tax credit carryforwards will expire if not used by the end of 2010, 2011, 2012, 2013, 2014 and afterwards are ₩2,188 million, ₩4,553 million, ₩4,071 million, ₩3,439 million, ₩287,036 million and ₩1,857 million, respectively.

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(o) Comprehensive Income

Under U.S. GAAP, comprehensive income and its components are required to be presented under the provisions of ASC Topic 220, Comprehensive income, (SFAS No.130), Reporting Comprehensive Income. Comprehensive income includes all changes in equity during the period except those resulting from investments by, or distributions to owners, including certain items not included in the current year's results of operations. Comprehensive income for the years ended December 31, 2009, 2008 and 2007 is summarized as follows:

(in millions of Korean Won)	2009		2008		2007	
Net income in accordance with U.S. GAAP	₩	3,608,811	₩	4,083,814	₩	3,676,764
Other comprehensive income, net of tax:						
Foreign currency translation adjustments		(143,163)		501,199		98,939
Change in fair value of derivative instruments		11,342		(7,308)		(4,034)
Unrealized gains (losses) on investments		562,544		(931,373)		505,629
Reclassification adjustment for losses (gains) included in income		(5,408)		4		(658)
Comprehensive income, in accordance with U.S. GAAP	₩	4,034,126	₩	3,646,336	₩	4,276,640
Less: Non controlling interest		(33,765)		(74,558)		(120,179)
Comprehensive income attributable to controlling interest as adjusted in accordance with U.S. GAAP		4,000,361		3,571,778		4,156,461

Accumulated other comprehensive income, net of tax benefit (expense) as of December 31, 2009, 2008 and 2007 is summarized as follows:

(in millions of Korean Won)	Foreign Currency Translation Adjustments		Change in Fair Value of a Derivative Instrument		Unrealized Gains (losses) on Investment Securities		Accumulated Other Comprehensive Income	
Balance, December 31, 2006	₩	(69,416)	₩	-	₩	680,019	₩	610,603
Foreign currency translation adjustments, net of tax ₩(37,528) million		98,939		-		-		98,939
Change in fair value of a derivative instrument, net of tax ₩1,530 million		-		(4,034)		-		(4,034)
Unrealized gains on investments, net of tax ₩(191,790) million		-		-		505,629		505,629
Less: Reclassification adjustment for net realized losses included in income, net of tax ₩249 million		-		-		(658)		(658)
Current period change		98,939		(4,034)		504,971		599,876
Balance, December 31, 2007	₩	29,523	₩	(4,034)	₩	1,184,990	₩	1,210,479
Foreign currency translation adjustments, net of tax ₩(190,110) million		501,199		-		-		501,199
Change in fair value of a derivative instrument, net of tax ₩2,772 million		-		(7,308)		-		(7,308)
Unrealized loss on investments, net of tax ₩353,279 million		-		-		(931,373)		(931,373)
Add: Reclassification adjustment for net realized losses included in income, net of tax ₩(1) million		-		-		4		4
Current period change	₩	501,199	₩	(7,308)	₩	(931,369)	₩	(437,478)

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(in millions of Korean Won)	Foreign Currency Translation Adjustments	Change in Fair Value of a Derivative Instrument	Unrealized Gains (losses) on Investment Securities	Accumulated Other Comprehensive Income
Balance, December 31, 2008	₩ 530,722	₩ (11,342)	₩ 253,621	₩ 773,001
Foreign currency translation adjustments, net of tax ₩48,425 million	(143,163)	-	-	(143,163)
Change in fair value of a derivative instrument, net of tax ₩(4,302) million	-	11,342	-	11,342
Unrealized gains on investments, net of tax ₩(213,509) million	-	-	562,544	562,544
Less: Reclassification adjustment for net realized losses included in income, net of tax ₩2,051 million	-	-	(5,408)	(5,408)
Current period change	(143,163)	11,342	557,136	425,315
Balance, December 31, 2009	₩ 387,559	₩ -	₩ 810,757	₩ 1,198,316

(p) Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

(i) Cash and cash equivalents, short-term financial instruments, trading securities, trade accounts and notes receivable, loans receivable, trade accounts and notes payable, and short-term borrowings

The carrying amount approximates fair value due to the short-term nature of those instruments.

(ii) Investment securities

The fair value of market-traded investments such as listed company's stocks, public bonds and other marketable securities are based on quoted market prices for those investments.

(iii) Derivative financial instruments

All derivatives are recognized on the consolidated statements of financial position at fair value based on quoted market prices, dealer or counterparty quotes, where available. If quoted market prices are not available, pricing or valuation models are applied to current market information to estimate fair value.

(iv) Long-term loans and trade accounts and notes receivable

Long-term loans and trade accounts and notes receivable are reported net of specific and general provisions for impairment as well as present value discount factor. As a result, the fair values of long-term loans and trade accounts and notes receivable approximate their carrying values.

(v) Long-term debts

The fair value of long-term debts is based on quoted market prices, where available. For those notes where quoted market prices are not obtainable, a discounted cash flow model is used based on the current rates for issues with similar maturities.

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The estimated fair values of the Company's financial instruments stated under U.S. GAAP as of December 31, 2009 and 2008 are summarized as follows:

(in millions of Korean Won)	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	₩ 2,196,731	₩ 2,196,731	₩ 2,490,264	₩ 2,490,264
Short-term financial instruments	5,820,447	5,820,447	1,827,450	1,827,450
Trading securities	505,811	505,811	1,238,261	1,238,261
Trade accounts and notes receivable and others	5,874,364	5,874,364	6,626,560	6,626,560
Investments securities, including current portion				
Marketable securities	3,973,531	3,973,531	2,917,595	2,917,595
Not practicable	2,301,347	-	2,165,702	-
Short-term borrowings	3,225,801	3,225,801	3,254,355	3,254,355
Long-term debts, including current portion	9,016,668	9,144,532	7,666,004	7,535,074

(q) Fair Value of Assets and Liabilities

The Company's financial assets and liabilities are valued utilizing the market approach to measure fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. ASC Topic 820, "Fair Value Measurements and Disclosures" (SFAS 157, "Fair value measurements"), describes a fair value hierarchy based on three levels of inputs that may be used to measure fair value which are the following:

- **Level 1** Quoted prices in active exchange markets involving identical assets or liabilities.
- **Level 2** Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** Unobservable inputs for the asset or liability, either directly or indirectly, and management assessments and inputs using a binomial lattice model as the valuation technique.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis in accordance with FAS 157 as of December 31, 2009:

(in millions of Korean Won)	Level 1	Level 2	Level 3	Total
Assets				
Trading securities	₩ 505,811	₩ -	₩ -	₩ 505,811
Investments securities	3,973,531	-	-	3,973,531
Derivatives	-	86,494	-	86,494
Liabilities				
Derivatives	-	43,711	-	43,711

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(r) Classification Differences in the Consolidated Statements of Income

Certain income and expense items in the Company's consolidated statements of income including: (i) gains and losses on disposal of property, plant and equipment; (ii) impairment of property, plant and equipment; (iii) gains on recovery of allowance for doubtful accounts; (iv) other bad debt expenses; (v) reversal of stock compensation expense; (vi) donations; (vii) impairment of intangible assets; (viii) and provision for early retirement benefits have been classified as non-operating under Korean GAAP and excluded from the determination of operating income. Under U.S. GAAP, the above noted income and expense items would be included in the determination of operating income. After reclassification of those items, operating income under U.S. GAAP would be ₩3,664,219 million and ₩7,092,851 million and ₩4,990,642 million for the years ended December 31, 2009, 2008 and 2007, respectively.

(s) Consolidated Statement of Cash Flows

Under both Korean GAAP and U.S. GAAP, cash flows are classified under operating activities, investing activities and financing activities.

Under U.S. GAAP, cash flows related to purchases and sales of trading securities are classified as cash flows from operating activities. However, under Korean GAAP, they are classified as cash flows from investing activities. Net cash flows from purchases and sales of trading securities are ₩762,179 million, ₩(49,390) million and ₩891,032 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Components of "Others" Financing Activities

"Others" financing activities disclosed within the Korean GAAP Consolidated Statements of cash flows are comprised of the following:

(in millions of Korean Won)	2009	2008	2007
Dividends paid to minority shareholders	₩ (16,915)	₩ (21,936)	₩ (13,765)
Issuance of new shares by subsidiaries	58,593	71,448	1,996
Additional acquisition of interest of subsidiaries (*)	(117,458)	(302,319)	(142,778)
Proceeds from disposal of interest of subsidiaries	-	-	11,338
Government grants received	3,031	-	-
Total	₩ (72,749)	₩ (252,807)	₩ (143,209)

[*] Additional acquisition of non controlling interests in a subsidiary is classified as investing activities under U.S. GAAP, while it is required to be classified as financing activities under Korean GAAP.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(t) Significant Risks and Uncertainties

Recent difficulties affecting global financial sectors, adverse conditions and volatility in worldwide credit and financial markets and general weakness of global economy have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. Accordingly, the conditions of major Korean steel consuming industries, such as automobile and shipbuilding and construction, could have adverse effect on the Company's results of operation as domestic sales are approximately 61% of total sales of the Company.

Also, fluctuation of foreign exchange rate on foreign currency denominated liabilities of the Company, such as debentures and long-term borrowings, could affect the financial condition and results of operation of the Company.

(u) Additional Segment Information and Enterprise-Wide Information

The segment information that is compiled for Korean GAAP purposes is also used by the Company's chief operating decision maker. Therefore, there is no difference between Korean GAAP and the management approach under U.S. GAAP with respect to how the Company has identified its operating segments and measures segment results and assets for U.S. GAAP reporting purposes. While segment assets include all long-lived assets and investments in equity method investees, the determination of segment operating income does not include impairment charges for these assets nor does it include the equity in the earnings (losses) of equity method investees.

A substantial portion of the Company's consolidated sales is from the production of steel products, which consists of hot rolled products, plates, wire rods, cold rolled products, silicon steel sheets, stainless steel products and others. The Company does not maintain consolidated sales information of each steel product line category.

(v) Recently adopted U.S. GAAP

In December 2007, the FASB issued ASC Topic 810, Consolidation (FAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin No. 51" (FAS 160)). ASC Topic 810 requires all entities to report noncontrolling interests in subsidiaries (also known as minority interests) as a separate component of equity in the consolidated statement of financial position, to clearly identify consolidated net income attributable to the parent and to the noncontrolling interest on the face of the consolidated statement of income and to provide sufficient disclosure that clearly identifies and distinguishes between the interest of the parent and the interests of noncontrolling owners. ASC Topic 810 also establishes accounting and reporting standards for changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. POSCO has adopted ASC Topic 810 in 2009 and it was retrospectively applied to all period presented. The adoption of this ASC did not have a material impact on POSCO's U.S. GAAP financial information.

In December 2007, the FASB issued ASC Topic 805, Business Combinations, (SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R")). ASC Topic 805 establishes principles and requirements for how the acquirer in business combinations should recognize and measure identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. ASC Topic 805 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. There were no significant business combinations during 2009.

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POSCO Global Network



DOMESTIC LOCATIONS

Headquarters

Tel: 82-54-220-0114
Fax: 82-54-220-6000

POSCO Center

Tel: 82-2-3457-0114
Fax: 82-2-3457-6000

Pohang Works

Tel: 82-54-220-0114
Fax: 82-54-220-6000

Gwangyang Works

Tel: 82-61-790-0114
Fax: 82-61-790-6000

DOMESTIC SUBSIDIARIES

POSCO E&C

Tel: 82-54-223-6114
Fax: 82-54-223-6049

POSCO Energy

Tel: 82-2-3469-5909
Fax: 82-2-3469-5999

POSCO SS

Tel: 82-55-269-6114
Fax: 82-55-269-6901

POSCO ICT

Tel: 82-54-280-1114
Fax: 82-54-278-5773

POSTEEL

Tel: 82-2-3469-5000
Fax: 82-2-3469-6700

POSCO C&C

Tel: 82-54-280-6114
Fax: 82-54-285-9009

POSREC

Tel: 82-54-290-0114
Fax: 82-54-292-3417

POSCO plantEC

Tel: 82-54-279-7114
Fax: 82-54-279-7999

POSTECH

Venture Capital Corp.
Tel: 82-54-279-8484
Fax: 82-54-279-8489

POSCO Terminal

Tel: 82-61-793-7411
Fax: 82-61-790-6386

SeungKwang

Tel: 82-61-740-8000
Fax: 82-61-743-9007

POSRI

Tel: 82-2-3457-8000
Fax: 82-2-564-8880

POSCO A&C

Tel: 82-2-2018-7700
Fax: 82-2-2018-7799

PNR

Tel: 82-54-220-0985
Fax: 82-54-275-1944

POSCO AST

Tel: 82-31-490-5114
Fax: 82-31-490-5229

POSHiMETAL

Tel: 82-61-790-0361
Fax: 82-61-790-0399

POSCO E&E

Tel: 82-2-3457-0522
Fax: 82-2-3457-1988

Samjung P&A

Tel: 82-54-280-8114
Fax: 82-54-280-8301

SNNC

Tel: 82-61-797-9114
Fax: 82-61-797-9250

eNtoB

Tel: 82-2-2007-0800
Fax: 82-2-2007-0888

POSMATE

Tel: 82-2-528-2960
Fax: 82-2-567-5461

POSWITH

Tel: 82-54-220-7733
Fax: 82-54-220-7699

POSFINE

Tel: 82-61-791-9679
Fax: 82-61-791-9678

POSecohousing

Tel: 82-54-220-0690
Fax: 82-54-220-3199

POSCO TMC

Tel: 82-41-580-1331
Fax: 82-41-581-9559



INTERNATIONAL OFFICES

Rio de Janeiro

Tel: 55-21-2543-1632
Fax: 55-21-2543-0728

Dubai

Tel: 9714-221-8280
Fax: 9714-221-8178

Jakarta

Tel: 62-21-3000-3809
Fax: 62-21-3000-3811

European Union

Tel: 49-211-435-3032
Fax: 49-211-435-3030

Prague

Tel: 420-246-088-360
Fax: 420-246-088-361

Moscow

Tel: 7-915-388-7627
Fax: 7-495-258-2245

Hanoi

Tel: 84-43-771-3208
Fax: 84-43-771-3213

INTERNATIONAL SUBSIDIARIES

ASIA



CHINA

/
POSCO China Holding Corp.
Tel: 86-10-5166-6677
Fax: 86-10-8440-0323

POSCO China Stainless Steel

Tel: 86-512-5856-9211
Fax: 86-512-5855-3680

Qingdao Pohang Stainless Steel

Tel: 86-532-8683-7020
Fax: 86-532-8683-7011

Dalian POSCO

Tel: 86-411-8751-5001
Fax: 86-411-8751-4685

POSCO (Guangdong) Coated Steel

Tel: 86-757-2660-3002
Fax: 86-757-2665-7760

POSCO China Suzhou Automotive Processing Center

Tel: 86-512-5760-5954
Fax: 86-512-5760-5950

POSCO China Foshan Steel Processing Center

Tel: 86-757-2381-3978
Fax: 86-757-2381-3988

POSCO China Wuhu Automotive Processing Center

Tel: 86-553-593-6603
Fax: 86-553-593-6577

POSCO China Chongqing Automotive Processing Center

Tel: 86-23-8903-6558
Fax: 86-23-8903-6556

POSCO China Liaoning Automotive Processing Center

Tel: 86-24-8987-4889
Fax: 86-24-8987-4889

INDIA

/
POSCO India
Tel: 91-674-230-3690
Fax: 91-674-230-0058

POSCO Maharashtra

Tel: 91-22-4170-7200
Fax: 91-22-4170-7219

POSCO India Pune Steel Processing Center

Tel: 91-2114-308-103
Fax: 91-2114-308-146

POSCO India Delhi Steel Processing Center

Tel: 91-124-423-4563
Fax: 91-124-421-6605

POSCO India Chennai Steel Processing Centre

Tel: 91-44-4231-6396

VIETNAM

/
POSCO Vietnam
Tel: 84-64-3923-000
Fax: 84-64-3923-014

VSC POSCO Steel (VPS)

Tel: 84-31-385-0067
Fax: 84-31-385-0123

POSVINA

Tel: 84-8-731-3037
Fax: 84-8-731-3619

POSCO VST

Tel: 84-61-3560-360
Fax: 84-61-3560-247

POSCO Vietnam Hochiminh Steel Processing Center

Tel: 84-613-569-350
Fax: 84-613-569-356

POSCO Vietnam Hanoi Steel Processing Center

Tel: 84-904-101-579

OTHERS

/
POSCO Malaysia
Tel: 60-3-3101-2432
Fax: 60-3-3101-2433

Myanmar POSCO

Tel: 95-1-635-367
Fax: 95-1-635-418

POSCO Japan

Tel: 81-3-3546-0924
Fax: 81-3-3546-6519

POSCO Asia

Tel: 852-2827-8787
Fax: 852-2827-5005

POSCO Investment

Tel: 852-2802-7188
Fax: 852-2845-7737

POSCO South Asia*

Tel: 66-38-545-367
Fax: 66-38-545-398

POSCO South Asia was established on April 28th, 2010.

PT. Motta Resources Indonesia (PT. MRI)

Tel: 62-21-5140-1400
Fax: 62-21-5140-1401

POSCO Thailand Bangkok Steel Processing Center

Tel: 66-38-545-200
Fax: 66-38-545-333

POSCO Malaysia Kuala Lumpur Steel Processing Center

Tel: 60-3-6092-0300
Fax: 60-3-6092-0382

POSCO Indonesia Jakarta Processing Center

Tel: 62-21-899-82843

AUSTRALIA



POSCO Australia

Tel: 61-2-9258-9803
Fax: 61-2-9241-2001

AMERICA



POSCO America

Tel: 1-201-585-3065
Fax: 1-201-585-6001

POSCO Canada

Tel: 1-604-688-9174
Fax: 1-604-669-5805

POSCO America Alabama Processing Center

Tel: 1-201-585-3069



Companhia Coreano- Brasileira de Pelotização (KOBRASCO)

Tel: 55-27-9941-5902
Fax: 55-27-3333-5159

POSCO Uruguay

Tel: 598-2-900-0114
Fax: 598-2-900-8013

POSCO Mexico

Tel: 52-833-260-7700
Fax: 52-833-260-7749

POSCO Mexico Human Tech

Tel: 52-833-260-7700
Fax: 52-833-260-7749

EUROPE



POSCO Poland Wroclaw Steel Processing Center

Tel: 48-71-774-7577
Fax: 48-71-774-7257

POSCO Turkey Nilufer Processing Center

Tel: 90-224-443-3389
Fax: 90-224-443-3142

POSCO Europe Steel Distribution Center

Tel: 386-5-908-3430
Fax: 386-5-908-3434

Executive Officers

Senior Executive Vice President

Young-Tae Kwon
Raw Materials Procurement Department

Sang-Young Kim
Corporate Communication Department

Executive Vice President

Noi-Ha Cho
Chief Technology Officer

Yong-Won Yoon
Head of Growth and Investment Division

Ki-Hong Park
Corporate Strategy Department,
Green Development Project Department

Wung-Yong Choo
General Superintendent / Technical Research Laboratories

Kwang-Jae Yoo
Stainless Steel Business Division

Joon-Sik Kim
General Superintendent / Gwangyang Works

Young-Ik Jang
Stainless Steel Raw Materials Procurement Department

Bong-Rae Cho
General Superintendent / Pohang Works

Jung-Suk Shin
Chief Marketing Officer

Senior Vice President

Sung-Kwan Baek
Steel Business Department II

Kyung-Hoon Lee
Environment and Energy Department

Sung-Hwan Jang
Deputy General Superintendent / Pohang Works (Administration)

Hoo-Geun Lee
FINEX Research and Development Project Department /
Pohang Works

Jong-Soo Woo
European Union Office

Chang-Gyun Kang
Corporate Synergy Department

Jung-Sik Lee
Technology Development Department

Young-Sea Suh
Stainless Steel Marketing Department

Myung-Kil Park
Procurement Service Center,
Corporate Collaboration and Prosperity Department

Young-Hoon Lee
Finance Department

Eun-Yeon Hwang
Marketing Strategy Department

Yeung-Gyu Kim
Human Resources and Innovation Department

Kui-Chan Park
Department of External Affairs,
Global R&D Center Project Department

Sung-Ho Park

Deputy General Superintendent / Technical Research Laboratories

Young-Kwan Shin

Cold Rolled Products Marketing Department

In-Hwan Oh

Automotive Flat Products Marketing Department

Kyu-Sung Yeon

Deputy General Superintendent / Pohang Works (Maintenance)

Kyoung-Mok Lee

Deputy General Superintendent / Pohang Works
(Iron and Steel Making)

Woo-Sig Jeon

Strategic Business Department

Young-Hun Kim

General Superintendent / Corporate Future Creation Academy

Jeong-Woo Choi

Corporate Audit Department

Sang-Ho Cho

Magnesium Business Department

Myung-Chul Lee

Energy Business Department

Tong-Il An

Deputy General Superintendent / Gwangyang Works
(Maintenance)

Jae-Hen Yae

Labor and Outside Services Department

Kyu-Seok Choi

Information Planning Department

Kyung-Zoon Min

Deputy General Superintendent / Gwangyang Works
(Hot and Cold Rolling)

Won-Ki Kim

POSCO-South Asia Co., Ltd.

Sik Nam

POSCO-Vietnam Co., Ltd.

Suk-Bum Ko

Deputy General Superintendent / Gwangyang Works
(Administration)

Hag-Dong Kim

Deputy General Superintendent / Gwangyang Works
(Iron and Steel Making)

Sun-Won Kim

Order Processing & Technical Service Department

Gi-Jin Son

Corporate Contribution Department

Dong-Chul Kim

Steel Business Department I

Jhi-Yong Kim

Advanced Materials Business Department

Cheol Jeon

Stainless Steel Production and Technology

Yong-Min Kim

POSCO China Stainless Steel Co., Ltd.

Young-Ki Lee

Deputy General Superintendent / Pohang Works
(Hot and Cold Rolling)

Seong Yu

POSCO-Japan Co., Ltd.

Jae-Chul Shin

Hot Rolled Products Marketing Department

Se-Hyun Kim

Productivity Research Center

In-Kyung Oh

Global Leadership Center

Investor Information

Regarding POSCO Shares

As of December 31, 2009, the total number of POSCO shares outstanding is 87,186,835. Registered common stocks are listed and traded on the Korea Exchange (KRX) and 16,514,756 shares (66,059,024 ADRs) have been issued as depositary receipts and are listed and traded on the New York Stock Exchange (NYSE), the London Stock Exchange (LSE), and the Tokyo Stock Exchange (TSE).

The symbol for POSCO is 005490 on the KRX, PKX on the NYSE, PIDD on the LSE, and 5412 on the TSE.

Depositary and Transfer Agent for American Depositary Receipts (ADRs)

Holders of ADRs should deal directly with the depositary, The Bank of New York Mellon, on all matters relating to their ADRs.

The Bank of New York Mellon
Depositary Receipts Division
101 Barclay Street, 22nd Floor
New York, NY 10286
Tel: 1-212-815-2293
Fax: 1-212-571-3050/1/2

Inquiries

Investor Relations Team
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Seoul 135-777, Korea
Tel: 82-2-3457-1420
Fax: 82-2-3457-1997
E-mail: ir@posco.com