

POSCO
Form 20-F
June 25, 2010

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As filed with the Securities and Exchange Commission on June 25, 2010

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 20-F**

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report _____
For the transition period from _____ to _____

**Commission file number 1-13368
POSCO**

(Exact name of Registrant as specified in its charter)

POSCO **The Republic of Korea**
(Translation of Registrant's name into English) *(Jurisdiction of incorporation or organization)*

**POSCO Center, 892 Daechi-4-dong, Gangnam-gu
Seoul, Korea 135-777**

(Address of principal executive offices)

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(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares, each representing one-fourth of one share of common stock	New York Stock Exchange, Inc.
Common Stock, par value Won 5,000 per share *	New York Stock Exchange, Inc. *

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Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

As of December 31, 2009, there were 77,032,878 shares of common stock, par value Won 5,000 per share, outstanding

(not including 10,153,957 shares of common stock held by the company as treasury shares)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes No**

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. **Yes No**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes No**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing. **U.S. GAAP IFRS Other**

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. **Item 17 Item 18**

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes No**

* Not for trading, but only in connection with the registration of the American Depositary Shares.

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GLOSSARY

ADR	American Depositary Receipt evidencing ADSs.
ADR depositary	The Bank of New York Mellon.
ADS	American Depositary Share representing one-fourth of one share of Common Stock.
Australian Dollar or A\$	The currency of the Commonwealth of Australia.
Commercial Code	Commercial Code of the Republic of Korea.
common stock	Common stock, par value Won 5,000 per share, of POSCO.
deposit agreement	Deposit Agreement, dated as of September 26, 1994, among POSCO, the ADR Depositary and all holders and beneficial owners from time to time of ADRs issued thereunder, as amended by amendment no. 1 thereto dated June 25, 1997.
Dollars, \$ or US\$	The currency of the United States of America.
FSCMA	Financial Investment Services and Capital Markets Act of the Republic of Korea.
Government	The government of the Republic of Korea.
IFRS	International Financial Reporting Standards.
Yen or JPY	The currency of Japan.
Korea	The Republic of Korea.
Korean GAAP	Generally accepted accounting principles in the Republic of Korea.
Gwangyang Works	Gwangyang Steel Works.
We	POSCO and its consolidated subsidiaries.
Pohang Works	Pohang Steel Works.
Securities Act	The United States Securities Act of 1933, as amended.
Securities Exchange Act	The United States Securities Exchange Act of 1934, as amended.
SEC	The United States Securities and Exchange Commission.
tons	Metric tons (1,000 kilograms), equal to 2,204.6 pounds.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
Won ₩ W	The currency of the Republic of Korea.

Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

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PART I

Item 1. *Identity of Directors, Senior Managers and Advisors*

Item 1.A. *Directors and Senior Management*

Not applicable

Item 1.B. *Advisers*

Not applicable

Item 1.C. *Auditors*

Not applicable

Item 2. *Offer Statistics and Expected Timetable*

Not applicable

Item 2.A. *Offer Statistics*

Not applicable

Item 2.B. *Method and Expected Timetable*

Not applicable

Item 3. *Key Information*

Item 3.A. *Selected Financial Data*

The selected financial data presented below should be read in conjunction with our Consolidated Financial Statements and related notes thereto and Item 5. Operating and Financial Review and Prospects included elsewhere in this annual report. The selected financial data as of December 31, 2008 and 2009 and for each of the three years in the period ended December 31, 2009 is derived from our Consolidated Financial Statements included elsewhere in this annual report. Our Consolidated Financial Statements are prepared in accordance with Korean GAAP, which differ in certain significant respects from U.S. GAAP.

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	For the Year Ended December 31,					
	2005	2006	2007	2008	2009	2009 ⁽¹⁰⁾
	(In billions of Won and millions of dollars, except per share data)					
Korean GAAP:						
Sales ⁽¹⁾	₩ 26,302	₩ 25,842	₩ 31,608	₩ 41,743	₩ 36,855	US\$ 31,565
Cost of goods sold ⁽²⁾	18,767	19,897	24,903	32,562	31,037	26,582
Selling and administrative expenses	1,451	1,556	1,785	2,006	1,949	1,670
Operating income	6,083	4,389	4,920	7,174	3,868	3,313
Interest expense	149	183	240	345	532	456
Foreign currency transaction and translation gains (losses), net	159	99	(19)	(940)	366	313
Donations	153	155	197	143	129	110
Income tax expenses	1,474	922	1,274	1,734	536	459
Net income	4,007	3,353	3,678	4,350	3,242	2,777
Net income attributable to controlling interest	4,022	3,314	3,559	4,379	3,218	2,756
Net income attributable to non-controlling interest	(15)	39	119	(29)	24	(21)
Basic and diluted earnings per share of common stock ⁽³⁾	50,790	42,115	46,854	58,002	41,982	35,956
Dividends per share of common stock	8,000	8,000	10,000	10,000	8,000	6,852
U.S. GAAP ⁽⁴⁾:						
Operating income	₩ 5,671	₩ 4,259	₩ 4,967	₩ 7,129	₩ 3,712	US\$ 3,179
Net income	4,097	3,432	3,677	4,084	3,609	3,091
Net income attributable to controlling interest	4,102	3,408	3,565	4,106	3,567	3,055
Net income (loss) attributable to non-controlling interest	(5)	24	112	(22)	42	36
Basic and diluted earnings per share of common stock	51,789	43,304	46,938	54,387	46,534	40

BALANCE SHEET DATA

	As of December 31,					
	2005	2006	2007	2008	2009	2009 ⁽¹⁰⁾
	(In billions of Won and millions of dollars, except per share data)					
Korean GAAP:						
Working capital ⁽⁵⁾	₩ 5,759	₩ 7,155	₩ 7,769	₩ 11,188	₩ 11,359	US\$ 9,729
Property, plant and equipment, net ⁽⁶⁾	12,272	14,643	15,582	18,069	21,840	18,705

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Total assets ⁽⁶⁾	27,507	31,149	36,275	46,961	50,312	43,090
Long-term debt ⁽⁷⁾⁽⁸⁾⁽⁹⁾	1,131	2,726	3,306	6,896	8,230	7,049
Capital stock	482	482	482	482	482	413
Total shareholders' equity ⁽⁶⁾	19,874	22,402	25,118	28,344	31,664	27,119
U.S. GAAP ⁽⁴⁾:						
Property, plant and equipment, net	₩ 12,420	₩ 14,860	₩ 15,836	₩ 18,328	₩ 22,195	US\$ 19,009
Total assets	27,525	31,208	36,349	47,208	51,074	43,742
Total equity	19,881	22,447	25,171	28,419	32,057	27,455

- (1) Includes sales by our consolidated sales subsidiaries of steel products purchased by such subsidiaries from third parties, including trading companies to which we sell steel products.
- (2) Includes purchases of steel products by our consolidated subsidiaries from third parties, including trading companies to which we sell steel products.
- (3) See Note 26 of Notes to Consolidated Financial Statements for method of calculation.
- (4) A description of the significant differences between Korean GAAP and U.S. GAAP as well as the reconciliation to U.S. GAAP are provided in detail in Note 31 of Notes to Consolidated Financial Statements.
- (5) Working capital means current assets minus current liabilities.
- (6) Reflects revaluations of assets permitted under Korean law.
- (7) Net of current portion and discount on debentures issued.

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- (8) For information regarding swap transactions entered into by us, see Item 5. Operating and Financial Review and Prospects Item 5.A. Operating Results Exchange Rate Fluctuations and Note 23 of Notes to Consolidated Financial Statements.
- (9) Monetary assets and liabilities denominated in foreign currencies are translated into Won at the basic rates in effect at the balance sheet date and resulting translation gains and losses are recognized in current operations. See Notes 2 and 28 of Notes to Consolidated Financial Statements.
- (10) Translated into U.S. Dollars at the rate of Won 1,167.6 to US\$1.00, the market average exchange rate, announced by Seoul Money Brokerage Services, Ltd., on December 31, 2009. This translation should not be construed as a representation that the Won amounts represent, have been, or could be converted to U.S. Dollars at that rate or any other rate.

EXCHANGE RATE INFORMATION

The following table sets out information concerning the market average exchange rate for the periods and dates indicated.

Period	At End of Period	Average Rate ⁽¹⁾ (Per US\$1.00)	High	Low
2005	1,013.8	1,024.2	1,060.3	998.2
2006	929.6	956.1	1,031.0	918.0
2007	938.2	929.2	950.0	902.2
2008	1,257.5	1,102.6	1,509.0	934.5
2009	1,167.6	1,276.4	1,573.6	1,152.8
2010 (through June 24)	1,188.2	1,152.3	1,261.5	1,104.0
January	1,156.5	1,138.8	1,167.6	1,119.8
February	1,158.4	1,157.1	1,172.6	1,142.7
March	1,130.8	1,137.6	1,160.2	1,129.5
April	1,115.5	1,117.1	1,132.5	1,104.0
May	1,200.2	1,163.1	1,255.1	1,108.5
June (through June 24)	1,188.2	1,215.2	1,261.5	1,176.7

Source: Seoul Money Brokerage Services, Ltd.

- (1) The average rate for each year is calculated as the average of the market average exchange rates on the last business day of each month during the relevant year (or portion thereof). The average rate for a month is calculated as the average of the market average exchange rates on each business day during the relevant month (or portion thereof).

Item 3.B. Capitalization and Indebtedness

Not applicable

Item 3.C. *Reasons for Offer and Use of Proceeds*

Not applicable

Item 3.D. *Risk Factors*

You should carefully consider the risks described below.

The global economic downturn in recent years has reduced worldwide demand for steel products and adversely affected our profitability. While the rate of deterioration of the global economy slowed in the second half of 2009 and into 2010, with some signs of stabilization and improvement, there can be no assurance that such recovery will continue.

Difficulties affecting the U.S. and global financial sectors, adverse conditions and volatility in the U.S. and worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economy have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. The global

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economic downturn in recent years has had a pronounced negative effect on the global demand for steel products and their prices. While the rate of deterioration of the global economy slowed in the second half of 2009 and into 2010, with some signs of stabilization and improvement, the overall prospects for the Korean and global economy in 2010 and beyond remain uncertain.

In response to sluggish demand from our customers in industries adversely impacted by the deteriorating global economic conditions in the second half of 2008, such as automotive and construction industries, we reduced our crude steel production and sales prices in December 2008 and the first quarter of 2009. Signs that the pace of deterioration in market conditions had slowed began to appear in the second quarter of 2009, however, and demand from certain segments of our customer base, including the domestic automotive and construction industries, showed signs of recovery starting in the second quarter of 2009. In response, we began to incrementally increase our crude steel production starting in April 2009 and our production level normalized in the second half of 2009. Prices of our steel products also gradually recovered starting in the third quarter of 2009. However, there can be no assurance that such recovery will continue, and we may decide to adjust our future crude steel production or our sales prices on an on-going basis subject to market demand for our products, the production outlook of the global steel industry and global economic conditions in general. Deterioration of market conditions may result in changes in assumptions underlying the carrying value of certain assets, which in turn could result in impairment of such assets, including intangible assets such as goodwill. We expect fluctuation in demand for our steel products to continue to prevail at least in the near future, which may adversely affect our business, results of operations or financial condition.

Korea is our most important market, and our current business and future growth could be materially and adversely affected if economic conditions in Korea deteriorate.

We are incorporated in Korea, and a substantial portion of our operations and assets are located in Korea. In addition, Korea is our most important market, accounting for 62.6% of our total sales volume of steel products in 2009. Domestic demand for our products is affected by the condition of major steel consuming industries, such as construction, shipbuilding, automotive, electrical appliances and downstream steel processors, and the Korean economy in general. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea.

The economic indicators in Korea in recent years have shown mixed signs, and future growth of the Korean economy is subject to many factors beyond our control. Recent difficulties affecting the U.S. and global financial sectors, adverse conditions and volatility in the worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economy have increased the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. Due to recent liquidity and credit concerns and volatility in the global financial markets, the value of the Won relative to the Dollar has also fluctuated significantly in recent years. Furthermore, as a result of adverse global and Korean economic conditions, there has been continuing volatility in the stock prices of Korean companies. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

Developments that could have an adverse impact on Korea's economy in the future include:

continuing difficulties in the housing and financial sectors in the United States and elsewhere and increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;

declines in consumer confidence and a slowdown in consumer spending;

adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the Dollar or Japanese Yen exchange rates or revaluation of the Chinese renminbi), interest rates or stock markets;

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continuing adverse conditions in the economies of countries that are important export markets for Korea, such as the United States, Japan and China, or in emerging market economies in Asia or elsewhere;

increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers;

the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China);

the economic impact of any pending or future free trade agreements;

social and labor unrest;

substantial decreases in the market prices of Korean real estate;

a decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased Government budget deficit;

financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;

loss of investor confidence arising from corporate accounting irregularities and corporate governance issues at certain Korean conglomerates;

geo-political uncertainty and risk of further attacks by terrorist groups around the world;

the occurrence of severe health epidemics in Korea and other parts of the world;

deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from trade disputes or disagreements in foreign policy;

political uncertainty or increasing strife among or within political parties in Korea;

hostilities involving oil producing countries in the Middle East and any material disruption in the supply of oil or increase in the price of oil; and

an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

We rely on export sales for a significant portion of our total sales. Adverse economic and financial developments in Asia in the future may have an adverse effect on demand for our products in Asia and increase our foreign exchange risks.

Our export sales and overseas sales to customers abroad accounted for 37.4% of our total sales volume of steel products in 2009. Our export sales volume to customers in Asia, including China, Japan, Indonesia, Thailand and Malaysia, accounted for 65.8% of our total export sales volume for steel products in 2009, and we expect our sales to these countries, especially to China, to remain important in the future. Accordingly, adverse economic and financial

developments in these countries may have an adverse effect on demand for our products. Economic weakness in Asia may also adversely affect our sales to the Korean companies that export to the region, especially companies in the construction, shipbuilding, automotive, electrical appliances and downstream steel processing industries. Weaker demand in these countries, combined with addition of new steel production capacity, particularly in China, may also reduce export prices in Dollar terms of our principal products. We attempt to maintain and expand our export sales to generate foreign currency

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receipts to cover our foreign currency purchases and debt service requirements. Consequently, any decrease in our export sales could also increase our foreign exchange risks.

Depreciation of the value of the Won against the Dollar and other major foreign currencies may have a material adverse effect on the results of our operations and on the price of the ADSs.

The Won has fluctuated significantly against major currencies in recent years. The market average exchange rate, as announced by the Seoul Money Brokerage Services, Ltd., depreciated from Won 938.2 to US\$1.00 as of December 31, 2007 to Won 1,573.6 to US\$1.00 as of March 3, 2009 but appreciated to W1,167.6 to US\$1.00 as of December 31, 2009. The market average exchange rate, as announced by the Seoul Money Brokerage Services, Ltd., was Won 1,188.2 to US\$1.00 on June 24, 2010. Depreciation of the Won may materially affect the results of our operations because, among other things, it causes:

an increase in the amount of Won required for us to make interest and principal payments on our foreign currency-denominated debt, which accounted for approximately 56.1% of our total long-term debt (excluding discounts on debentures issued and including current portion) as of December 31, 2009;

an increase in Won terms in the costs of raw materials and equipment that we purchase from overseas sources and a substantial portion of our freight costs, which are denominated primarily in Dollars; and

foreign exchange translation losses on liabilities, which lower our earnings for accounting purposes.

Appreciation of the Won, on the other hand, (i) causes our export products to be less competitive by raising our prices in Dollar terms and (ii) reduces net sales and accounts receivables in Won from export sales, which are primarily denominated in Dollars. However, because of the larger positive effects of the appreciation of the Won (i.e., the reverse of the negative effects caused by the depreciation of the Won, as discussed above), appreciation of the Won generally has a positive impact on our results of operations.

Fluctuations in the exchange rate between the Won and the Dollar will also affect the Dollar equivalent of the Won price of the shares of our common stock on the KRX KOSPI Market and, as a result, will likely affect the market price of the ADSs. These fluctuations will also affect the Dollar conversion by the depository for the ADRs of cash dividends, if any, paid in Won on shares of common stock represented by the ADSs.

We are dependent on imported raw materials, and significant increases in market prices of essential raw materials could adversely affect our margins and profits.

We purchase substantially all of the principal raw materials we use from sources outside Korea, including iron ore and coal. In 2009, POSCO imported approximately 41.7 million dry metric tons of iron ore and 21.7 million wet metric tons of coal. Iron ore is imported primarily from Australia, Brazil and South Africa. Coal is imported primarily from Australia, Canada and China. Although we have not experienced significant unanticipated supply disruptions in the past, supply disruptions, which could be caused by political or other events in the countries from which we import these materials, could adversely affect our operations.

In addition, we are particularly exposed to increases in the prices of coal, iron ore and nickel, which represent the largest components of our cost of goods sold. The prices of our key raw materials have fluctuated significantly in recent years. For example, the average price of coal per wet metric ton (benchmark free on board price of Australian premium hard coking coal) was \$98 in 2007, \$300 in 2008 and \$129 in 2009. The average price of iron ore per dry metric ton (benchmark free on board price of Australian iron ore fines with iron (Fe) 60% content) was \$48.30 in 2007, \$86.80 in 2008 and

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\$58.20 in 2009. Future increases in prices of our key raw materials and our inability to pass along such increases to our customers could adversely affect our margins and profits. Increased prices may also cause potential customers to defer purchase of steel products, which would have an adverse effect on our business, financial condition and results of operations.

Excess capacity and oversupply in the global steel industry may adversely affect our profitability.

In recent years, driven in part by strong growth in steel consumption in the developing world, particularly in China, the global steel industry has experienced renewed interest in expansion of steel production capacity. China is the largest steel producing country in the world by a significant margin, with the balance between its domestic production and demand being an important factor in the determination of global steel prices. In addition, Chinese steel exports may have a significant impact on steel prices in markets outside of China, including Korea.

The increased production capacity, combined with a decrease in demand due to the recent slowdown of the global economy, has resulted in production over-capacity in the global steel industry. Production over-capacity in the global steel industry may intensify if the slowdown of the global economy is prolonged or demand from developing countries that have experienced significant growth in the past several years does not meet the recent growth in production capacity. Production over-capacity in the global steel industry is likely to:

- reduce export prices in Dollar terms of our principal products, which in turn may reduce our sales prices in Korea;

- increase competition in the Korean market as foreign producers seek to export steel products to Korea as other markets experience a slowdown;

- negatively affect demand for our products abroad and our ability to expand export sales; and

- affect our ability to increase steel production in general.

There is no assurance that we will be able to continue to compete successfully in this economic environment or that the prolonged slowdown of the global economy or production over-capacity will not have a material adverse effect on our business, results of operations or financial condition.

Disruptions in global credit and financial markets and the resulting governmental actions around the world could have a material adverse impact on our ability to meet our funding needs, and could cause the market value of our securities to decline.

In recent years, disruptions and volatility in the global financial markets have resulted in increases in credit spreads and limitations on the availability of credit. Starting in mid-2007, credit markets in the United States began experiencing difficult conditions and increased volatility, which in turn adversely affected worldwide financial markets. Adverse conditions in the global credit and financial markets were further exacerbated in 2008 by the bankruptcy or acquisition of, and government assistance to, several major U.S. and European financial institutions. These developments resulted in reduced liquidity, greater volatility, widening of credit spreads and a reduction in price transparency in the U.S. and global financial markets.

In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including Korea, implemented a number of policy measures designed to add stability to the financial markets and stimulate the economy, including the provision of direct and indirect assistance to distressed financial institutions. However, while the rate of deterioration of the global economy slowed in the second half of 2009 and into 2010, with

some signs of stabilization and improvement, the overall prospects for the Korean and global economy in 2010 and beyond remain

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uncertain. For example, in November 2009, the Dubai government announced a moratorium on the outstanding debt of Dubai World, a government-affiliated investment company. In addition, many governments worldwide, in particular in Greece and other countries in southern Europe, are showing increasing signs of fiscal stress and may experience difficulties in meeting their debt service requirements. Any of these or other developments could potentially trigger another financial and economic crisis. In addition, while many governments worldwide are considering or are in the process of implementing exit strategies, in the form of reduced government spending, higher interest rates or otherwise, with respect to the economic stimulus measures adopted in response to the global financial crisis, such strategies may, for reasons related to timing, magnitude or other factors, have the unintended consequence of prolonging or worsening global economic and financial difficulties. Adverse conditions and uncertainty surrounding the Korean and global economies and financial markets may have a material adverse effect on our business and our ability to meet our funding needs, as well as negatively affect the market prices of the ADSs.

Consolidation and new market entrants in the global steel industry may increase competition.

In recent years, there has been a trend toward industry consolidation among our competitors. For example, consolidation of Mittal and Arcelor in 2006 has created a company with approximately 10% of global steel production capacity. Competition from global steel manufacturers with expanded production capacity such as ArcelorMittal and new market entrants, especially from China and India, have resulted in significant price competition and may result in declining margins and reductions in revenue. Our larger competitors may use their resources, which may be greater than ours, against us in a variety of ways, including by making additional acquisitions, investing more aggressively in product development and capacity and displacing demand for our export products.

Competition from steel substitute materials may reduce demand for steel products.

Steel competes with other natural and synthetic materials that may be used as steel substitutes, such as aluminum, cement, composites, glass, plastic and wood. Government regulatory initiatives mandating the use of such materials instead of steel, whether for environmental or other reasons, as well as the development of attractive alternative substitutes for steel products, may reduce demand for steel products and adversely affect our business, results of operations or financial condition.

Expansion of our production operations abroad is important to our long-term success, and our limited experience in the operation of our business outside Korea increases the risk that our international expansion efforts will not be successful.

We conduct international trading and construction operations abroad, and our business relies on a global trading network comprised of overseas subsidiaries, branches and representative offices. Although many of our subsidiaries and overseas branches are located in developed countries, we also operate in numerous countries with developing economies. In addition, we intend to continue to expand our production operations internationally by carefully seeking out promising investment opportunities, particularly in China, India and Southeast Asia, in part to prepare for the eventual maturation of the Korean steel market. We may enter into joint ventures with foreign steel producers that would enable us to rely on these businesses to conduct our operations, establish local networks and coordinate our sales and marketing efforts abroad. To the extent that we enter into these arrangements, our success will depend in part on the willingness of our partner companies to dedicate sufficient resources to their partnership with us.

In other situations, we may decide to establish manufacturing facilities by ourselves instead of relying on partners. The demand and market acceptance for our products produced abroad are subject to a high level of uncertainty and are substantially dependent upon the market condition of the

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global steel industry. We cannot assure you that our international expansion plan will be profitable or that we can recoup the costs related to such investments.

Expansion of our trading, construction and production operations abroad requires management attention and resources. In addition, we face additional risks associated with our expansion outside Korea, including:

challenges caused by distance, language and cultural differences;

higher costs associated with doing business internationally;

legal and regulatory restrictions, including foreign exchange controls that might prevent us from repatriating cash earned in countries outside Korea;

longer payment cycles in some countries;

credit risk and higher levels of payment fraud;

currency exchange risks;

potentially adverse tax consequences;

political and economic instability; and

seasonal reductions in business activity during the summer months in some countries.

We may from time to time engage in acquisitions for which we may be required to seek additional sources of capital.

From time to time, we may selectively acquire or invest in companies or businesses that may complement our business. In order to finance these acquisitions, we intend to use cash on hand, funds from operations, issuances of equity and debt securities, and, if necessary, financings from banks and other sources as well as entering into consortiums with financial investors. However, no assurance can be given that we will obtain sufficient financing for such acquisitions or investments on terms commercially acceptable to us or at all. We also cannot assure you that such financings and related debt payment obligations will not have a material adverse impact on our financial condition, results of operations or cash flow.

Several of our products have been and may become subject to anti-dumping or countervailing proceedings, which may have an adverse effect on our export sales.

In recent years, several of our products have been subject to anti-dumping or countervailing proceedings, including in the United States, the European Union and China. Further increases in or new imposition of anti-dumping duties, countervailing duties, quotas or tariffs on our sales in these markets may have a material adverse effect on our exports to these regions in the future. Our export sales and overseas sales to customers in the United States, Europe and China accounted for 16.5% of our total sales volume of steel products in 2009. See Item 4. Information on the Company Item 4.B. Business Overview Markets Exports.

Cyclical fluctuations based on macroeconomic factors may adversely affect POSCO E&C's business and performance.

In order to complement our steel operations, we engage in engineering and construction activities through POSCO Engineering & Construction Co., Ltd. (POSCO E&C), an 89.5%-owned subsidiary. The engineering and construction segment, which accounted for approximately 10.6% of our consolidated sales in 2009, is highly cyclical and tends to fluctuate based on macroeconomic factors, such as consumer confidence and income, employment levels, interest rates, inflation rates, demographic trends and policies of the Government. Although we believe that POSCO E&C's strategy of focusing on high-value-added plant construction and urban planning and development projects

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such as Songdo New City has enabled it to be exposed to a lesser degree to general economic conditions in Korea in comparison to some of its domestic competitors, our construction revenues have fluctuated in the past depending on the level of domestic construction activity including new construction orders. POSCO E&C's construction operations could suffer in the future in the event of a general downturn in the construction market resulting in weaker demand, which could adversely affect POSCO E&C's business, results of operations or financial condition.

Many of POSCO E&C's domestic and overseas construction projects are on a fixed-price basis, which could result in losses for us in the event that unforeseen additional expenses arise with respect to the project.

Many of POSCO E&C's domestic and overseas construction projects are carried out on a fixed-price basis according to a predetermined timetable, pursuant to the terms of a fixed-price contract. Under such fixed-price contracts, POSCO E&C retains all cost savings on completed contracts but is also liable for the full amount of all cost overruns and may be required to pay damages for late delivery. The pricing of fixed-price contracts is crucial to POSCO E&C's profitability, as is its ability to quantify risks to be borne by it and to provide for contingencies in the contract accordingly.

POSCO E&C attempts to anticipate increases in costs of labor, raw materials and parts and components in its bids on fixed-price contracts. However, the costs incurred and gross profits realized on a fixed-price contract may vary from its estimates due to factors such as:

unanticipated variations in labor and equipment productivity over the term of a contract;

unanticipated increases in labor, raw material, parts and components, subcontracting and overhead costs, including as a result of bad weather;

delivery delays and corrective measures for poor workmanship; and

errors in estimates and bidding.

If unforeseen additional expenses arise over the course of a construction project, such expenses are usually borne by POSCO E&C, and its profit from the project will be correspondingly reduced or eliminated. If POSCO E&C experiences significant unforeseen additional expenses with respect to its fixed price projects, it may incur losses on such projects, which could have a material adverse effect on its financial condition and results of operations.

POSCO E&C's domestic residential property business is highly dependent on the real estate market in Korea.

The performance of POSCO E&C's domestic residential property business is highly dependent on the general condition of the real estate market in Korea. The construction industry in Korea is experiencing a downturn, due to excessive investment in recent years in residential property development projects, stagnation of real property prices and reduced demand for residential property, especially in areas outside of Seoul, including as a result of deteriorating conditions in the Korean economy. In addition, as liquidity and credit concerns and volatility in the global financial markets increased significantly starting in September 2008, there has been a general decline in the willingness by banks and other financial institutions in Korea to engage in project financing and other lending activities to construction companies, which may adversely impact POSCO E&C's ability to meet its desired funding needs. The Government has taken measures to support the Korean construction industry, including easing of regulations imposed on redevelopment of apartment buildings and resale restrictions in the metropolitan areas, as well as reductions in property taxes. While the Korean real estate market has steadily recovered since the second half of 2009, there can be no assurance that declines in demand or prices will not take place in the Korean real estate market in the future or that a slowdown of the Korean real estate market will not have a material adverse effect on POSCO E&C's business,

results of operations or financial condition.

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We may not be able to successfully execute our diversification strategy.

In part to prepare for the eventual maturation of the Korean steel market, our overall strategy includes securing new growth engines by diversifying into new businesses related to our steel operations that we believe will offer greater potential returns, such as liquefied natural gas production, logistics and magnesium coil and sheet production, as well as entering into new businesses not related to our steel operations such as power generation, development of alternative energy and advanced materials, information and technology related consulting services and wireless broadband Internet access service.

From time to time, we may selectively acquire or invest in companies to pursue such diversification strategy. For example, in May 2010, we were selected as the preferred bidder for a 68% interest in Daewoo International Corporation, a global trading company that primarily engages in trading of steel and raw materials as well as investing in energy development projects. Daewoo International had total revenues of Won 11,544 billion in 2009, total net income of Won 131 billion in 2009 and total assets of Won 4,695 billion as of December 31, 2009. Daewoo International Corporation has invested in a portfolio of energy exploration and production projects, including oil and gas projects located in Peru, Oman, Vietnam, Myanmar, Uzbekistan and Russia, as well as mineral projects located in Australia, Bolivia and Madagascar. Daewoo International Corporation also holds a 24% interest in Kyobo Life Insurance, Korea's third largest life insurance company in terms of market share. Our final decision to purchase the controlling interest is subject to satisfactory completion of additional due diligence of the company.

Our ability to implement our overall diversification strategy will depend on a variety of factors, some of which are beyond our control, including the availability of qualified engineers and personnel, establishment of new relationships and expansion of existing relationships with various customers and suppliers, procurement of necessary technology and know-how to engage in such businesses and access to investment capital at reasonable costs. No assurance can be given that our diversification strategy can be completed profitably.

We are subject to environmental regulations, and our operations could expose us to substantial liabilities.

We are subject to national and local environmental laws and regulations, including increasing pressure to reduce emission of carbon dioxide relating to our manufacturing process, and our steel manufacturing and construction operations could expose us to risk of substantial liability relating to environmental or health and safety issues, such as those resulting from discharge of pollutants and carbon dioxide into the environment, the handling, storage and disposal of solid or hazardous materials or wastes and the investigation and remediation of contaminated sites. We may be responsible for the investigation and remediation of environmental conditions at currently and formerly operated manufacturing or construction sites. We may also be subject to associated liabilities, including liabilities for natural resource damage, third party property damage or personal injury resulting from lawsuits brought by the government or private litigants. In the course of our operations, hazardous wastes may be generated at third party-owned or operated sites, and hazardous wastes may be disposed of or treated at third party-owned or operated disposal sites. If those sites become contaminated, we could also be held responsible for the cost of investigation and remediation of such sites, for any associated natural resource damage, and for civil or criminal fines or penalties.

Failure to protect our intellectual property rights could impair our competitiveness and harm our business and future prospects.

We believe that developing new steel manufacturing technologies that can be differentiated from those of our competitors, such as FINEX, strip casting and silicon steel manufacturing technologies, is critical to the success of our business. We take active measures to obtain protection of our intellectual property by obtaining patents and undertaking monitoring activities in our major

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markets. However, we cannot assure you that the measures we are taking will effectively deter competitors from improper use of our proprietary technologies. Our competitors may misappropriate our intellectual property, disputes as to ownership of intellectual property may arise and our intellectual property may otherwise become known or independently developed by our competitors. Any failure to protect our intellectual property could impair our competitiveness and harm our business and future prospects.

We rely on trade secrets and other unpatented proprietary know-how to maintain our competitive position, and unauthorized disclosure of our trade secrets or other unpatented proprietary know-how could negatively affect our business.

We rely on trade secrets and unpatented proprietary know-how and information. We enter into confidentiality agreements with each of our employees and consultants upon the commencement of an employment or consulting relationship. These agreements generally provide that all inventions, ideas, discoveries, improvements and patentable material made or conceived by the individual arising out of the employment or consulting relationship and all confidential information developed or made known to the individual during the term of the relationship is our exclusive property. We cannot assure the enforceability of these types of agreements, or that they will not be breached. We also cannot be certain that we will have adequate remedies for any breach. The disclosure of our trade secrets or other know-how as a result of such a breach could adversely affect our business.

Escalations in tension with North Korea could have an adverse effect on us and the market value of our securities.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In recent years, there have been heightened security concerns stemming from North Korea's nuclear weapons and long-range missile programs and increased uncertainty regarding North Korea's actions and possible responses from the international community.

In addition to conducting test flights of long-range missiles, North Korea announced in October 2006 that it had successfully conducted a nuclear test, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council passed a resolution that prohibits any United Nations member state from conducting transactions with North Korea in connection with any large-scale arms and material or technology related to missile development or weapons of mass destruction and from providing luxury goods to North Korea, imposes an asset freeze and travel ban on persons associated with North Korea's weapons program, and calls upon all United Nations member states to take cooperative action, including through inspection of cargo to or from North Korea. In response, North Korea agreed in February 2007 at the six-party multi-lateral talks with Korea, the United States, China, Japan and Russia to shut down and seal the Yongbyon nuclear facility, including the reprocessing facility, and readmit international inspectors to conduct all necessary monitoring and verifications.

In April 2009, North Korea launched a long-range rocket over the Pacific Ocean. Korea, Japan and the United States responded that the launch poses a threat to neighboring nations and that it was in violation of the United Nations Security Council resolution adopted in 2006 against nuclear tests by North Korea, and the United Nations Security Council unanimously passed a resolution that condemned North Korea for the launch and decided to tighten sanctions against North Korea. Subsequently, North Korea announced that it would permanently pull out of the six party talks and restart its nuclear program, and the International Atomic Energy Agency reported that its inspectors had been ordered to remove surveillance devices and other equipment at the Yongbyon nuclear power plant and to leave North Korea. On May 25, 2009, North Korea announced that it had successfully conducted a second nuclear test and test-fired three short-range surface-to-air missiles. In response, the United Nations Security Council unanimously passed a resolution that condemned North Korea for the nuclear test and decided to expand and tighten sanctions against North Korea.

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In addition, there recently has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for economic and political stability in the region. In June 2009, U.S. and Korean officials announced that Kim Jong-il, the North Korean ruler who reportedly suffered a stroke in August 2008, designated his third son, who is reportedly in his twenties, to become his successor. The succession plan, however, remains uncertain. In addition, North Korea's economy faces severe challenges. For example, in November 2009, the North Korean government redenominated its currency at a ratio of 100 to 1 as part of a currency reform undertaken in an attempt to control inflation and reduce income gaps. Such developments may further aggravate social and political tensions within North Korea. In March 2010, a Korean warship was destroyed by an underwater explosion, killing many of the crewmen on board. In May 2010, the Government formally accused North Korea of causing the sinking and is seeking United Nations Security Council sanctions for the act. North Korea has threatened retaliation for any attempt to punish it for the act.

There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tension, which may occur, for example, if North Korea experiences a leadership or economic crisis, high-level contacts break down, or military hostilities occur, could have a material adverse effect on our operations and the market value of the ADSs.

If you surrender your ADRs to withdraw shares of our common stock, you may not be allowed to deposit the shares again to obtain ADRs.

Under the deposit agreement, holders of shares of our common stock may deposit those shares with the ADR depositary's custodian in Korea and obtain ADRs, and holders of ADRs may surrender ADRs to the ADR depositary and receive shares of our common stock. However, under current Korean laws and regulations, the depositary bank is required to obtain our prior consent for the number of shares to be deposited in any given proposed deposit that exceeds the difference between (i) the aggregate number of shares deposited by us for the issuance of ADSs (including deposits in connection with the initial and all subsequent offerings of ADSs and stock dividends or other distributions related to these ADSs) and (ii) the number of shares on deposit with the depositary bank at the time of such proposed deposit. It is possible that we may not give the consent. As a result, if you surrender ADRs and withdraw shares of common stock, you may not be able to deposit the shares again to obtain ADRs. See Item 10. Additional Information Item 10.D. Exchange Controls.

You may not be able to exercise preemptive rights for additional shares of common stock and may suffer dilution of your equity interest in us.

The Commercial Code and our articles of incorporation require us, with some exceptions, to offer shareholders the right to subscribe for new shares in proportion to their existing ownership percentage whenever new shares are issued. If we issue new shares to persons other than our shareholders (See Item 10.B. Memorandum and Articles of Association Preemptive Rights and Issuance of Additional Shares), a holder of our ADSs will experience dilution of such holding. If none of these exceptions is available, we will be required to grant preemptive rights when issuing additional common shares under Korean law. Under the deposit agreement governing the ADSs, if we offer any rights to subscribe for additional shares of our common stock or any rights of any other nature, the ADR depositary, after consultation with us, may make the rights available to you or use reasonable efforts to dispose of the rights on your behalf and make the net proceeds available to you. The ADR depositary, however, is not required to make available to you any rights to purchase any additional shares unless it deems that doing so is lawful and feasible and:

a registration statement filed by us under the Securities Act is in effect with respect to those shares; or

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the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act.

We are under no obligation to file any registration statement under the Securities Act to enable you to exercise preemptive rights in respect of the common shares underlying the ADSs, and we cannot assure you that any registration statement would be filed or that an exemption from the registration requirement under the Securities Act would be available. Accordingly, if a registration statement is required for you to exercise preemptive rights but is not filed by us, you will not be able to exercise your preemptive rights for additional shares and may suffer dilution of your equity interest in us.

U.S. investors may have difficulty enforcing civil liabilities against us and our directors and senior management.

We are incorporated in Korea with our principal executive offices located in Seoul. The majority of our directors and senior management are residents of jurisdictions outside the United States, and the majority of our assets and the assets of such persons are located outside the United States. As a result, U.S. investors may find it difficult to effect service of process within the United States upon us or such persons or to enforce outside the United States judgments obtained against us or such persons in U.S. courts, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for an investor to enforce in U.S. courts judgments obtained against us or such persons in courts in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for a U.S. investor to bring an action in a Korean court predicated upon the civil liability provisions of the U.S. federal securities laws against our directors and senior management and non-U.S. experts named in this annual report.

This annual report contains forward-looking statements that are subject to various risks and uncertainties.

This annual report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as anticipate, believe, estimate, expect, intend, project, should, and similar expressions. Our forward-looking statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include, but are not limited to, those identified in the risk factors discussed above. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.

Item 4. Information on the Company

Item 4.A. History and Development of the Company

We were established by the Government on April 1, 1968, under the Commercial Code, to manufacture and distribute steel rolled products and plates in the domestic and overseas markets. The Government owned more than 70% of our equity until 1988, when the Government reduced its ownership of our common stock to 35% through a public offering and listing our shares on the KRX

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KOSPI Market. In December 1998, the Government sold all of our common stock it owned directly, and The Korea Development Bank completed the sale of our shares that it owned in September 2000. The Government no longer holds any direct interest in us, and our outstanding common stock is currently held by individuals and institutions. See Item 7. Major Shareholders and Related Party Transactions Item 7A. Major Stockholders.

Our legal and commercial name is POSCO. Our principal executive offices are located at POSCO Center, 892 Daechi-4-dong, Gangnam-gu, Seoul, Korea, and our telephone number is (822) 3457-0975.

Item 4.B. *Business Overview*

The Company

We are the largest fully integrated steel producer in Korea, and one of the largest steel producers in the world, based on annual crude steel production in 2009. We produced approximately 31.7 million tons of crude steel in 2009, a substantial portion of which was produced at Pohang Works and Gwangyang Works. Currently, Pohang Works has an annual crude steel and stainless steel production capacity of 15.0 million tons, and Gwangyang Works has an annual crude steel production capacity of 18.0 million tons. We believe Pohang Works and Gwangyang Works are two of the most technologically advanced integrated steel facilities in the world. We manufacture and sell a diversified line of steel products, including hot rolled and cold rolled products, plates, wire rods, silicon steel sheets and stainless steel products, and we are able to meet a broad range of customer needs from manufacturing industries that consume steel, including automotive, shipbuilding, home appliance, engineering and machinery industries.

We sell primarily to the Korean market, with domestic sales accounting for 62.6% of our total sales volume of steel products in 2009. We believe that we had an overall market share of approximately 42.8% of the total sales volume of steel products sold in Korea in 2009. Our export sales and overseas sales to customers abroad in 2008 and 2009 accounted for 31.7% and 37.4% of our total sales volume of steel products, respectively. Our major export market is Asia, with China accounting for 33.8%, Japan 10.9% and the rest of Asia 21.1% of our total steel export sales volume in 2009.

Business Strategy

Leveraging on our success during the past four decades, our goal is to strengthen our position as one of the leading steel producers in the world and strive to rank among the top three global steel companies in technology leadership, operational excellence and production capacity. In recent years, the global steel industry has undergone significant consolidation, resulting in the emergence of steel companies with expanded production capacity. We seek to achieve continued global excellence in this era of consolidation through a renewed emphasis on growth and innovation. Over the next decade, we seek to expand our position as a global company by adding significant production bases outside Korea. We also intend to secure growth by further solidifying our market position in the steel sector, while allocating additional resources into businesses that we believe will offer us greater potential returns and serve as our new growth engines, such as the engineering and construction, energy and information and technology businesses.

We seek to strengthen our competitiveness and pursue growth through the following core business strategies:

Continue to Seek Growth Opportunities in the Steel Sector

We carefully seek out promising investment opportunities abroad, primarily in China, India, Southeast Asia and Mexico, in part to prepare for the eventual maturation of the Korean steel market. We believe that China, India, Southeast Asia and Mexico will continue to offer substantial growth

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opportunities, and we plan to selectively seek investment opportunities and expand our production base in these countries.

For example, we are in the process of obtaining regulatory approvals from the Indian Government for the construction of an integrated steel mill and the development of iron ore mines in Orissa State. In Vietnam, we completed the construction of a plant in September 2009 with an annual production capacity of 1.2 million tons of cold rolled products and commenced commercial production in October 2009. In Mexico, we completed the construction of a plant in August 2009 with an annual production capacity of 0.4 million tons of cold rolled products and commenced commercial production in June 2009 to produce automotive steel sheets to supply automotive manufacturers in Mexico, Southeastern United States and South America.

We are also building a global distribution network of supply chain management centers to provide processing and logistics services and more effectively respond to changes in consumer trends in the global steel market. In 2009, we operated 42 supply chain management centers worldwide that recorded aggregate sales of 2.6 million tons of steel products. We plan to continue expanding our global network of supply chain management centers. In Korea, we plan to continue to expand our production facilities and upgrade our facilities that utilize advanced manufacturing technologies, and we plan to enhance the quality of our products through continued modernization and rationalization of our facilities.

Maintain Technology Leadership

As part of our strategy, we have identified core products that we plan to further develop, such as premium automotive steel sheets, silicon steel and API-grade steel, and we will continue to invest in developing innovative products that offer the greatest potential returns and enhance the overall quality of our products. In order to increase our competitiveness, we plan to make additional investments in the development of new manufacturing technologies, such as FINEX, strip casting, endless rolling and environment-friendly manufacturing processes. We will continue to refine FINEX, a low cost, environmentally friendly steel manufacturing process that optimizes our production capacity by utilizing non-agglomerated iron ore fines and using non-coking coal as an energy source and a reducing agent. We believe that FINEX offers considerable environmental and economic advantages through elimination of major sources of pollution such as sintering and coking plants, as well as reducing operating and raw material costs. We also plan to accelerate development of other advanced technologies, such as strip casting that directly casts coils from liquid steel and a rolling process that rolls hot rolled coils up to 40 slabs at a time. We plan to further devote additional resources into our research and development efforts and increase the proportion of our sales of higher margin, higher value-added products.

Pursue Cost-Cutting through Operational and Process Innovations

We seek to achieve cost reductions in this era of increasing raw material costs through our company-wide process for innovation and enhancing efficiency of operations. We believe that strategic cost cutting measures through utilization of efficient production methods and management discipline will strengthen our corporate competitiveness. After implementation of Six Sigma innovations in recent years, we are now implementing the Quick Six Sigma program, a customized program that we believe will enhance our corporate culture that rewards innovative ideas at all stages of our operations and enable us to benchmark successful innovations to all relevant processes within the company. We will also strive to invest more in human resources development to nurture employees who are capable of working in the global environment.

Secure Procurement of Raw Materials through Strategic Investments

We purchase substantially all of the principal raw materials we use, including iron ore, coal and nickel, from sources outside Korea. Import prices of many of the principal raw materials, including iron

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ore and nickel, have fluctuated substantially in recent years. To secure adequate procurement of principal raw materials, we have invested and will continue to explore additional investment opportunities in various raw material development projects abroad, as well as enter into long-term contracts with leading suppliers of raw materials, principally in Australia and Brazil.

Selectively Seek Opportunities in Growth Industries

We will continue to selectively seek opportunities in growth industries to diversify our business both vertically and horizontally. New businesses not related to our steel operations in which we intend to focus our diversification include power generation, alternative energy development and information and technology.

POSCO Power Corporation, our wholly-owned subsidiary that is the largest private power generation company in Korea, completed construction of a fuel cell manufacturing plant with an annual production capacity of 50 megawatts in Pohang in 2008 with the objective of enhancing the company's ability to meet the growing demands for clean and renewable energy. Through POSCO ICT Co., Ltd., a 61.9%-owned subsidiary, we also engage in information and technology consulting services as well as automation and system integration engineering services. POSCO E&C, our consolidated subsidiary in which we hold an 89.5% interest, is one of the leading engineering and construction companies in Korea that primarily engages in the planning, design and construction of industrial plants and architectural works and civil engineering.

In May 2010, we were also selected as the preferred bidder for a 68% interest in Daewoo International Corporation, a global trading company that primarily engages in trading of steel and raw materials as well as investing in energy development projects. Daewoo International had total revenues of Won 11,544 billion in 2009, total net income of Won 131 billion in 2009 and total assets of Won 4,695 billion as of December 31, 2009. Daewoo International Corporation has invested in a portfolio of energy exploration and production projects, including oil and gas projects located in Peru, Oman, Vietnam, Myanmar, Uzbekistan and Russia, as well as mineral projects located in Australia, Bolivia and Madagascar. Daewoo International Corporation also holds a 24% interest in Kyobo Life Insurance, Korea's third largest life insurance company in terms of market share. Our final decision to purchase the controlling interest is subject to satisfactory completion of additional due diligence of the company.

We will continue to selectively seek opportunities to identify new growth engines and diversify our operations.

Major Products

We manufacture and sell a broad line of steel products, including the following:

- hot rolled products;
- plates;
- wire rods;
- cold rolled products;
- silicon steel sheets; and
- stainless steel products.

The tables below set out our sales revenues and sales volume by major steel product categories for the periods indicated.

Table of Contents**For the Year Ended December 31,**

Steel Products	2005		2006		2007		2008		2009	
	Billions of Won	%	Billions of Won	%	Billions of Won	%	Billions of Won	%	Billions of Won	%
Hot rolled products	5,877	25.0	4,650	20.8	4,495	16.1	6,950	19.4	5,907	18.8
Plates	2,253	9.6	2,380	10.7	2,847	10.2	4,710	13.2	4,336	13.8
Wire rods	1,528	6.5	1,243	5.6	1,458	5.2	2,236	6.2	2,078	6.6
Cold rolled products	7,527	32.0	6,765	30.3	8,672	31.1	11,751	32.8	10,151	32.3
Silicon steel sheets	688	2.9	681	3.0	1,105	4.0	1,613	4.5	1,522	4.8
Stainless steel products	4,543	19.3	5,751	25.8	8,268	29.7	7,271	20.3	6,160	19.6
Others	1,132	4.7	859	3.8	1,003	3.7	1,305	3.6	1,313	4.2
Total	23,547	100.0	22,329	100.0	27,848	100.0	35,836	100.0	31,467	100.0

For the Year Ended December 31,

Steel Products	2005		2006		2007		2008		2009	
	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%
Hot rolled products	10,330	33.2	9,604	31.0	8,221	25.6	8,684	25.9	8,009	25.8
Plates	3,193	10.3	3,615	11.7	3,926	12.2	4,853	14.5	4,555	14.7
Wire rods	2,366	7.6	2,153	6.9	2,222	6.9	2,524	7.5	2,414	7.8
Cold rolled products	10,468	33.6	10,864	35.1	12,146	37.8	12,736	38.0	11,249	36.2
Silicon steel sheets	737	2.4	686	2.2	934	2.9	1,049	3.1	915	2.9
Stainless steel products	1,919	6.2	2,260	7.3	2,694	8.4	2,060	6.1	2,280	7.3
Others	2,100	6.7	1,802	5.8	1,967	6.2	1,616	4.8	1,632	5.3
Total	31,115	100.0	30,984	100.0	32,110	100.0	33,522	100.0	31,054	100.0

The sales revenues and sales volumes in the tables above represent the steel product sales of our consolidated entities which are steel-related companies but do not include the non-steel product sales of these entities. They include sales by our consolidated sales subsidiaries of steel products purchased by these subsidiaries from third parties, including trading companies to which we sell steel products. The sales of steel products purchased from third parties amounted to approximately 1.0 million tons in 2005, 0.8 million tons in 2006, 1.0 million tons in 2007, 0.9 million tons in 2008 and 0.5 million tons in 2009, accounting for Won 807 billion in 2005, Won 470 billion in 2006, Won 623 billion in

2007, Won 799 billion in 2008 and Won 396 billion in 2009, respectively.

Hot Rolled Products

Hot rolled coils and sheets have many different industrial applications. They are used to manufacture structural steel used in the construction of buildings, industrial pipes and tanks, and automobile chassis. Hot rolled coil is also manufactured in a wide range of widths and thickness as the feedstock for higher value-added products such as cold rolled products and silicon steel sheets.

Our deliveries of hot rolled products amounted to 8.0 million tons in 2009, representing 25.8% of our total sales volume of steel products. The Korean market accounted for 5.2 million tons or 65.3% of our hot rolled product sales in 2009, representing a domestic market share of approximately 40%. The largest customers of our hot rolled products are downstream steelmakers in Korea who use the products to manufacture pipes and cold rolled products.

Hot rolled products constitute one of our two largest product categories in terms of sales volume and the third largest product category in terms of revenue. In 2009, our sales volume of hot rolled products decreased by 7.8% compared to 2008 primarily due to a decrease in demand from downstream steelmakers in Korea.

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Plates

Plates are used in shipbuilding, structural steelwork, offshore oil and gas production, power generation, mining, and the manufacture of earth-moving and mechanical handling equipment, boiler and pressure vessels and other industrial machinery.

Our deliveries of plates amounted to 4.6 million tons in 2009, representing 14.7% of our total sales volume of steel products. The Korean market accounted for 4.2 million tons or 91.2% of our plate sales in 2009, representing a domestic market share of approximately 35%. The Korean shipbuilding industry, which uses plates to manufacture chemical tankers, rigs, bulk carriers and containers, and the construction industry are our largest customers of plates.

In 2009, our sales volume of plates decreased by 6.1% compared to 2008 primarily due to a decrease in demand from the shipbuilding industry. Although new orders for vessels decreased significantly since the global economic downturn, demand from the shipbuilding industry remained relatively stable in 2009 due to the industry's backlog of shipbuilding orders.

Wire Rods

Wire rods are used mainly by manufacturers of wire, fasteners, nails, bolts, nuts and welding rods. Wire rods are also used in the manufacture of coil springs, tension bars and tire cords in the automotive industry.

Our deliveries of wire rods amounted to 2.4 million tons in 2009, representing 7.8% of our total sales volume of steel products. The Korean market accounted for 1.7 million tons or 69.7% of our wire rod sales in 2009, representing a domestic market share of approximately 60%. The largest customers for our wire rods are manufacturers of wire ropes and fasteners.

In 2009, our sales volume of wire rods decreased by 4.4% compared to 2008 primarily due to a decrease in demand from the automotive industry.

Cold Rolled Products

Cold rolled coils and further refined galvanized cold rolled products are used mainly in the automotive industry to produce car body panels. Other users include the household goods, electrical appliances, engineering and metal goods industries.

Our deliveries of cold rolled products amounted to 11.2 million tons in 2009, representing 36.2% of our total sales volume of steel products. The Korean market accounted for 5.9 million tons or 52.4% of our cold rolled product sales in 2009, representing a domestic market share of approximately 55%.

Cold rolled products constitute our largest product category in terms of sales volume and revenue. Prior to the global economic downturn, sales of cold rolled products experienced growth due to an increase in demand from the automotive industry. However, our sales volume of cold rolled products in 2009 decreased by 11.7% compared to our sales volume in 2008 primarily due to a decrease in demand from the automotive industry in the first quarter of 2009, which subsequently showed recovery starting in the second quarter of 2009.

Silicon Steel Sheets

Silicon steel sheets are used mainly in the manufacture of power transformers and generators and rotating machines.

Our deliveries of silicon steel sheets amounted to 915 thousand tons in 2009, representing 2.9% of our total sales volume of steel products. The Korean market accounted for 338 thousand tons or 36.9% of our silicon steel sheet sales in 2009, representing a domestic market share of approximately 95%.

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In 2009, our sales volume of silicon steel sheets decreased by 12.8% compared to 2008 due to a decrease in demand from manufacturers of power transformers and generators.

Stainless Steel Products

Stainless steel products are used to manufacture household goods and are also used by the chemical industry, paper mills, the aviation industry, the automotive industry, the construction industry and the food processing industry.

Our deliveries of stainless steel products amounted to 2.3 million tons in 2009, representing 7.3% of our total sales volume of steel products. The Korean market accounted for 0.8 million tons or 34.5% of our stainless steel product sales in 2009, representing a domestic market share of approximately 60%.

Stainless steel products constitute our second largest product category in terms of revenue. Although sales of stainless steel products accounted for only 7.3% of our total sales volume in 2009, they represented 19.6% of our total revenues from sales of steel products in 2009. Our sales volume of stainless steel products increased by 10.7% in 2009 compared to 2008 due to an increase in demand from the automotive industry and the household goods industry.

Others

Other products include lower value-added semi-finished products such as pig iron, billets, blooms and slab.

Markets

Korea is our most important market. Domestic sales represented 62.6% of our total sales volume of steel products in 2009. Our export sales and overseas sales to customers abroad represented 37.4% of our total sales volume of steel products in 2009. Our sales strategy has been to devote our production primarily to satisfy domestic demand, while seeking export sales to utilize capacity to the fullest extent and to expand our international market presence.

Domestic Market

The total Korean market for steel products amounted to 45.4 million tons in 2009. We sold a total of 19.4 million tons of steel products in Korea in 2009, maintaining an overall domestic market share of approximately 42.8% for such period.

The table below sets out sales of steel products in Korea for the periods indicated.

Source	For the Year Ended December 31,									
	2005		2006		2007		2008		2009	
	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%
POSCO's sales	22,880	48.5	20,991	42.3	21,256	38.6	22,912	39.1	19,447	42.8
Other Korean steel companies sales	15,957	33.9	18,052	36.4	21,224	38.5	20,658	35.3	16,931	37.3
Imports ⁽¹⁾	8,287	17.6	10,591	21.3	12,628	22.9	15,002	25.6	9,033	19.9

Total domestic sales ⁽¹⁾	47,124	100.0	49,634	100.0	55,108	100.0	58,572	100.0	45,411	100.0
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(1) Source: 2009 Official Statistics, Korea Iron & Steel Association.

Total sales volume of steel products in Korea increased by 5.3% in 2006, 11.0% in 2007 and 6.3% in 2008 primarily due to an increase in demand from the shipbuilding and automotive industries during such period, but decreased by 22.5% in 2009 in response to sluggish demand from customers in the industries adversely impacted by deteriorating global economic conditions, such as the automotive and construction industries.

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From 2005 to 2008, our domestic sales volume decreased from 22.9 million tons in 2005 to 21.0 million tons in 2006 but increased to 22.9 million tons in 2008, in part due to our efforts to increase export sales volume from 2005 to 2006 due to more favorable prices overseas as well as an increase in demand from overseas for our high value added products during such periods. In 2009, our domestic sales volume decreased to 19.4 million tons principally due to the weak demand for steel products in certain key industries such as the automotive and construction industries. Our market share decreased from 48.5% in 2005 to 38.6% in 2007 before rebounding to 39.1% in 2008 and further increasing to 42.8% in 2009.

Domestic sales volume of other Korean steel companies, such as Hyundai Steel Co., Ltd. and Dongbu Steel Co., Ltd., increased from 16.0 million tons in 2005 to 21.2 million tons in 2007 primarily due to an increase in their production capacity, and the aggregate market share of other Korean steel companies increased from 33.9% in 2005 to 38.5% in 2007. In 2008, in part due to our decision to sell a greater portion of our sales volume to consumers in Korea due to more favorable domestic prices, domestic sales volume of other Korean steel producers decreased by 2.7% to 20.7 million tons and their aggregate market share decreased to 35.3%. In 2009, domestic sales volume of other Korean steel producers further decreased by 18.0% to 16.9 million tons in 2009 as the general demand for steel products decreased in response to the economic downturn in Korea in the first half of 2009.

In recent years, domestic consumers of steel products have also relied on imports from foreign competitors, primarily from China and Japan. Import volume of steel products steadily increased from 8.3 million tons in 2005 to 15.0 million tons in 2008, resulting in an increase in their aggregate domestic market share from 17.6% in 2005 to 25.6% in 2008. However, due to the global economic downturn, import volume of steel products decreased by 39.8% to 9.0 million tons of steel products in 2009, resulting in a decrease in market share to 19.9%.

We sell in Korea higher value-added and other finished products to end-users and semi-finished products to other steel manufacturers for further processing. Local distribution companies and sales affiliates sell finished steel products to low-volume customers. We provide service technicians for large customers and distributors in each important product area.

Exports

Our export sales and overseas sales to customers abroad represented 37.4% of our total sales volume of steel products in 2009, 65.8% of which was generated from exports sales and overseas sales to customers in Asian countries. Our export sales and overseas sales to customers abroad in terms of sales volume increased by 9.4% to 11.6 million tons in 2009. In response to weak domestic demand for steel products in the first half of 2009, we strategically focused on increasing our sales to customers abroad in 2009. The tables below set out our export sales and overseas sales to customers abroad in terms of sales volume of steel products by geographical market and by product for the periods indicated.

Region	2005		2006		2007		2008		2009	
	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%
China	2,640	32.1	2,524	25.3	3,186	29.4	2,551	24.0	3,928	33.8
Japan	1,843	22.4	1,959	19.6	2,137	19.7	1,953	18.4	1,264	10.9
Asia (other than China)	1,636	19.9	1,895	19.0	2,112	19.5	2,332	22.0	2,449	21.1

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and Japan)										
North America	761	9.2	963	9.6	756	7.0	760	7.2	742	6.4
Europe	34	0.4	318	3.2	546	5.0	510	4.8	463	4.0
Others	1,320	16.0	2,335	23.3	2,117	19.4	2,504	23.6	2,761	23.8
Total	8,234	100.0	9,994	100.0	10,854	100.0	10,610	100.0	11,608	100.0

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Steel Products	For the Year Ended December 31,									
	2005		2006		2007		2008		2009	
	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%
Hot rolled products	1,960	23.8	2,477	24.8	1,531	14.1	2,018	19.0	2,776	23.9
Plates	229	2.8	228	2.3	231	2.1	206	1.9	401	3.5
Wire rods	333	4.1	498	5.0	502	4.6	605	5.7	731	6.3
Cold rolled products	4,142	50.3	4,774	47.8	6,186	57.0	5,775	54.4	5,359	46.2
Silicon steel sheets	262	3.2	369	3.7	511	4.7	576	5.4	577	5.0
Stainless steel products	1,032	12.5	1,245	12.4	1,695	15.6	1,203	11.3	1,494	12.9
Others	276	3.3	403	4.0	198	1.9	227	2.3	270	2.3
Total	8,234	100.0	9,994	100.0	10,854	100.0	10,610	100.0	11,608	100.0

The table below sets out our total sales, including non-steel sales, by geographical location of customers for the periods indicated.

Geographical Location of Customers	For the Year Ended December 31,		
	2007	2008	2009
	(In billions of Won)		
Korea	₩ 19,970	₩ 26,887	₩ 22,529
China	4,504	4,876	5,049
Asia (other than China and Japan)	2,042	3,139	2,899
Japan	1,742	2,044	1,387
North America	732	801	752
Other	2,618	3,996	4,239
Total	31,608	41,743	36,855

The above tables include sales by our consolidated sales subsidiaries of steel products purchased by these subsidiaries from third parties, including trading companies to which we sell steel products.

The table below sets out the world's apparent crude steel use for the periods indicated.

	For the Year Ended December 31,			
2005	2006	2007	2008	2009

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Apparent crude steel use (million metric tons)	1,113	1,178	1,250	1,197	1,121
Percentage of annual increase (decrease)	2.0%	5.8%	6.1%	(4.2)%	(6.3)

Source: World Steel Association.

Recent difficulties affecting the U.S. and global financial sectors, adverse conditions and volatility in the U.S. and worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economies have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. Such developments have weakened global demand in steel consumption. The World Steel Association forecasts that global apparent crude steel use is expected to increase by 10.7% to 1,241 million metric tons in 2010 after declining by 6.3% (1,121 million metric tons) in 2009.

In recent years, driven in part by strong growth in steel consumption in China, the global steel industry has experienced renewed interest in expansion of steel production capacity. World Steel Dynamics estimated the global crude steel production capacity to increase from 1,483 million tons in 2008 to 1,543 million tons in 2009 and expects the production capacity to increase slightly in 2010. The increased production capacity, combined with weakening demand due primarily to the recent slowdown of the global economy, has resulted in production over-capacity in the global steel industry. Production over-capacity in the global steel industry may intensify if the slowdown of the global

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economy is prolonged or demand from developing countries that have experienced significant growth in the past several years does not meet the recent growth in production capacity.

We distribute our export products mostly through Korean trading companies and our overseas sales subsidiaries. Our largest export market in 2009 was China, which accounted for 33.8% of our export volume of steel products, including sales by our overseas subsidiaries. The principal products exported to China are cold rolled products and stainless steel products. Our exports to China amounted to 3.2 million tons in 2007, 2.6 million tons in 2008 and 3.9 million tons in 2009. Our sales volume to China decreased by 19.9% in 2008 due to weak market conditions in the second half of 2008. Our exports to China rebounded and increased by 54.0% in 2009 primarily due to a strong increase in demand from Chinese customers in 2009. Our exports to Japan increased from 2.0 million tons in 2006 to 2.1 million tons in 2007 primarily due to a general increase in the Japanese market price of our products. Sales volume to Japan decreased by 8.6% to 2.0 million tons in 2008 and further decreased by 35.2% to 1.3 million tons in 2009 as we elected to focus our sales efforts in China and other markets with greater growth opportunities. Sales volume to Asian countries other than China and Japan increased from 2.1 million tons in 2007 to 2.3 million tons in 2008 and further increased to 2.4 million tons in 2009 primarily due to our decision to export more to such countries because of relatively more stable market conditions of the Southeast Asian region compared to China and Japan.

Our sales volume to the United States and Europe remained stable at an aggregate of 1.3 million tons in each of 2007 and 2008, and decreased to 1.2 million tons in 2009. A significant part of our sales in North America are made to USS-POSCO Industries (UPI), a 50-50 joint venture between U.S. Steel Corporation and us. We sell hot rolled products to UPI, which uses such products to manufacture cold rolled and galvanized steel products and tin-plate products for sale in the United States. Our sales to UPI were 494 thousand tons in 2007, 519 thousand tons in 2008 and 325 thousand tons in 2009.

Anti-Dumping and Countervailing Proceedings

In the United States, a number of our products have been subject to anti-dumping and countervailing proceedings since 1992. As a result of these proceedings, our sales of corrosion resistant steel are subject to a countervailing duty margin of 0.10% and an anti-dumping duty margin of 0.01% (which is effectively zero pursuant to the de minimis margin rule). Our sales of stainless steel plates are subject to an anti-dumping duty of 1.19% and our sales of stainless steel sheets are subject to an anti-dumping duty of 0.98%.

In China, we are subject to an anti-dumping duty of 11% on our sales of stainless cold rolled steel since December 2000. However, we entered into a suspension agreement in December 2000 with China and agreed to certain price undertakings. Since then, we have been exporting certain types of stainless cold rolled steel products to China that are exempt from such anti-dumping duty.

In India, our sales of stainless cold rolled steel have been subject to an anti-dumping duty ranging from \$62.61 per ton to \$234.98 per ton starting in November 2009 for a five-year period.

Recently, several countries have initiated anti-dumping investigations and other safeguard proceedings relating to our global sales operation. In Indonesia and Thailand, our sales of hot rolled products are subject to anti-dumping proceedings. Furthermore, Russia has initiated investigations into our sales of stainless steel products.

Our products that have been subject to anti-dumping or countervailing proceedings in the aggregate have not accounted for a material portion of our total sales in recent years. Consequently, the anti-dumping or countervailing duties imposed on our products have not had a material adverse effect on our total sales. However, there can be no assurance that further increases in or new imposition of dumping duties, countervailing duties, quotas or tariffs on our sales in the United States,

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China, Europe or elsewhere may not have a material adverse effect on our exports to these or other regions in the future.

Pricing Policy

We determine the sales price of our products based on market conditions. In setting prices, we take into account our costs, including those of raw materials, supply and demand in the Korean market, exchange rates, and conditions in the international steel market.

Our export prices can fluctuate considerably over time, depending on market conditions and other factors. The export prices of our higher value-added steel products in the largest markets are determined considering the prices of similar products charged by our competitors. Our export prices in Dollar terms increased in 2007 and 2008 due to strong overseas demand, particularly from China and Japan, and increase in prices of raw materials such as iron ore and coal. However, we reduced our export prices in late 2008 in response to the intensification of the global financial crisis and continued to reduce our export prices in the first half of 2009. Starting in the third quarter of 2009, our export prices gradually started to recover due to an increase in demand driven by improvement in business confidence and higher level of economic activities as well as a decrease in our inventory level. We may decide to adjust our future sales prices on an on-going basis subject to market demand for our products, prices of raw materials, the production outlook of the global steel industry and global economic conditions in general.

Raw Materials

Steel Production

The principal raw materials used in producing steel through the basic oxygen steelmaking method are iron ore and coal. We import all of the coal and virtually all of the iron ore that we use. In 2009, POSCO imported approximately 41.7 million dry metric tons of iron ore and 21.7 million wet metric tons of coal. Iron ore is imported primarily from Australia, Brazil and South Africa. Coal is imported primarily from Australia, Canada and China.

In 2009, we purchased most of our iron ore and coal imports pursuant to long-term contracts. The long-term contracts generally have terms of three to ten years and provide for periodic price adjustments to the then-market prices. The long-term contracts to purchase iron ore and coal generally provide for annual adjustments to the purchase prices to be determined through negotiation between the supplier and us, which are typically retroactively implemented starting on April 1 of each year. Such price negotiations are driven by various factors, including the global economic outlook, global market prices of raw materials and steel products, supply and demand outlook of raw materials and production costs of raw materials. Typically, globally influenced buyers and sellers of raw materials determine benchmark prices of raw materials, based on which other buyers and sellers negotiate their prices after taking into consideration the quality of raw materials and other factors. We typically have an option to increase or decrease the fixed purchase amounts up to 5% or 10% each year. We or the suppliers may cancel the long-term contracts only if performance under the contracts is prevented by causes beyond our or their control and these causes continue for a specified period.

We also make investments in exploration and production projects abroad to enhance our ability to meet the requirements for high-quality raw materials, either as part of a consortium or through acquisition of a minority interest. We purchased approximately 18.3% of our iron ore and coal imports in 2009 from foreign mines in which we have made investments. Our major investments include an investment of A\$424 million in July 2008 to acquire a 10% interest in Macarthur Coal Ltd. to secure approximately 1.0 million tons of coal per year. In April 2008, we also invested \$200 million in a consortium with Pallinghurst Resources LLP, American Metals & Coal International, Inc. and Investee Limited to pursue various mining opportunities. As the first co-investment by the consortium, we acquired a 13% interest in a manganese project in Kalahari, South Africa, to secure approximately 130 thousand tons

of manganese ore per year.

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In December 2008, we invested \$500 million to acquire a 6.5% interest in Nacional Minérios S.A., an iron ore mining company in Brazil, in a consortium with Japanese steel manufacturers and trading companies. In 2009, we started importing iron ore from the Brazilian venture and we expect to secure approximately 5.0 million tons annually by 2012. In July 2009, we also invested A\$7.8 million to acquire a 16.64% interest in Jupiter Mines Ltd. to secure approximately 3.75 million tons of iron ore per year. We also made an initial investment of A\$248 million in January 2010 to acquire a 3.75% interest in Roy Hill Holdings Pty., Ltd. We plan to increase our total shareholding interest in Roy Hill Holdings Pty., Ltd. by up to 15% by 2013 to secure approximately 8.25 million tons of iron ore per year. We will continue to seek opportunities to enter into additional strategic relationships that would enhance our ability to meet the requirements for principal raw materials.

The average price of coal per wet metric ton (benchmark free on board price of Australian premium hard coking coal) was \$98 in 2007, \$300 in 2008 and \$129 in 2009. The average price of iron ore per dry metric ton (benchmark free on board price of Australian iron ore fines with iron (Fe) 60% content) was \$48.30 in 2007, \$86.80 in 2008 and \$58.20 in 2009. We currently do not depend on any single country or supplier for our coal or iron ore.

Stainless Steel Production

The principal raw materials for the production of stainless steel are wrought nickel, ferrochrome, stainless steel scrap and carbon steel scrap. We purchase a substantial portion of our requirements for wrought nickel from leading producers in Australia, Indonesia, New Caledonia and Japan, as well as Korea. A substantial portion of the requirements for ferrochrome are purchased from producers in South Africa, India and Kazakhstan. Most of the requirements for stainless steel scrap are sourced from domestic and overseas suppliers in Japan, United States, European Union and Southeast Asian countries. As for the requirements for carbon steel scrap, scrap from the Pohang Steelworks is also utilized. The average price of nickel per ton (including insurance and freight costs) decreased from \$37,230 in 2007 to \$21,111 in 2008, and further decreased to \$14,655 in 2009. The average price of scrap iron per ton (including insurance and freight costs) increased from \$330 in 2007 to \$462 in 2008 but decreased to \$307 in 2009.

In order to secure stable sources of nickel for stainless steel production, we entered into a joint venture in May 2006 with Société Minière du Sud Pacifique S.A. to establish SNNC Co., Ltd. (SNNC) a company primarily engaged in nickel smelting. We hold a 49% interest in SNNC and Société Minière du Sud Pacifique S.A., a major mining company based in New Caledonia, holds the remaining 51% interest. SNNC operates a nickel smelting works with a production capacity of 30 thousand tons of nickel per year.

Transportation

Since 1983, we have retained a fleet of dedicated bulk carriers to transport our raw materials through long-term contracts with shipping companies in Korea. These dedicated bulk carriers transported approximately 87% of our coal and iron ore in 2009, with the remaining 13% transported by other vessels through chartering contracts. All imported raw materials are unloaded at our port facilities in Pohang and Gwangyang. Costs of transportation of iron ore and coal represented approximately 15% and 8% of the total cost of such materials in 2009.

The Steelmaking Process

Our major production facilities, Pohang Works and Gwangyang Works, produce steel by the basic oxygen steelmaking method. The stainless steel plant at Pohang Works produces stainless steel by the electric arc furnace method. Continuous casting improves product quality by imparting a homogenous structure to the steel. Pohang Works and Gwangyang Works produce all of their products through continuous casting.

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Steel Basic Oxygen Steelmaking Method

First, molten pig iron is produced in a blast furnace from iron ore, which is the basic raw material used in steelmaking. Molten pig iron is then refined into molten steel in converters by blowing pure oxygen at high pressure to remove impurities. Different desired steel properties may also be obtained by regulating the chemical contents.

At this point, molten steel is made into semi-finished products such as slab, blooms or billets at the continuous casting machine. Slab, blooms and billets are produced at different standardized sizes and shapes. Slab, blooms and billets are semi-finished lower margin products that we either use to produce our further processed products or sell to other steelmakers that produce further processed steel products.

Slab are processed to produce hot rolled coil products at hot strip mills or to produce plates at plate mills. Hot rolled coils are an intermediate stage product that may either be sold to our customers as various finished products or be further processed by us or our customers into higher value-added products, such as cold rolled sheets and silicon steel sheets. Blooms and billets are processed into wire rods at wire rod mills.

Stainless Steel Electric Arc Furnace Method

Stainless steel is produced from stainless steel scrap, chrome, nickel and steel scrap using an electric arc furnace. Stainless steel is then processed into higher value-added products by methods similar to those used for steel production. Stainless steel slab are produced at a continuous casting mill. The slab are processed at hot rolling mills into stainless steel hot coil, which can be further processed at cold strip mills to produce stainless cold rolled steel products.

Competition

Domestic Market

We are the largest fully integrated steel producer in Korea. We generally face fragmented competition in the domestic market. In hot rolled products, where we had a market share of approximately 40% in 2009, we face competition from a Korean steel producer that operates mini-mills and produces hot rolled coil products from slabs and from various foreign producers, primarily from China and Japan. In cold rolled products and stainless steel products, where we had a market share of approximately 55% and 60%, respectively, in 2009, we compete with smaller specialized domestic manufacturers and various foreign producers, primarily from China and Japan. For a discussion of domestic market shares, see [Markets Domestic Market](#).

We may face increased competition in the future from new specialized or integrated domestic manufacturers of steel products in the Korean market. Our biggest competitors in Korea are Hyundai Steel Co., Ltd. with an annual crude steel production of approximately 9.9 million tons and Dongbu Steel Co., Ltd. with an annual crude steel production of approximately 2.8 million tons. Hyundai Steel Co., Ltd. completed construction of an integrated steel mill with an annual capacity of 4 million tons and commenced its operation in January 2010.

The Korean Government does not impose quotas on or provide subsidies to local steel producers. As a World Trade Organization signatory, Korea has also removed all steel tariffs.

Export Markets

The competitors in our export markets include all the leading steel manufacturers of the world. In recent years, there has been a trend toward industry consolidation among our competitors, and smaller competitors in the global steel

market today may become larger competitors in the future. For example, Mittal Steel's takeover of Arcelor in 2006 created a company with approximately 10% of global steel production capacity. Competition from global steel manufacturers with expanded

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production capacity such as ArcelorMittal, and new market entrants, especially from China and India, could result in a significant increase in competition. Major competitive factors include range of products offered, quality, price, delivery performance and customer service. Our larger competitors may use their resources, which may be greater than ours, against us in a variety of ways, including by making additional acquisitions, investing more aggressively in product development and capacity and displacing demand for our export products.

Various export markets currently impose tariffs on different types of steel products. However, we do not believe that tariffs significantly affect our ability to compete in these markets.

Subsidiaries and Global Joint Ventures

Steel Production

In order to effectively implement our strategic initiatives and to solidify our leadership position in the global steel industry, we have established various subsidiaries and global joint ventures around the world.

We established POSCO Specialty Steel Co., Ltd. as a wholly-owned subsidiary in Korea in February 1997. POSCO Specialty Steel produces high-quality steel products for the automotive, machinery, nuclear power plant, shipbuilding, aeronautics and electronics industries. Production facilities operated by POSCO Specialty Steel have an aggregate annual production capacity of 842 thousand tons of wire rods, round bars, steel pipes and semi-finished products. POSCO Specialty Steel Co., Ltd. produced 673 thousand tons of such products in 2009.

In order to expand our sale of value-added products, we established POSCO Coated and Color Sheet Co., Ltd. by merging a coated steel manufacturer and a color sheet manufacturer in March 1999. POSCO Coated and Color Sheet produces 600 thousand tons a year of both galvanized and aluminized steel sheets widely used in the construction, automotive parts and home appliances industries. POSCO Coated and Color Sheet also produces color sheets with an annual capacity of 350 thousand tons that are mainly used for interior and exterior materials and home appliances.

We entered into an agreement with Sagang Group Co. to establish Zhangjiagang Pohang Stainless Steel Co., Ltd., a joint venture company in China for the manufacture and sale of stainless cold rolled steel products. We have an 82.5% interest in the joint venture (including 23.9% interest held by POSCO China Holding Corporation). The plant commenced production of stainless cold rolled steel products in December 1998. The joint venture also completed the construction of new mills in July 2006 with additional annual production capacity of approximately 800 thousand tons of stainless hot rolled products. Zhangjiagang Pohang Stainless Steel produced 747 thousand tons of stainless steel products in 2009.

We established Qingdao Pohang Stainless Steel Co., Ltd., a wholly owned subsidiary set up to manufacture and sell stainless cold rolled steel products in China. Construction of the plant operated by Qingdao Pohang Steel began in April 2003 and became operational in December 2004, with an annual production capacity of 180 thousand tons of stainless cold rolled steel products. Qingdao Pohang Steel produced 152 thousand tons of such products in 2009.

In August 2003, we entered into a joint venture agreement with Benxi Iron and Steel Group in China to establish Benxi Steel POSCO Cold Rolled Sheet Co., Ltd. and build a cold rolling mill with annual production capacity of 1.9 million tons. The cold rolling mill became operational in March 2006 and produced 1.5 million tons of such products in 2009. We currently hold a 25% interest in this joint venture.

In November 2003, we launched POSCO China Holding Corporation, a wholly-owned holding company for our investments in China. POSCO China Holding Corporation also provides support to our Chinese investment projects and affiliated companies with their marketing efforts in China and solidifies their business relationships with clients

and suppliers.

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In addition to the above investments, we are carefully seeking out additional promising investment opportunities abroad. In June 2005, we entered into a memorandum of understanding with Orissa State Government of India for the construction of an integrated steel mill and the development of iron ore mines in Orissa State. We estimate the aggregate costs of the initial phase of construction and mine development to be approximately \$3.7 billion and an additional cost of approximately \$8.3 billion in order to increase the annual production capacity to 12 million tons of plates and hot rolled products. In 2008, we obtained stage one clearance for 2,959 acres of forest land from the Indian Supreme Court, and acquired approximately 500 acres of land for the construction of a steel mill and a port. In the process of acquiring land for construction, we have provided rehabilitation and resettlement packages (including construction of 60 transit homes) for local residents affected by our project. Currently, we are in the process of acquiring approximately 4,000 acres of land for the construction and obtaining regulatory approvals and mining rights for the development of iron ore mines.

We entered into an agreement with Nippon Steel Corporation to establish POSCO Vietnam Co., Ltd., a joint venture company in Vietnam for the manufacture and sale of cold rolled steel products. We have an 85% interest in the joint venture. We completed the construction of a plant in September 2009 with an annual production capacity of 1.2 million tons of cold rolled products and commenced commercial production.

In Mexico, we completed the construction of a plant in August 2009 with an annual production capacity of 0.4 million tons of cold rolled products and commenced commercial production to supply automotive manufacturers in Mexico, Southeastern United States and South America.

In the United States, we entered into a joint venture in March 2007 with US Steel and SeAH to establish United Spiral Pipe to produce American Petroleum Institute-compliant pipes (API Pipes) targeting customers in the United States, Canada and Mexico. We hold a 35% interest in the company. US Steel and we each supply 50% of the hot rolled steel required for the production of pipes. In response to weak demand for the API Pipes in recent years, United Spiral Pipe is currently producing non-API Pipes that are used for general construction piling purposes. We started test production of such products in February 2010, and we expect to restart production of API Pipes upon recovery of the market.

In order to secure an alternative sales source for stainless hot rolled steel products and an export base for expanding into the Southeast Asia stainless steel markets, we acquired a 15% interest in Thainox Stainless Public Company Limited, a major stainless steel manufacturer in Thailand, in 2007.

We have also established supply chain management centers around the world to provide processing and logistics services such as cutting flat steel products to smaller sizes to meet customers' needs. In 2009, our 42 supply chain management centers recorded aggregate sales of 2.6 million tons of steel products.

Steel Trading

Our trading activities consist of exporting and importing a wide range of steel products that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. To strengthen our global market presence, we are coordinating these trading activities through a global trading network comprised of overseas subsidiaries, branches and representative offices. Such subsidiaries and offices support our trading activities by locating suitable local suppliers and purchasers on behalf of ourselves as well as customers, identifying business opportunities and providing information regarding local market conditions. Our consolidated subsidiaries engaged in steel trading include POSCO Steel Service & Sales Co., Ltd. that primarily focuses in the domestic market, and POSCO Asia Company Limited located in Hong Kong, POSCO Japan Co., Ltd. located in Tokyo, Japan and POSCO America Corporation located in New Jersey, U.S.A.

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Engineering and Construction

POSCO E&C is one of the leading engineering and construction companies in Korea, primarily engaged in the planning, design and construction of industrial plants and architectural works and civil engineering projects. In particular, POSCO E&C has established itself as one of the premier engineering and construction companies in Korea through:

its strong and stable customer base; and

its cutting-edge technological expertise obtained from construction of advanced integrated steel plants, as well as participation in numerous modernization and rationalization projects at our Pohang Works and Gwangyang Works.

Leveraging its technical know-how and track record of building some of the leading industrial complexes in Korea, POSCO E&C has also focused on diversifying its operations into construction of high-end apartment complexes and participating in a wider range of architectural works and civil engineering projects, as well as engaging in urban planning and development projects and expanding its operations abroad. One of its landmark urban planning and development projects includes the development of a 5.7 million-square meter area of Songdo International City in Incheon, which POSCO E&C is co-developing with Gale International, a respected real estate developer based in the United States. POSCO E&C also invested approximately Won 319 billion in April 2008 to acquire an 88.7% equity interest in Daewoo Engineering Company, a leading engineering company in Korea with expertise in chemical and petrochemical, energy, industrial plant and civil works.

Energy

We have accumulated several decades of experience and know-how in a wide range of energy-related fields, including natural gas and other forms of power generation. As part of our diversification efforts, we strive to identify appropriate opportunities for power generation, renewable energy projects, liquefied natural gas logistics and natural gas exploration.

In order to make inroads into the power generation business, in 2006 we completed the acquisition of the largest domestic private power generation company that operates a liquefied natural gas combined cycle power plant with total power generation capacity of 1,800 megawatts and renamed it POSCO Power Corporation. In 2008, POSCO Power Corporation commenced construction of a liquefied natural gas combined cycle power plant in Incheon with total power generation capacity of 1,200 megawatts. Construction of the liquefied natural gas combined cycle plant is expected to be completed in 2011. POSCO Power Corporation plans to continue to expand its power generation capacity. In order to meet the increasing demand for clean and renewable sources of energy, POSCO Power Corporation signed a strategic partnership agreement in February 2007 with FuelCell Energy, a global leader in molten carbonate fuel cell technology, pursuant to which POSCO Power Corporation will explore opportunities to expand into the stationary fuel cell market. POSCO Power Corporation completed construction of a fuel cell manufacturing plant with an annual production capacity of 50 megawatts in Pohang in 2008 with the objective of enhancing the company's ability to meet the growing demands for clean and renewable energy.

In an effort to reduce our dependency on oil and to comply with the carbon emissions regulations of the United Nations Framework Convention on Climate Change, we became the first company in Korea in the private sector to import liquefied natural gas in 2005 and have been using natural gas in lieu of oil for energy generation at our steel production facilities. We constructed the Gwangyang liquefied natural gas receiving terminal, which is equipped with two 100,000 cubic meter storage tanks. In July 2007, we began expanding the terminal to increase the storage capacity from 200,000 cubic meters to 365,000 cubic meters by May 2011.

We are also actively seeking business opportunities in the exploration and production of oil and natural gas. In 2007, we participated in the Aral Sea Exploration Project in the Republic of Uzbekistan (Uzbekistan), purchasing a 9.8% interest from the Korea National Oil Corporation. Additionally, we

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acquired a 12.5% interest in 2008 in the Namangan-Tergachi and Chust-Pap Oil and Gas Exploration Project in Uzbekistan. In May 2010, we were also selected as the preferred bidder for a 68% interest in Daewoo International Corporation, a global trading company that primarily engages in trading of steel and raw materials as well as investing in energy development projects. Daewoo International had total revenues of Won 11,544 billion in 2009, total net income of Won 131 billion in 2009 and total assets of Won 4,695 billion as of December 31, 2009. Daewoo International Corporation has invested in a portfolio of energy exploration and production projects, including oil and gas projects located in Peru, Oman, Vietnam, Myanmar, Uzbekistan and Russia, as well as mineral projects located in Australia, Bolivia and Madagascar. Our final decision to purchase the controlling interest is subject to satisfactory completion of additional due diligence of the company.

Others

We acquired or established several subsidiaries that address specific services to support the operations of Pohang Works and Gwangyang Works. POSCON Co., Ltd., acquired in 1986, provides industrial engineering services to member companies of the POSCO Group and manufacturing services utilizing automation technology. POSDATA Co., Ltd., founded in 1989, provides information and technology consulting and system network integration and outsourcing services. In January 2010, POSDATA Co., Ltd. merged with POSCON Co., Ltd. and changed its name to POSCO ICT Co., Ltd.

POSCO Machinery & Engineering Co., Ltd. and POSCO Machinery Co., Ltd. were established to perform maintenance of our manufacturing equipment. POSCO Refractories and Environment Company Ltd. manufactures refractories and industrial furnaces.

We also entered into a joint venture with Mitsui Corporation of Japan and hold a 51.0% interest in POSCO Terminal Co., Ltd. that provides logistics services related to storage and transportation of raw materials used in steel production and other industries. Facilities operated by POSCO Terminal Co., Ltd. currently have an annual handling capacity of 6.3 million tons. We also entered into a joint venture with Nippon Steel Corporation and hold a 70.0% interest in POSCO-Nippon Steel RHF Joint Venture Co., Ltd. that supplies direct reduced iron and recycling services of dry dust generated in our steelworks.

Insurance

As of December 31, 2009, our property, plant and equipment are insured against fire and other casualty losses up to Won 16,947 billion. In addition, we carry general insurance for vehicles and accident compensation insurance for our employees to the extent we consider appropriate.

Item 4.C. Organizational Structure

The following table sets out the jurisdiction of incorporation and our ownership interests of our significant subsidiaries:

Name	Jurisdiction of Incorporation	Percentage of Ownership
POSCO Engineering & Construction Co., Ltd.	Korea	89.5%
POSCO Power Corporation	Korea	100.0%
Zhangjiagang Pohang Stainless Steel Co., Ltd.	China	82.5%
POSCO Specialty Steel Co., Ltd.	Korea	100.0%

POSCO Steel Service & Sale Co., Ltd.	Korea	95.3%
POSCO ICT Co., Ltd.	Korea	61.9%

Item 4.D. *Property, Plants and Equipment*

Our principal properties are Pohang Works, which is located at Youngil Bay on the southeastern coast of Korea, and Gwangyang Works, which is located in Gwangyang City in the southwestern region of Korea. We expect to increase our production capacity in the future when we

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increase our capacity as part of our facilities expansion or as a result of continued modernization and rationalization of our existing facilities. For a discussion of major items of our capital expenditures currently in progress, see Item 5. Operating and Financial Review and Prospects Item 5.B. Liquidity and Capital Resources Liquidity Capital Expenditures and Capital Expansion.

Pohang Works

Construction of Pohang Works began in 1970 and ended in 1983. Pohang Works currently has an annual crude steel and stainless steel production capacity of 15.0 million tons. Pohang Works produces a wide variety of steel products. Products produced at Pohang Works include hot rolled sheets, plates, wire rods and cold rolled sheets, as well as specialty steel products such as stainless steel sheets and silicon steel sheets. These products can also be customized to meet the specifications of our customers.

Situated on a site of 8.9 million square meters at Youngil Bay on the southeastern coast of Korea, Pohang Works consists of 40 plants, including iron-making, crude steelmaking and continuous casting and other rolling facilities. Pohang Works also has docking facilities capable of accommodating ships as large as 200,000 tons for unloading raw materials, storage areas for up to 34 days supply of raw materials and separate docking facilities for ships carrying products for export. Pohang Works is equipped with a highly advanced computerized production-management system allowing constant monitoring and control of the production process.

The following table sets out Pohang Works capacity utilization rates for the periods indicated.

	For the Year Ended December 31,				
	2005	2006	2007	2008	2009
Crude steel and stainless steel production capacity (million tons per year)	13.30	13.30	14.30	15.00	15.00
Actual crude steel and stainless steel output (million tons)	13.36	12.60	13.66	14.94	14.34
Capacity utilization rate (%) ⁽¹⁾	100.4	94.7	95.5	99.6	95.6

(1) Calculated by dividing actual crude steel and stainless steel output by the actual crude steel and stainless steel production capacity for the relevant period as determined by us.

Gwangyang Works

Construction of Gwangyang Works began in 1985 on a site of 13.7 million square meters reclaimed from the sea in Gwangyang City in the southwestern region of Korea. Gwangyang Works currently has an annual crude steel production capacity of 18.0 million tons. Gwangyang Works specializes in high volume production of a limited number of steel products. Products manufactured at Gwangyang Works include both hot and cold rolled types.

Gwangyang Works is comprised of 43 plants, including iron-making plants, steelmaking plants, continuous casting plants, hot strip mills and thin-slab hot rolling plants. The site also features docking and unloading facilities for raw materials capable of accommodating ships of as large as 300,000 tons for unloading raw materials, storage areas for 38 days supply of raw materials and separate docking facilities for ships carrying products for export.

We believe Gwangyang Works is one of the most technologically advanced integrated steel facilities in the world. Gwangyang Works has a completely automated, linear production system that enables the whole production process, from iron-making to finished products, to take place without interruption. This advanced system reduces the production time for hot rolled products to only four hours. Like Pohang Works, Gwangyang Works is equipped with a highly advanced computerized production-management system allowing constant monitoring and control of the production process.

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Capacity utilization has kept pace with increases in capacity. The following table sets out Gwangyang Works' capacity utilization rates for the periods indicated.

	2005	For the Year Ended December 31,			2009
		2006	2007	2008	
Crude steel production capacity (million tons per year)	16.70	16.70	16.70	18.00	18.00
Actual crude steel output (million tons)	17.19	17.45	17.41	18.20	15.19
Capacity utilization rate (%) ⁽¹⁾	102.9	104.5	104.2	101.1	84.4

(1) Calculated by dividing actual crude steel output by the actual crude steel production capacity for the relevant period as determined by us.

The Environment

We believe we are in compliance with applicable environmental laws and regulations in all material respects. Our levels of pollution control are higher than those mandated by Government standards. We established an on-line environmental monitoring system with real-time feedback on pollutant levels and a forecast system of pollutant concentration in surrounding areas. We also undergo periodic environmental inspection by both internal and external inspectors in accordance with ISO 14001 standards to monitor execution and maintenance of our environmental management plan. We recently invested in comprehensive flue gas treatment facilities at some of our sinter plants, dust collector at steelmaking plants and coke wastewater treatment facilities. In addition, we recycle most of the by-products from the steelmaking process. We also have been developing environmentally friendly products such as chrome-free steel sheets in an effort to compete with products from the European Union, the United States and Japan and to meet strengthened environmental regulations. Anticipating the trend toward increasing regulation of chrome in various steel products, we introduced chrome-free steel products meeting international environmental standards in 2006 that are used to manufacture automotive oil tanks.

We plan to continue to invest in developing more environmentally friendly steel manufacturing processes. We commenced research and development for a new steel manufacturing technology called FINEX in 1992 jointly with the Research Institute of Industrial Science and Technology and VOEST Alpine, an Australian company, and we completed the construction of our first FINEX plant in May 2007 with an annual steel production capacity of 1.5 million tons. We increased the annual steel production capacity to 2.1 million tons in 2008. We will continue to refine FINEX, a low cost, environmentally friendly steel manufacturing process that we believe optimizes our production capacity by utilizing non-agglomerated iron ore fines and using non-coking coal as an energy source and a reducing agent. We believe that FINEX offers considerable environmental and economic advantages by eliminating major sources of pollution such as sinter and coke plants, as well as decreasing operating and raw material costs.

In response to increasingly strict regulation on greenhouse gas emissions as outlined in the Kyoto Protocol, we engage in various Clean Development Mechanism (CDM) projects to strive to reduce carbon dioxide emissions during the steel manufacturing process and acquire certified emission reductions. For instance, in July 2008, we obtained an approval issued by the CDM Executive Board governed by the United Nations Framework Convention on Climate Change for the operation of a hydroelectric power plant. Additionally, in joint efforts with Nippon Steel Corporation, we are in the process of developing a low-emission Rotary Hearth Furnace facility to be located at Gwangyang Works. As part of our commitment to global forest conservation, we also established an entity in Uruguay to engage in afforestation and reforestation projects.

POSCO spent Won 494 billion in 2007, Won 215 billion in 2008 and Won 297 billion in 2009 on anti-pollution facilities. In 2009, approximately 10% of our investments in facilities were dedicated to investing in low-emission, anti-pollution facilities.

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Item 4A. *Unresolved Staff Comments*

We do not have any unresolved comments from the Securities and Exchange Commission staff regarding our periodic reports under the Exchange Act of 1934.

Item 5. *Operating and Financial Review and Prospects*

Item 5.A. *Operating Results*

The following discussion and analysis is based on our consolidated financial statements, which have been prepared in accordance with Korean GAAP. Korean GAAP varies in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 31 to the Consolidated Financial Statements.

Overview

We are the largest fully integrated steel producer in Korea. We have four reportable operating segments – a steel segment, an engineering and construction segment, a trading segment and a 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 that are both obtained from and supplied to POSCO, as well as between other suppliers and purchasers in Korea and overseas. The others segment includes power generation, liquefied natural gas production, network and system integration, logistics and magnesium coil and sheet production. See Note 30 of Notes to Consolidated Financial Statements.

One of the major factors contributing to our historical performance has been the growth of the Korean economy, and our future performance will depend at least in part on Korea's general economic growth and prospects. For a description of recent developments that have had and may continue to have an adverse effect on our results of operations and financial condition, see Item 3. Key Information – Item 3.D. Risk Factors. Korea is our most important market, and our current business and future growth could be materially and adversely affected if economic conditions in Korea deteriorate. A number of other factors have had or are expected to have a material impact on our results of operations, financial condition and capital expenditures. These factors include:

our sales volume, unit prices and product mix;

costs and production efficiency;

exchange rate fluctuations; and

transition to International Financial Reporting Standards starting in 2011.

As a result of these factors, our financial results in the past may not be indicative of future results or trends in those results.

Sales Volume, Prices and Product Mix

In recent years, our net sales have been affected by the following factors:

the demand for our products in the Korean market and our capacity to meet that demand;

our ability to compete for sales in the export market;

price levels; and

our ability to improve our product mix.

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Domestic demand for our products is affected by the condition of major steel consuming industries, such as construction, shipbuilding, automotive, electrical appliances and downstream steel processors, and the Korean economy in general.

Our crude steel output increased from 32.8 million tons in 2007 to 34.7 million tons in 2008, and sales volume increased from 32.1 million tons in 2007 to 33.5 million tons in 2008 primarily due to an increase in production resulting from commencement of operation of the dephosphorization converter at Gwangyang Works and productivity improvement. In 2009, our crude steel output decreased to 31.7 million tons and sales volume decreased to 31.1 million tons. In response to sluggish demand from our customers in industries adversely impacted by deteriorating global economic conditions in the second half of 2008, such as automotive and construction industries, we reduced our crude steel production and sales prices in December 2008 and the first quarter of 2009. Signs that the pace of deterioration in market conditions had slowed began to appear in the second quarter of 2009, however, and demand from certain segments of our customer base, including the domestic automotive and construction industries, showed signs of recovery starting in the second quarter of 2009. In response, we began to incrementally increase our crude steel production starting in April 2009 and our production level normalized in the second half of 2009. As a result of production cuts in the first half of 2009, prices for our steel products remained depressed until the third quarter of 2009, during which time prices started to recover and continued to gradually increase up to the end of 2009.

In 2008, unit sales price in Won for all of our principal product lines increased, and the weighted average unit prices for our products increased by 23.3%, in part due to depreciation of the Won against the Dollar in 2008 that contributed to an increase in our export prices in Won terms. The average exchange rate of the Won against the Dollar depreciated from Won 929.2 per Dollar in 2007 to Won 1,102.6 per Dollar in 2008. Unit sales price of hot rolled products, which accounted for 25.9% of total sales volume, increased by 46.4% in 2008. Unit sales price of wire rods, which accounted for 7.5% of total sales volume, increased by 35% in 2008. Unit sales price of plates, which accounted for 14.5% of total sales volume, increased by 33.8% in 2008. Unit sales price of silicon steel sheets, which accounted for 3.1% of total sales volume, increased by 30% in 2008. Unit sales price of cold rolled products, which accounted for 38% of total sales volume, increased by 29.2% in 2008. Unit sales price of stainless steel products, which accounted for 6.1% of total sales volume, increased by 15% in 2008.

In 2009, unit sales price in Won for our principal product lines, other than silicon steel sheets, decreased, and the weighted average unit prices for our products decreased by 5.2% in 2009 compared to 2008 despite a depreciation in the average value of the Won against the Dollar in 2009 compared to 2008 that contributed to an increase in our export prices in Won terms. The average exchange rate of the Won against the Dollar depreciated from Won 1,102.6 per Dollar in 2008 to Won 1,276.4 per Dollar in 2009. Unit sales price of stainless steel products, which accounted for 7.3% of total sales volume, decreased by 23.5% in 2009. Unit sales price of hot rolled products, which accounted for 25.8% of total sales volume, decreased by 7.8% in 2009. Unit sales price of wire rods, which accounted for 7.8% of total sales volume, decreased by 2.8% in 2009. Unit sales price of cold rolled products, which accounted for 36.2% of total sales volume, decreased by 2.2% in 2009. Unit sales price of plates, which accounted for 14.7% of total sales volume, decreased by 1.9% in 2009. On the other hand, unit sales price of silicon steel sheets, which accounted for 2.9% of total sales volume, increased by 8.1% in 2009.

Our export prices in Dollar terms increased in 2008 driven by increases in prices of raw materials such as iron ore and coal. Partly in response to the weakening demand resulting from the global economic downturn, however, our export prices in dollar terms decreased in the first half of 2009. Starting in the third quarter of 2009, our export prices in dollar terms gradually started to recover due to an increase in demand driven by improvement in business confidence and higher level of economic activities as well as a decrease in our inventory level. We may decide to adjust our future export sales prices on an on-going basis subject to market demand for our products, the production

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outlook of the global steel industry and global economic conditions in general. See Item 4. Information on the Company Item 4.B. Business Overview Markets Exports.

The table below sets out the average unit sales prices for our semi-finished and finished steel products for the periods indicated.

Products	For the Year Ended December 31,		
	2007	2008	2009
	(In thousands of Won per ton)		
Hot rolled products	₩ 546.8	₩ 800.3	₩ 737.5
Plates	725.2	970.5	951.9
Wire rods	656.2	885.9	860.8
Cold rolled products	714.0	922.7	902.4
Silicon steel sheets	1,183.1	1,537.7	1,663.4
Stainless steel products	3,069.0	3,529.6	2,701.8
Others	509.9	807.5	804.5
Average ⁽¹⁾	₩ 867.3	₩ 1,069.0	₩ 1,013.3

(1) Average prices are based on the weighted average, by sales volume, of our sales for the listed products. See Item 4. Information on the Company Item 4.B. Business Overview Major Products.

Costs and Production Efficiency

Our major costs and operating expenses are raw material purchases, depreciation, labor and other purchases. The table below sets out a breakdown of our total costs and operating expenses as a percentage of our net sales for the periods indicated.

	For the Year Ended December 31,		
	2007	2008	2009
	(Percentage of net sales)		
Cost of goods sold	78.8%	78.0%	84.2%
Selling and administrative expenses ⁽¹⁾	5.6	4.8	5.3
Total operating expenses	84.4	82.8	89.5
Gross margin	21.2	22.0	15.8
Operating margin	15.6	17.2	10.5

(1) See Note 24 of Notes to Consolidated Financial Statements.

Our gross margin and operating margin decreased significantly in 2009 as we faced a difficult business environment in the first half of 2009. We are closely monitoring changes in market conditions and we implemented the following measures in 2009 to address challenges posed by the global economic downturn:

pursuing cost reduction through enhancing product designs, improving productivity and reducing transportation costs;

focusing on marketing activities to increase our domestic market share and export sales; and

establishing a special sales committee to more effectively respond to changes in market trends and preparing responses to various scenarios of future sales.

Our production efficiency prior to the recent global economic downturn had benefited from operation near or in excess of stated capacity levels. Production capacity represents our maximum production capacity that can be achieved with an optimal level of operations of our facilities. In 2009, we reduced our crude steel production in the first quarter of the year but began to incrementally increase our crude steel production starting in April 2009, and our production level normalized in the second half of 2009. See Item 4. Information on the Company Item 4.D. Property, Plants and Equipment.

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The table below sets out certain information regarding our efficiency in the production of steel products for the periods indicated.

	For the Year Ended December 31,		
	2007	2008	2009
Crude steel and stainless steel production capacity (million tons per year) ⁽¹⁾	32.8	34.6	34.6
Actual crude steel and stainless steel output (million tons)	32.8	34.7	31.7
Capacity utilization rate (%)	99.9	100.3	91.6
Steel product sales (million tons) ⁽²⁾	32.1	33.5	31.1

(1) Includes production capacity of POSCO Specialty Steel Co., Ltd. and Zhangjiagang Pohang Stainless Steel Co., Ltd.

(2) Includes sales by our consolidated sales subsidiaries of steel products purchased by them from third parties, including trading companies to which we sell steel products. These sales amounted to approximately 1.0 million tons in 2007, 0.9 million tons in 2008 and 0.5 million tons in 2009.

Exchange Rate Fluctuations

The Won has fluctuated significantly against major currencies in recent years, which has affected our results of operations and liquidity. The market average exchange rate, as announced by the Seoul Money Brokerage Services, Ltd., depreciated from Won 938.2 to US\$1.00 as of December 31, 2007 to Won 1,573.6 to US\$1.00 as of March 3, 2009 but appreciated to W1,167.6 to US\$1.00 as of December 31, 2009. The market average exchange rate, as announced by the Seoul Money Brokerage Services, Ltd., was Won 1,188.2 to US\$1.00 on June 24, 2010.

Depreciation of the Won may materially affect the results of our operations because, among other things, it causes:

an increase in the amount of Won required for us to make interest and principal payments on our foreign currency-denominated debt, which accounted for approximately 50.5% of our total long-term debt (excluding discounts on debentures issued and including current portion) as of December 31, 2009;

an increase in Won terms in the costs of raw materials and equipment that we purchase from overseas sources and a substantial portion of our freight costs, which are denominated in Dollars; and

foreign exchange translation losses on liabilities, which lower our earnings for accounting purposes.

Appreciation of the Won, on the other hand, (i) causes our export products to be less competitive by raising our prices in Dollar terms and (ii) reduces net sales and accounts receivables in Won from export sales, which are primarily denominated in Dollars. However, because of the larger positive effects of the appreciation of the Won (i.e., the reverse of the negative effects caused by the depreciation of the Won, as discussed above), appreciation of the Won generally has a positive impact on our results of operations. See Item 3. Key Information Item 3.A. Selected Financial Data Exchange Rate Information.

We attempt to minimize our exposure to currency fluctuations by attempting to maintain export sales, which result in foreign currency receipts, at a level that covers foreign currency obligations to the extent feasible. As a result, a decrease in our export sales could increase our foreign exchange risks. From time to time we also enter into cross

currency swap agreements in the management of our interest rate and currency risks and currency forward contracts with financial institutions to reduce the fluctuation risk of future cash flows. As of December 31, 2009, we had entered into swap contracts, currency forward contracts and currency future contracts. The net valuation loss of our derivatives contracts was Won 43 billion and the net transaction gain was Won 10 billion in 2009. We may incur further losses under our existing contracts or any swap or other derivative product transactions entered into in the future. See Note 23 of Notes to Consolidated Financial Statements.

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Transition to International Financial Reporting Standards Starting in 2011

In March 2007, the Financial Services Commission and the Korea Accounting Institute announced a road map for the adoption of the Korean equivalent of International Financial Reporting Standards (Korean IFRS), pursuant to which all listed companies in Korea will be required to prepare their annual financial statements under Korean IFRS beginning in 2011. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee have been adopted for Korean IFRS. In preparation of such adoption, we began preparing our internal financial statements under both Korean GAAP and Korean IFRS starting in January 2010.

Inflation

Inflation in Korea, which was 2.5% in 2007, 4.7% in 2008 and 2.8% in 2009, has not had a material impact on our results of operations in recent years.

Critical Accounting Estimates

Our financial statements are prepared in accordance with Korean GAAP and reconciled to U.S. GAAP. The preparation of these financial statements under Korean GAAP as well as the U.S. GAAP reconciliation requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. We have identified the following areas where we believe assumptions and estimates are particularly critical to the financial statements:

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for exposures in our receivable balances that represent our estimate of probable losses in our short-term and long-term receivable balances from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate and negatively impact their ability to make payments, additional allowances may be required. Determining the allowance for doubtful accounts requires significant management judgment and estimates including, among others, the credit worthiness of our customers, experience of historical collection patterns, potential events and circumstances affecting future collections and the ongoing risk assessment of our customers' ability to pay.

Trade account receivables are analyzed on a regular basis and, upon our becoming aware of a customer's inability to meet its financial commitments to us, we reduce the value of the receivable is reduced through a charge to the allowance for doubtful accounts. In addition, we record a charge to the allowance for doubtful accounts upon receipt of customer claims in connection with sales that management estimates are unlikely to be collected in full. As of December 31, 2009, the percentage of allowance for doubtful accounts to gross account receivables was 4.52%.

Specifically, allowance for doubtful accounts are recorded when any of the following loss events occurs: (i) there is objective evidence as to uncollectibility of the account observed through bankruptcy, default or involuntary dissolution of the customer; (ii) we lose a lawsuit against the customer or our right of claim gets extinguished; (iii) our costs to collect the account exceed the payments to be received; or (iv) dispute with the customer over the collection of the account persists over three years.

The actual average annual uncollected percentage rate of accounts receivables resulting in write-offs for the three years in the period ended December 31, 2009 was 1.33%. These historical results, as well as current known conditions impacting the collectability of our accounts receivable balances, are significant factors for us when we estimate the

amount of the necessary allowance for doubtful accounts. Historically, losses from uncollectible accounts receivables have been within

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expectations and in line with the allowances established. However, unforeseen circumstances such as adverse market conditions that deviate significantly from our estimates may require us to change the timing of, and make additional allowances to, our receivable balances. In this case, our results of operations, financial condition and net worth could be materially and adversely affected.

Valuation of Investment Securities and Derivatives

We invest in various financial instruments including debt and equity securities and derivatives. Depending on the accounting treatment specific to each type of financial instrument, an estimate of fair value is required to determine the instrument's effect on our consolidated financial statements.

If available, quoted market prices provide the best indication of fair value. We determine the fair value of our financial instruments using quoted market prices when available, including quotes from dealers trading those securities. If quoted market prices are not available, we determine the fair value based on pricing or valuation models, quoted prices of instruments with similar characteristics, or discounted cash flows. Determining the fair value of unlisted financial instruments involves a significant degree of management resources and judgment as no quoted prices exist and such securities are generally very thinly traded. The fair value of unlisted equity securities held for investment (excluding those of affiliates and subsidiaries) is based on the latest obtainable net asset value of the investees, which often reflects cost or other reference events. Derivatives for which quoted market prices are not available are valued using valuation models such as the discounted cash flow method. The key inputs used in the valuation of such derivatives depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, foreign exchange rates, the spot price of the underlying instrument, volatility and correlation. The fair values based on pricing and valuation models, discounted cash flow analysis, or net asset values are subject to various assumptions used that, if changed, could significantly affect the fair value of the investments.

When the fair value of a listed equity security or the net equity value of an unlisted equity security declines compared to acquisition cost and is not expected to recover (impaired investment security), the value of the equity security is adjusted to its fair value or net asset value, with the valuation loss charged to current operations. When the fair value of a held-to-maturity or an available-for-sale investment debt security declines compared to the acquisition cost and is not expected to recover (impaired investment security), the carrying value of the debt security is adjusted to its fair value with the resulting valuation loss charged to current operations.

As part of this impairment review, the investee's operating results, net asset value and future performance forecasts as well as general market conditions are taken into consideration. If we believe, based on this review, that the market value of an equity security or a debt security may realistically be expected to recover, the loss will continue to be classified as temporary. If economic or specific industry trends worsen beyond our estimates, valuation losses previously determined to be recoverable may need to be charged as a valuation loss in current operations.

Significant management judgment is involved in the evaluation of declines in value of individual investments. The estimates and assumptions used by our management to evaluate declines in value can be impacted by many factors, such as the financial condition, earnings capacity and near-term prospects of the company in which we have invested, the length of time and the extent to which fair value has been less than cost, and our intent and ability to hold the related security for a period of time sufficient to allow for any recovery in market value. The evaluation of these investments is also subject to the overall condition of the economy and its impact on the capital markets. Any changes in these assumptions could significantly affect the valuation and timing of recognition of valuation losses classified as other than temporary.

We have estimated fair values of material non-marketable securities. We estimated these fair values based on pricing or valuation models, quoted prices of instruments with similar characteristics, or discounted cash flow models. The

discounted cash flow model valuation technique is based on the

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estimated cash flow projections of the underlying investee. Key assumptions and estimates include market conditions, revenue growth rates, operating margin rates, income tax rates, depreciation and amortization rates, the level of capital expenditures, working capital amounts and the discount rates. These estimates are based on historical results of the investee and other market data. In these cash flows projections, the two most significant estimates are the discount rates and revenue growth rates. If the discount rates used in these valuations were increased by one percentage point, then the estimated fair values would have decreased by 17% in total. In addition, if the revenue growth rate assumptions were decreased by 1% in the cash flow models, then the estimated fair values would have decreased by 7% in total.

We recognized losses on impairment of investments of Won 12 billion in 2007, Won 121 billion in 2008 and Won 286 billion in 2009. Loss on impairment of investments increased in 2009 primarily due to an impairment loss of Won 209 billion as a result of objective evidence that indicated an impairment in our investment in LG Powercom.

Historically, our estimates and assumptions used to evaluate impairment of investments have been within expectations. However, unforeseen circumstances such as adverse market conditions that deviate significantly from our estimates may require us to recognize additional losses on impairment of investments. We base our fair value estimates on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain. The use of alternative estimates and assumptions could increase or decrease the estimated fair values of our investments and potentially result in different impacts on our results of operations.

Long-lived Assets

The depreciable lives and salvage values of our long-lived assets are estimated and reviewed each year based on industry practices and prior experience to reflect economic lives of long-lived assets. Also, these assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. There were no significant changes in assumption to estimated useful lives or salvage value assumptions in 2007, 2008 and 2009. The recoverable amount is measured at the greater of net selling price or value in use. When the book value of long-lived asset exceeds the recoverable value of the asset due to obsolescence, physical damage or a decline in market value and such amount is material, the impairment of asset is recognized and the asset's carrying value is reduced to its recoverable value and the resulting impairment loss is charged to current operations. Such recoverable value is based on our estimates of the future use of assets that is subject to changes in market conditions.

Our estimates of the useful lives and recoverable values of long-lived assets are based on historical trends adjusted to reflect our best estimate of future market and operating conditions. Also, our estimates include the expected future period in which the future cash flows are expected to be generated from continuing use of the assets that we review for impairment and cash outflows to prepare the assets for use that can be directly attributed or allocated on a reasonable and consistent basis. If applicable, estimates also include net cash flows to be received or paid for the disposal of the assets at the end of their useful lives. As a result of the impairment review, when the sum of the discounted future cash flows expected to be generated by the assets is less than the book value of the assets, we recognize impairment losses based on the recoverable value of those assets. We make a number of significant assumptions and estimates in the application of the discounted cash flow model to forecast cash flows, including business prospects, market conditions, selling prices and sales volume of products, costs of production and funding sources. The estimated cash flow forecast amounts are derived from the most recent financial budgets for the next five years. For periods beyond the five year forecast period, we use a terminal value approach to estimate the cash flows for the remaining years based on an expected estimated growth rate. This estimated growth rate is based on actual historical results. As of December 31, 2009, we estimated an average discount rate of 10.94% and an average rate of revenue growth of 5.5%. However, given the current economic environment, it is likely that the estimates and assumptions will be more volatile than they have been

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in the past. Further impairment charges may be required if triggering events occur, such as adverse market conditions, that suggest deterioration in an asset's recoverability or fair value. Assessment of the timing of when such declines become other than temporary and the amount of such impairment is a matter of significant judgment. Results in actual transactions could differ from those estimates used to evaluate the impairment of such long-lived assets. If our future cash flow projections are not realized, either because of an extended recessionary period or other unforeseen events, impairment charges may be required in future periods.

If the estimated average discount rates used in these valuations were increased by one percentage point, then the estimated fair values would have decreased by 15% in total. If the estimated average rate of revenue growth rate were decreased by 1%, then the estimated fair values would have decreased by 17% in total.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs of inventories are determined using the moving-weighted average or 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.

The net realizable value is determined based on the latest selling price available at the end of each quarter taking into account the directly attributable selling costs. The latest selling price is the base price which is the negotiated selling price based upon the recent transactions entered into with major customers. Considering that our inventory turnover is approximately two months and inventories at balance sheet date would be sold during the following two months, we perform valuation of inventories using the base price as of the balance sheet date and adjust for significant changes in selling price occurring subsequent to the balance sheet date. The selling price range used for determining the net realizable value of our inventories ranged from the inventory cost amount less 4.1% of gross profit margin to the inventory cost amount plus 30.8% of gross profit margin. For inventories in which expected selling prices are less than the cost amount, the necessary adjustment to write down the inventories to net realizable value is made.

Deferred Income Tax Assets

In assessing the realization of our deferred income tax assets, our management considers whether it is probable that a portion or all of the deferred income tax assets will not be realized. The ultimate realization of our deferred income tax assets is dependent on whether we are able to generate future taxable income in specific tax jurisdictions during the periods in which temporary differences become deductible.

Our management has scheduled the expected future reversals of the temporary differences and projected future taxable income in making this assessment. However, changes in our evaluation of our deferred income tax assets from period to period could have a significant effect on our net results and financial condition.

Operating Results***2009 Compared to 2008***

Our sales in 2009 decreased by 11.7% to Won 36,855 billion from Won 41,743 billion in 2008 primarily due to a 7.4% decrease in the sales volume of our steel products as well as a decrease of 5.2% in the average unit sales price per ton of our steel products, as discussed in [Overview](#) [Sales Volume, Prices and Product Mix](#) above.

Sales volume of silicon steel sheets, which accounted for 2.9% of total sales volume, showed the greatest decrease among our major steel product categories in 2009 with a decrease of 12.8%.

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Sales volume of cold rolled products, which accounted for 36.2% of total sales volume, decreased by 11.7%. Sales volume of hot rolled products, which accounted for 25.8% of total sales volume, decreased by 7.8%. Sales volume of plates, which accounted for 14.7% of total sales volume, decreased by 6.1%. Sales volume of wire rods, which accounted for 7.8% of total sales volume, decreased by 4.4%. On the other hand, sales volume of stainless steel products, which accounted for 7.3% of total sales volume, increased by 10.7%. See Item 4. Information on the Company Item 4.B. Business Overview Major Products.

Our sales to domestic customers in 2009 compared to 2008 decreased by 16.2% in terms of sales revenues (including sales of non-steel products and services) and decreased by 15.1% in terms of sales volume of steel products. In 2009, our sales to domestic customers accounted for approximately 62.6% of our total sales volume of steel products, compared to 68.3% in 2008. The decrease in domestic sales revenues in 2009 compared to 2008 was attributable primarily to a decrease in our sales volume to domestic customers as we strategically focused on increasing our sales to customers abroad in 2009 due to weak domestic demand and, to a lesser extent, a decrease in the price of steel products sold in Korea.

Our export sales and overseas sales to customers abroad in 2009 decreased by 3.6% in terms of sales revenues (including sales of non-steel products and services). The decrease in export sales and overseas sales to customers abroad in terms of sales revenues in 2009 compared to 2008 was attributable to a decrease in the price of steel products sold abroad, which was offset in part by an increase in sales volume to customers abroad. In response to weak domestic demand for steel products in the first half of 2009, we strategically focused on increasing our sales to customers abroad in 2009. In part due to such strategy, our export sales and overseas to customers abroad in 2009 increased by 9.4% in terms of sales volume of steel products compared to 2008, and export sales and overseas sales to customers abroad as a percentage of total sales volume increased to 37.4% of our total sales volume of steel products in 2009 compared to 31.7% in 2008.

Gross profit in 2009 decreased by 36.6% to Won 5,818 billion from Won 9,180 billion in 2008, and gross margin in 2009 decreased to 15.8% from 22.0% in 2008 as the 11.7% decrease in sales discussed above outpaced a 4.7% decrease in cost of goods sold in 2009 to Won 31,037 billion from Won 32,562 billion in 2008. The decrease in sales in 2009 outpaced the decrease in cost of goods sold as the impact from decreases in sales prices of our steel products resulting from weak global market conditions was greater than the cost savings resulting from decreases in the average prices of key raw materials.

The decrease in cost of goods sold was attributable primarily to a decrease in our sales volume of steel products discussed above as well as decreases in the average prices of key raw materials. The average price of coal per wet metric ton (benchmark free on board price of Australian premium hard coking coal) decreased significantly by 57.0% to \$129 in 2009 from \$300 in 2008, and the average price of iron ore per dry metric ton (benchmark free on board price of Australian iron ore fines with iron (Fe) 60% content) decreased by 32.9% to \$58.20 in 2009 from \$86.80 in 2008. The average price of nickel per ton (including insurance and freight costs) decreased by 30.6% to \$14,655 in 2009 compared to \$21,111 in 2008. The impact from these factors was partially offset by a 6.9% increase in our depreciation and amortization expenses included in cost of goods sold to Won 2,429 billion in 2009 from Won 2,273 billion in 2008 primarily due to an increase in capital investments in our facilities in recent years for production of higher value-added products.

Operating income in 2009 decreased by 46.1% to Won 3,868 billion from Won 7,174 billion in 2008. Operating margin decreased to 10.5% in 2009 from 17.2% in 2008, as selling and administrative expenses decreased by 2.8% in 2009 to Won 1,949 billion from Won 2,006 billion in 2008. The decrease in selling and administrative expenses resulted primarily from decreases in transportation and storage expenses, the impact of which was partially offset by increases in fees and charges and stock compensation expenses. Our transportation and storage expenses in 2009 decreased by 17.0% to Won 648 billion from Won 781 billion in 2008 primarily resulting from a

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decrease in oil prices in 2009 compared to 2008. Fees and charges, which include certain administrative fees and professional service fees, increased by 27.4% to Won 158 billion in 2009 from Won 124 billion in 2008 primarily as a result of increases in service fees and expenses incurred by our subsidiaries as well as increases in management and tax consulting expenses in 2009. We recognized stock compensation expenses, which are categorized under others, of Won 36 billion in 2009 primarily as a result of an increase in the benchmark average stock price used to calculate stock compensation in 2009 compared to 2008. We did not recognize any stock compensation expense in 2008.

Our net income decreased by 25.5% to Won 3,242 billion in 2009 from Won 4,350 billion in 2008 primarily due to the 46.1% decrease in operating income discussed above, increases in interest expense and loss on impairment of investments and net loss on valuation of derivatives in 2009 compared to net gain on valuation of derivatives in 2008, the aggregate impact of which was partially offset by net gain on foreign currency translation in 2009 compared to net loss on foreign currency translation in 2008, net gain on derivative transactions in 2009 compared to net loss on derivative transactions in 2008, an increase in gain on disposal of property, plant and equipment and the disposition of other long-term assets by POSCO E&C.

Our interest expense in 2009 increased by 54.2% to Won 532 billion from Won 345 billion in 2008 primarily due to an increase in our long-term debt, which was offset in part by a general decrease in interest rates in Korea in 2009. Our loss on impairment of investments in 2009 increased by 136.4% to Won 286 billion from Won 121 billion in 2008 primarily due to an impairment loss of Won 209 billion as a result of objective evidence that indicated an impairment in our investment in LG Powercom. We recorded net loss on valuation of derivatives of Won 43 billion in 2009 compared to net gain on valuation of derivatives of Won 58 billion in 2008 as the market average exchange rate of the Won against the U.S. dollar depreciated from Won 938.2 to US\$1.00 as of December 31, 2007 to Won 1,257.5 to US\$1.00 as of December 31, 2008 but appreciated to US\$1.00 as of December 31, 2009.

These effects, together with the 46.1% decrease in operating income discussed above, were partially offset by net gain on foreign currency translation of Won 436 billion in 2009 compared to net loss on foreign currency translation of Won 811 billion in 2008 and net gain on derivative transactions of Won 10 billion in 2009 compared to net loss on derivative transactions of Won 62 billion in 2008 as the Won fluctuated against the U.S. dollar as described above. In addition, our gain on disposal of property, plant and equipment in 2009 increased by 485.7% to Won 82 billion from Won 14 billion in 2008 primarily due to the gain from disposition of a research center by POSCO E&C in 2009. Our gain on disposal of other long-term assets increased by 387.5% to Won 234 billion in 2009 from Won 48 billion in 2008 primarily due to the disposition of shares of POS-Plaza in Shanghai by POSCO E&C.

Our effective tax rate was 14.3% in 2009 compared to 28.4% in 2008. The decrease in effective tax rate in 2009 was mainly due to an increase in tax credit to Won 371 billion in 2009 from Won 168 billion in 2008 as well as a tax refund of Won 140 billion in 2009 representing additional tax payments made in the prior year. The statutory income tax rate applicable to us, including resident tax surcharges, decreased to 24.2% in 2009 from 27.5% in 2008.

Segment Results Steel

Our sales to external customers decreased by 10.3% to Won 34,503 billion in 2009 from Won 38,448 billion in 2008. After adjusting for inter-segment transactions, our net sales decreased by 10.9% to Won 28,413 billion in 2009 from Won 31,901 billion in 2008, primarily as a result of a decrease in our sales volume of steel products and a decrease in the average unit sales price per ton of steel products sold by us.

Operating income decreased by 51.5% to Won 3,217 billion in 2009 from Won 6,629 billion in 2008, as the 10.9% decrease in the segment's net sales more than outpaced decreases in cost of

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goods sold and selling and administrative expenses, primarily due to reasons discussed above. Operating margin, which is operating income as a percentage of total sales prior to adjusting for inter-company sales, decreased to 9.3% in 2009 from 17.2% in 2008. Depreciation and amortization increased by 9.1% to Won 2,369 billion in 2009 from Won 2,171 billion in 2008, primarily due to an increase in capital investment in our facilities in recent years for production of higher value-added products.

Segment Results Engineering and Construction

Our sales to external customers increased by 40.4% to Won 7,760 billion in 2009 from Won 5,528 billion in 2008. After adjusting for inter-segment transactions, our net sales increased by 6.4% to Won 3,908 billion in 2009 from Won 3,672 billion in 2008, primarily due to an increase in sales from POSCO E&C's overseas operations from its thermal power plant construction projects in Chile.

Operating income increased by 21.8% to Won 346 billion in 2009 from Won 284 billion in 2008, primarily due to an increase in the volume of POSCO E&C's construction projects. The segment's operating margin, which is operating income as a percentage of total sales prior to adjusting for inter-company sales, decreased to 4.5% in 2009 from 5.1% in 2008 as the market conditions in the domestic construction industry weakened in 2009, resulting in an increase in competition.

Segment Results Trading

Our sales to external customers decreased by 27.2% to Won 4,120 billion in 2009 from Won 5,657 billion in 2008, primarily due to a decrease in the trading volume as well as the average unit sales price per ton of steel products sold. After adjusting for inter-segment transactions, our net sales decreased by 30.1% to Won 2,982 billion in 2009 from Won 4,265 billion in 2008.

Operating income decreased by 32.7% to Won 33 billion in 2009 from Won 49 billion in 2008, and the segment's operating margin, which is operating income as a percentage of total sales prior to adjusting for inter-company sales, decreased to 0.8% in 2009 from 0.9% in 2008.

Segment Results Others

The others segment includes power generation, liquefied natural gas production, network and system integration, logistics and magnesium coil and sheet production. Our sales to external customers decreased by 8.8% to Won 3,420 billion in 2009 from Won 3,749 billion in 2008. Our sales decreased in 2009 primarily due to a decrease in revenues of POSCO Power Corporation resulting from lower production utilization rate, the impact of which was offset in part by an increase in revenues of POSCO Refractories & Environment Co., Ltd. After adjusting for inter-segment transactions, our net sales decreased by 18.5% to Won 1,552 billion in 2009 from Won 1,905 billion in 2008.

Operating income decreased by 45.1% to Won 268 billion in 2009 from Won 488 billion in 2008. The segment's operating margin, which is operating income as a percentage of total sales prior to adjusting for inter-company sales, decreased to 7.8% in 2009 from 13.0% in 2008. Our operating income decreased in 2009 primarily due to a decrease in operating income of POSCON Co., Ltd. Depreciation and amortization increased by 37.3% to Won 206 billion in 2009 from Won 150 billion in 2008, primarily due to an increase in capital investment by POSCO Power Corporation, including completion of a fuel cell manufacturing plant with an annual production capacity of 50 megawatts in Pohang in 2008.

2008 Compared to 2007

Our sales in 2008 increased by 32.1% to Won 41,743 billion from Won 31,608 billion in 2007, reflecting an increase of 23.3% in the average unit sales price per ton of our steel products, as

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discussed in Overview Sales Volume, Prices and Product Mix above, and a 4.4% increase in the sales volume of our steel products.

Sales volume of plates, which accounted for 14.5% of total sales volume, showed the greatest increase among our major steel product categories in 2008 with an increase of 23.6%. Sales volume of wire rods, which accounted for 7.5% of total sales volume, increased by 13.6%. Sales volume of silicon steel sheets, which accounted for 3.1% of total sales volume, increased by 12.3%. Sales volume of hot rolled products, which accounted for 25.9% of total sales volume, increased by 5.6%. Sales volume of cold rolled products, which accounted for 38% of total sales volume, increased by 4.9%. On the other hand, sales volume of stainless steel products, which accounted for 6.1% of total sales volume, decreased by 23.6%. See Item 4. Information on the Company Item 4.B. Business Overview Major Products.

Our sales to domestic customers in 2008 compared to 2007 increased by 34.6% in terms of sales revenues (including sales of non-steel products and services) and increased by 7.8% in terms of sales volume of steel products. In 2008, our sales to domestic customers accounted for approximately 68.3% of our total sales volume of steel products, compared to 66.2% in 2007. The increase in domestic sales revenues in 2008 compared to 2007 was attributable primarily to an increase in the price of steel products sold in Korea and, to a lesser extent, an increase in sales volume to domestic customers.

Our export sales and overseas sales to customers abroad in 2008 increased by 27.6% in terms of sales revenues (including sales of non-steel products and services) and decreased by 2.2% in terms of sales volume of steel products compared to 2007. Export sales and overseas sales to customers abroad as a percentage of total sales volume decreased to 31.7% of our total sales volume of steel products in 2008 compared to 33.8% in 2007. The increase in export sales and overseas sales to customers abroad in terms of sales revenues in 2008 compared to 2007 was attributable to an increase in the price of steel products sold abroad, which was offset in part by a decrease in sales volume to customers abroad.

Gross profit in 2008 increased by 36.9% to Won 9,180 billion from Won 6,705 billion in 2007. Gross margin in 2008 increased to 22.0% from 21.2% in 2007 due to the 32.1% increase in sales discussed above, which outpaced a 30.8% increase in cost of goods sold in 2008 to Won 32,562 billion from Won 24,903 billion in 2007. In 2008, the increase in our sales outpaced the increase in our cost of goods sold as the strong demand for some of our products in the first half of 2008 enabled us to increase our sales prices at a greater pace than the increase in our raw material costs.

The increase in cost of goods sold was attributable primarily to increases in the prices of iron ore and coal as well as an increase in our sales volume of steel products, which factors more than offset the impact from our cost savings programs to reduce raw material costs and steel production costs related to sintering and coking processes and a decrease in the price of nickel. The average price of coal per wet metric ton (benchmark free on board price of Australian premium hard coking coal), increased more than three-fold to \$300 in 2008 from \$98 in 2007, and the average price of iron ore per dry metric ton (benchmark free on board price of Australian iron ore fines with iron (Fe) 64% content) increased by 78.8% to \$93 in 2008 from \$52 in 2007. On the other hand, the average price of nickel per ton (including insurance and freight costs) decreased by 43.3% to \$21,111 in 2008 from \$37,230 in 2007. Depreciation and amortization increased by 11.9% to Won 2,379 billion in 2008 from Won 2,127 billion in 2007, primarily due to an increase in capital investment in our facilities for production of higher value-added products.

Operating income in 2008 increased by 45.8% to Won 7,174 billion from Won 4,920 billion in 2007. Operating margin increased to 17.2% in 2008 from 15.6% in 2007, as selling and administrative expenses increased by 12.4% in 2008 to Won 2,006 billion from Won 1,785 billion in 2007. The increase in selling and administrative expenses resulted principally from increases in selling expenses, labor-related expenses, research and development and fees and charges, the aggregate impact of

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which was partially offset by a decrease in stock compensation expense. Selling expenses increased by 28% to Won 883 billion in 2008 from Won 690 billion in 2007 primarily due to an increase in our sales volume, as well as an increase in transportation costs primarily resulting from an increase in oil prices during the first half of 2008. Our labor-related expenses included in selling and administrative expenses, which consist of salaries and wages, other employee benefit and provision for severance benefits, increased by 21.4% to Won 469 billion in 2008 from Won 387 billion in 2007, primarily as a result of an increase in incentive pay as our sales increased in 2008, as well as an increase in the number of employees of our subsidiaries. An increase of 79.0% in research and development expenses to Won 95 billion in 2008 from Won 53 billion in 2007 resulted primarily from our increased research efforts in connection with the development of fuel cell technology. Fees and charges increased by 27.8% to Won 124 billion in 2008 from Won 97 billion in 2007, primarily as a result of increases in service fees and expenses incurred by our subsidiaries, as well as increases in management and tax consulting expenses in 2008. There was no stock compensation expense in 2008 compared with Won 124 billion of stock compensation expense in 2007 which was due to an increase in the market value of our shares in 2007.

Our net income increased by 18.3% to Won 4,350 billion in 2008 from Won 3,678 billion in 2007 primarily due to the 45.8% increase in operating income discussed above, an increase in interest and dividend income and a reversal of stock compensation expense, the aggregate impact of which was partially offset by increases in net loss on foreign currency translation, net loss on foreign currency transactions, loss on impairment of investments and interest expenses.

Our interest and dividend income increased by 54.3% to Won 362 billion in 2008 from Won 235 billion in 2007 primarily attributable to an increase in our interest-earning assets. We also recognized a Won 55 billion reversal of stock compensation expense in 2008 compared to no such reversal in 2007 reflecting adjustments made due to a decrease in the market value of our shares in 2008.

These effects, together with a 45.8% increase in operating income discussed above, were partially offset by the following:

We recorded a substantial increase in net loss on foreign currency translation to Won 811 billion in 2008 from Won 46 billion in 2007, as well as net loss on foreign currency transaction of Won 129 billion in 2008 compared to net gain on foreign currency transaction of Won 28 billion in 2007, primarily due to greater depreciation of the Won against the Dollar in 2008 compared to 2007.

We recognized a 947% increase in loss on impairment of investments to Won 121 billion in 2008 from Won 12 billion in 2007, primarily due to an impairment loss resulting from a decrease in the fair value of our July 2008 investment in Macarthur Coal Limited.

Our interest expense increased by 43.7% to Won 345 billion in 2008 from Won 240 billion in 2007 primarily due to increases in our outstanding long-term debt and short-term borrowings.

Our effective tax rate was 28.4% in 2008 compared to 26% in 2007. The increase in effective tax rate in 2008 was mainly due to a decrease in deferred tax assets resulting from reduction of statutory tax rates applicable to future periods. The statutory income tax rate applicable to us, including resident tax surcharges, remained the same at 27.5% in 2008 compared to 2007.

Segment Results Steel

Our sales to external customers increased by 31.7% to Won 38,448 billion in 2008 from Won 29,184 billion in 2007, primarily as a result of an increase in the average unit sales price per ton of steel products sold by us and, to a lesser

extent, an increase in our sales volume of steel products. After adjusting for inter-segment transactions, our net sales increased by 30.6% to Won 31,901 billion in 2008 from Won 24,427 billion in 2007.

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Operating income increased by 46.2% to Won 6,629 billion in 2008 from Won 4,534 billion in 2007, as a 31.7% increase in the segment's sales more than outpaced increases in cost of goods sold and selling and administrative expenses. Operating margin, which is operating income as a percentage of total sales prior to adjusting for inter-company sales, increased to 17.2% in 2008 from 15.5% in 2007. Depreciation and amortization increased by 11.9% to Won 2,171 billion in 2008 from Won 1,941 billion in 2007, primarily due to an increase in capital investment in our facilities for production of higher value-added products.

Segment Results Engineering and Construction

Our sales to external customers increased by 45.4% to Won 5,528 billion in 2008 from Won 3,802 billion in 2007, primarily due to an increase in sales from POSCO E&C's overseas operations from its thermal power plant construction projects in Chile. After adjusting for inter-segment transactions, our net sales increased by 35.5% to Won 3,672 billion in 2008 from Won 2,710 billion in 2007.

Operating income decreased by 0.2% to Won 284 billion in 2008 from Won 285 billion in 2007, primarily due to a decrease in profit margins of POSCO E&C's construction projects resulting from a downturn in the construction industry in Korea due to excessive investment in recent years in the residential property development projects, stagnation of real property prices and reduced demand for residential property, especially in areas outside of Seoul. Accordingly, the segment's operating margin, which is operating income as a percentage of total sales prior to adjusting for inter-company sales, decreased to 5.1% in 2008 from 7.5% in 2007.

Segment Results Trading

Our sales to external customers increased by 40.8% to Won 5,657 billion in 2008 from Won 4,018 billion in 2007, primarily due to an increase in the average unit sales price per ton of steel products sold and, to a lesser extent, an increase in trading volume. After adjusting for inter-segment transactions, our net sales increased by 35.7% to Won 4,265 billion in 2008 from Won 3,143 billion in 2007.

Operating income increased by 58.1% to Won 49 billion in 2008 from Won 31 billion in 2007, primarily due to an increase in the sales prices of steel products as well as trading volume. The segment's operating margin, which is operating income as a percentage of total sales prior to adjusting for inter-company sales, increased to 0.9% in 2008 from 0.8% in 2007.

Segment Results Others

The others segment includes power generation, liquefied natural gas production, network and system integration, logistics and magnesium coil and sheet production. Our sales to external customers increased by 38.1% to Won 3,749 billion in 2008 from Won 2,715 billion in 2007. Our sales increased in 2008 primarily due to an increase in sales from our coal trading business, which in turn was due to a substantial increase in the price of coal in 2008 compared to 2007. After adjusting for inter-segment transactions, our net sales increased by 43.4% to Won 1,905 billion in 2008 from Won 1,328 billion in 2007.

Operating income increased by 160.2% to Won 488 billion in 2008 from Won 188 billion in 2007. The segment's operating margin, which is operating income as a percentage of total sales prior to adjusting for inter-company sales, increased to 13.0% in 2008 from 6.9% in 2007. Our operating income increased in 2008 primarily due to an increase in operating income from our coal trading business, which in turn was due to a substantial increase in the price of coal in 2008 compared to 2007. Depreciation and amortization increased by 7.2% to Won 150 billion in 2008 from Won 140 billion in 2007, primarily due to an increase in capital investment by POSCO Power Corporation, including completion of a fuel cell manufacturing plant with an annual production capacity of 50 megawatts in Pohang in 2008.

Table of Contents**Item 5.B. *Liquidity and Capital Resources***

The following table sets forth the summary of our cash flows for the periods indicated:

	For the Year Ended December 31,		
	2007	2008	2009
	(In billions of Won)		
Net cash provided by operating activities	₩ 5,553	₩ 3,687	₩ 8,633
Net cash used in investing activities	3,737	5,803	9,717
Net cash provided by (used in) financing activities	(1,001)	3,117	862
Cash and cash equivalents at beginning of period	936	1,293	2,491
Cash and cash equivalents at end of period	1,293	2,491	2,199
Net increase in cash and cash equivalents	356	1,198	(292)

Capital Requirements

Historically, uses of cash consisted principally of purchases of property, plant and equipment and other assets, payments of outstanding debt and payments of dividends.

Net cash used in investing activities was Won 3,737 billion in 2007, Won 5,803 billion in 2008 and Won 9,717 billion in 2009. These amounts included purchases of property, plant and equipment of Won 2,892 billion in 2007, Won 4,093 billion in 2008 and Won 6,407 billion in 2009. We recorded net acquisition of short-term financial instruments of Won 973 billion in 2007, Won 53 billion in 2008 and Won 4,012 billion in 2009. We also recorded net acquisition of available-for-sale securities of Won 47 billion in 2007, Won 1,331 billion in 2008 and Won 352 billion in 2009.

In our financing activities, we used cash of Won 6,600 billion in 2007, Won 9,043 billion in 2008 and Won 5,836 billion in 2009 for repayments of short-term borrowings, and Won 527 billion in 2007, Won 861 billion in 2008, Won 1,349 billion in 2009, for repayments of outstanding long-term debt.

We paid dividends on common stock in the amount of Won 655 billion in 2007, Won 755 billion in 2008 and Won 689 billion in 2009.

We anticipate that capital expenditures and repayments of outstanding debt will represent the most significant uses of funds for the next several years. From time to time, we may also require capital for investments involving acquisitions and strategic relationships and repurchase of our shares from the market as treasury stock. Our total capital expenditures (acquisition of property, plant and equipment) were Won 6,407 billion in 2009 and we currently plan to increase our capital expenditures in 2010, which we may adjust on an on-going basis subject to market demand for our products, the production outlook of the global steel industry and global economic conditions in general. We may delay or not implement some of our current capital expenditure plans based on our assessment of such market conditions. However, our failure to undertake planned expenditures on steel-producing facilities could adversely affect the modernization of our production facilities and our ability to produce higher value-added products.

Payments of contractual obligations and commitments will also require considerable resources. In the ordinary course of our business, we routinely enter into commercial commitments for various aspects of our operations, as well as issue guarantees for indebtedness of our affiliated companies and others. As of December 31, 2009, we issued guarantees of Won 2,103 billion for the repayment of loans of affiliated companies and Won 984 billion for the repayment of loans of non-affiliated companies. See note 16 of notes to our Consolidated Financial Statements. The

following table sets

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forth the amount of long-term debt, capital lease and operating lease obligations as of December 31, 2009.

Contractual Obligations	Total	Payments Due by Period			
		Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
		(In billions of Won)			
Long-term debt obligations (a)	9,087	787	3,695	3,850	755
Interest payments on long-term debt (b)	1,021	365	470	186	
Capital lease obligations (c)	24	7	10	3	4
Operating lease obligations (d)	11	6	4	1	0
Purchase obligations (e)	34,918	6,138	10,720	8,613	9,447
Accrued severance benefits (f)	921	49	130	142	600
Total	45,982	7,352	15,029	12,795	10,806

- (a) Includes the current portion and premium on bond redemption but excludes amortization of discount on debentures and issuance costs.
- (b) As of December 31, 2009, a portion of our long-term debt carried variable interest rates. We used the interest rate in effect as of December 31, 2009 in calculating the interest payments on long-term debt for the periods indicated.
- (c) We entered into a capital lease contract with Ilshin Shipping Co., Ltd. for a vessel for transporting plates and other products.
- (d) We, including certain subsidiaries, acquired certain tools and equipment under operating lease agreements with Macquarie Capital Korea Co., Ltd. and others.
- (e) Our purchase obligations include long-term contracts to purchase iron ore, coal, liquefied natural gas and other raw materials. These contracts generally have terms of three to ten years and provide for periodic price adjustments to then-market prices. As of December 31, 2009, 364 million tons of iron ore and 59 million tons of coal remained to be purchased under long-term contracts. In addition, on July 1, 2005, we entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia to purchase 550 thousand tons of LNG annually for 20 years. Purchase price under the agreement with Tangguh LNG Consortium is variable based on the monthly standard oil price (as represented by the Japan Customs-cleared Crude Price), subject to a ceiling. We used the market price in effect as of December 31, 2009 in calculating the iron ore, coal and liquefied natural gas purchase obligations described above for the periods indicated.
- (f) Represents, as of December 31, 2009, the expected amount of severance benefits that we will be required to pay under applicable Korean law to all of our employees when they reach their normal retirement age. The amounts were determined based on the employees' current salary rates and the number of service years that will be accumulated upon their retirement. These amounts do not include amounts that may be paid to employees who cease to work at the company before their normal retirement age.

Capital Resources

We have traditionally met our working capital and other capital requirements principally from cash provided by operations, while raising the remainder of our requirements primarily through long-term debt and short-term borrowings.

Our primary sources of cash have been cash provided by operating activities and proceeds of long-term debt and short-term borrowings, and we expect that these sources will continue to be our principal sources of cash in the future. From time to time, we may also generate cash through sale of treasury shares.

Our net cash provided by operating activities was Won 5,553 billion in 2007, Won 3,687 billion in 2008 and Won 8,633 billion in 2009.

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Our net cash provided by operating activities decreased by 33.6%, or Won 1,866 billion, to Won 3,687 billion in 2008 compared to Won 5,553 billion 2007. Our sales increased by 32.1%, or Won 10,135 billion, in 2008 compared to 2007, primarily reflecting a 23.3% increase in the average unit sales price per ton of our steel products and a 4.4% increase in the sales volume of our steel products, as discussed above, which increased gross cash inflow from our sales activities. However, sluggish demand from our customers in industries adversely impacted by deteriorating global economic conditions in the second half of 2008, such as the automotive and construction industries, led to a significant increase in the inventory level and a delay in recoupment of cash used in production activities, including purchase of raw materials. Such developments resulted in an overall decrease of net cash provided by operating activities in 2008 compared to 2007.

Our net cash provided by operating activities increased by 134.1%, or Won 4,946 billion, to Won 8,633 billion in 2009 compared to Won 3,687 billion in 2008. Our sales decreased by 11.7%, or Won 4,888 billion, primarily reflecting a 7.4% decrease in the sales volume of our steel products as well as a 5.2% decrease in the average unit sales price per ton of our steel products, as discussed above, which decreased gross cash inflow from our sales activities. In addition, cash used for payment of income tax in 2009 increased significantly due to an increase in our income level in 2008. However, our overall net cash provided by operating activities increased significantly in 2009 compared to 2008 as we focused on decreasing our inventory level. Decrease in inventories in 2009 primarily reflected a decrease in the volume of inventories due to a reduction of our crude steel production in the first quarter of 2009 as well as a decrease in the price of steel products in 2009. In response to weak demand from certain segments of our customers in industries adversely impacted by deteriorating global economic conditions in the first quarter of 2009, such as the domestic automotive and construction industries, we reduced our crude steel production in the first quarter of 2009. In addition, we have taken the following steps in 2009 to reduce our inventory level:

- setting inventory targets for each product type and segment;
- monitoring sales activities through our newly-established special sales committee;
- focusing on reducing inventories older than 30 days; and
- setting up a system to report inventories older than 30 days to a responsible sales manager.

Our trade accounts and notes receivables also decreased in 2009, which typically occur in an economic recovery. We have taken the following steps in 2009 to reduce our accounts and notes receivable level:

- increasing management oversight on the accounts receivable turnover ratio;
- strengthening efforts to collect from delinquent customers and maintaining adequate level of collateral; and
- converting to cash settlement for customers with high risk of insolvency.

Aggregate cash proceeds from issuance of short-term borrowings were Won 6,811 billion in 2007, Won 10,234 billion in 2008 and Won 5,828 billion in 2009. Aggregate cash proceeds from issuance of long-term debt were Won 1,054 billion in 2007, Won 3,455 billion in 2008 and Won 2,696 billion in 2009. Total long-term debt, including current portion but excluding discount on debentures issued, were Won 3,790 billion as of December 31, 2007, Won 7,666 billion as of December 31, 2008 and Won 9,017 billion as of December 31, 2009, and total short-term borrowings were Won 1,572 billion as of December 31, 2007, Won 3,254 billion as of December 31, 2008 and Won 3,226 billion as of December 31, 2009.

We periodically increase our short-term borrowings and adjust our long-term debt financing levels depending on changes in our capital requirements. For example, our outstanding long-term debt increased substantially in 2008 and 2009 in order to procure funding for our capital expenditure plans

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and purchase of raw materials. We also generated cash of Won 407 billion in 2007, Won 365 billion in 2008 and Won 249 billion in 2009 from the sale of our treasury shares.

We believe that we have sufficient working capital available to us for our current requirements and that we have a variety of alternatives available to us to satisfy our financial requirements to the extent that they are not met by funds generated by operations, including the issuance of debt and equity securities and bank borrowings denominated in Won and various foreign currencies. However, our ability to rely on some of these alternatives could be affected by factors such as the liquidity of the Korean and the global financial markets, prevailing interest rates, our credit rating and the Government's policies regarding Won currency and foreign currency borrowings. For example, the credit shortage in the global credit market prevented us from accessing the international debt capital markets in the fourth quarter of 2008 and early 2009. In response, we issued Won 500 billion principal amount of debt securities in January 2009 in Korea at a relatively low interest rate due to our strong domestic credit ratings. In addition, we accessed the international debt capital markets as soon as we were able to do so and issued \$700 million principal amount of debt securities in a global offering in March 2009.

Liquidity

Our liquidity is affected by exchange rate fluctuations. See [Overview Exchange Rate Fluctuations](#). Approximately 36.8% of our sales in 2007, 35.6% of our sales in 2008 and 38.9% of our sales in 2009 were denominated in foreign currencies, of which approximately 90% were denominated in Dollars and around 10% in Yen and which were derived almost entirely from export sales. As of December 31, 2009, approximately 50.5% of our long-term debt (excluding discounts on debentures issued and including current portion) was denominated in foreign currencies, principally in Dollars and Yen. We have incurred foreign currency debt in the past principally due to the cost of Won-denominated financing in Korea, which had historically been higher than for Dollar or Yen-denominated financings.

Our liquidity is also affected by our capital expenditures and raw materials purchases. Cash used for purchases of property, plant and equipment was Won 2,892 billion in 2007, Won 4,093 billion in 2008 and Won 6,407 billion in 2009. We have entered into several long-term contracts to purchase iron ore, coal and other raw materials. The long-term contracts generally have terms of three to ten years and provide for periodic price adjustments to then-market prices. As of December 31, 2009, 364 million tons of iron ore and 59 million tons of coal remained to be purchased under long-term contracts. We may face unanticipated increases in capital expenditures and raw materials purchases. There can be no assurance that we will be able to secure funds on satisfactory terms from financial institutions or other sources that are sufficient for our unanticipated needs.

We had a working capital (current assets minus current liabilities) surplus of Won 7,769 billion as of December 31, 2007, Won 11,188 billion as of December 31, 2008 and Won 11,359 billion as of December 31, 2009. As of December 31, 2009, POSCO had unused credit lines of Won 1,031 billion out of total available credit lines of Won 2,242 billion. We have not had, and do not believe that we will have, difficulty gaining access to short-term financing sufficient to meet our current requirements.

The following table sets forth the summary of our significant current assets for the periods indicated:

	2007	As of December 31, 2008	2009
	(In billions of Won)		
Cash and cash equivalents, net of government grants	₩ 1,293	₩ 2,490	₩ 2,197

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Short-term financial instruments	1,743	1,827	5,820
Trading securities	1,287	1,238	506
Trade accounts and notes receivable, net of allowance for doubtful accounts and present value discount	4,036	5,894	5,145
Inventories, net	4,902	8,662	5,153

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Under Korean GAAP, bank deposits and all highly liquid temporary cash instruments within maturities of three months are considered as cash equivalents. Short-term financial instruments primarily consist of time and trust deposits with maturities between three to twelve months.

The following table sets forth the summary of our significant current liabilities for the periods indicated:

	2007	As of December 31, 2008 (In billions of Won)	2009
Trade accounts and notes payable	₩ 2,247	₩ 3,070	₩ 2,735
Short-term borrowings	1,572	3,254	3,226
Income tax payable	931	2,083	394
Current portion of long-term debt, net of discount on debentures issued	483	770	787

Capital Expenditures and Capacity Expansion

Our capital expenditures for 2007, 2008 and 2009 amounted to Won 2,892 billion, Won 4,093 billion and Won 6,407 billion, respectively. We currently plan to increase our capital expenditures in 2010, which we may adjust on an on-going basis subject to market demand for our products, the production outlook of the global steel industry and global economic conditions in general. We may delay or not implement some of our current capital expenditure plans based on our assessment of such market conditions.

Our current capital investment in production facilities emphasizes capacity rationalization, increased production of higher value-added products and improvements in the efficiency of older facilities in order to reduce operating costs. The following table sets out the major items of POSCO's capital expenditures as of December 31, 2009:

Project	Expected Completion Date	Total Cost of Project (In billions of Won)	Estimated Remaining Cost of Completion as of December 31, 2009
Pohang Works:			
Construction of a new steelmaking plant	June 2010	1,397	411
Renovation of no. 4 furnace	December 2010	441	81
Installation of grained coal re-rolling drum	April 2010	160	111
Gwangyang Works:			
Construction of no. 5 sintering plant and no. 5 coke plant	December 2011	1,987	1,504
Construction of a new steel plate plant	July 2010	1,791	355
Pohang and Gwangyang Works:			
Raw materials treatment facility upgrades	March 2016	916	683

U.S. GAAP Reconciliation

Our consolidated financial statements are prepared in accordance with Korean GAAP, which differ in significant respects from U.S. GAAP. For a discussion of the significant differences between Korean GAAP and U.S. GAAP, see Note 31 of Notes to Consolidated Financial Statements.

Our net income in accordance with U.S. GAAP was Won 3,609 billion in 2009 compared to net income of Won 4,084 billion in 2008 and Won 3,677 billion in 2007 primarily due to the factors discussed in Operating Results. Our net income under U.S. GAAP of Won 3,609 billion in 2009 is 11.3% higher than our net income under Korean GAAP of Won 3,242 billion. See Note 31(a) of Notes to Consolidated Financial Statements.

Table of Contents**Recent Accounting Pronouncements in 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. We 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 our 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 non-controlling 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 was no significant business combination in 2009.

Item 5.C. *Research and Development, Patents and Licenses, Etc.*

We maintain a research and development program to carry out basic research and applied technology development activities. Our technology development department works closely with the Pohang University of Science & Technology, Korea’s first research-oriented college founded by us in 1986, and the Research Institute of Industrial Science and Technology, Korea’s first private comprehensive research institute founded by us in 1987. As of December 31, 2009, Pohang University of Science & Technology and the Research Institute of Industrial Science and Technology employed a total of approximately 863 researchers.

In 1994, we founded the POSCO Technical Research Laboratory to carry out applied research and technology development activities. As of December 31, 2009, the Technical Research Laboratory employed a total of 422 researchers.

We recorded research and development expenses of Won 290 billion as cost of goods sold in 2007, Won 361 billion in 2008 and Won 368 billion in 2009, as well as research and development expenses of Won 53 billion as selling and administrative expenses in 2007, Won 95 billion in 2008 and Won 84 billion in 2009.

Our research and development program has filed over twenty-nine thousand industrial rights applications relating to steel-making technology, approximately one-fourth of which were registered as of December 31, 2009, and has successfully applied many of these to the improvement of our manufacturing process.

Item 5.D. *Trend Information*

These matters are discussed under Item 5.A. and Item 5.B. above where relevant.

Item 5.E. *Off-balance Sheet Arrangements*

As of December 31, 2007, 2008 and 2009, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which have been

established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

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Item 5.F. *Tabular Disclosure of Contractual Obligations*

These matters are discussed under Item 5.B. above where relevant.

Item 5.G. *Safe Harbor*

See Item 3. Key Information Item 3.D. Risk Factors This annual report contains forward-looking statements that are subject to various risks and uncertainties.

Item 6. *Directors, Senior Management and Employees*

Item 6.A. *Directors and Senior Management*

Board of Directors

Our board of directors has the ultimate responsibility for the management of our business affairs. Under our articles of incorporation, our board is to consist of five directors who are to also act as our executive officers (Inside Directors) and eight directors who are to be outside directors (Outside Directors). Our shareholders elect both the Inside Directors and Outside Directors at a general meeting of shareholders. Candidates for Inside Director are recommended to shareholders by the board of directors after the board reviews such candidates' qualifications and candidates for Outside Director are recommended to the shareholders by a separate board committee consisting of three Outside Directors and one Inside Director (Director Candidate Recommendation Committee) after the committee reviews such candidates' qualifications. Any shareholder holding our outstanding shares with voting rights may suggest candidates for Outside Directors to the Director Candidate Recommendation Committee.

Our board of directors maintains the following six sub-committees:

the Director Candidate Recommendation Committee;

the Evaluation and Compensation Committee;

the Finance and Operation Committee;

the Executive Management Committee;

the Audit Committee; and

the Related Party Transactions Committee.

Our board committees are described in greater detail below under Item 6.C. Board Practices.

Under the Commercial Code and our articles of incorporation, one Chairman should be elected among the Outside Directors and several Representative Directors may be elected among the Inside Directors by our board of directors resolution.

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Our current Inside Directors are:

Name	Position	Responsibilities and Division	Years as Director	Years with POSCO	Age	Expiration of Term of Office
Chung, Joon-Yang	Chief Executive Officer and Representative Director		6	35	62	February 2012
Choi, Jong-Tae	President and Representative Director	Chief Financial and Planning Officer	2	36	60	February 2011
Park, Han-Yong	Senior Executive Vice President	Chief Staff Officer	0	31	59	February 2012
Oh, Chang-Kwan	Senior Executive Vice President	Head of Stainless Steel Business Division	0	32	57	February 2012
Kim, Jin-II	Senior Executive Vice President	Head of Carbon Steel Business Division	0	35	57	February 2012

All Inside Directors are engaged in our business on a full-time basis.

Outside Directors

Our current Outside Directors are set out in the table below. Each of our Outside Directors meets the applicable independence standards set forth under the rules of the FSCMA.

Name	Position	Principal Occupation	Years as Director	Age	Expiration of Term of Office
Ahn, Charles	Presiding Director of the Board of Directors	Chairman of the Board, AhnLab, Inc.	5	48	February 2011
Sun, Wook	Director	Former CEO, Nongshim Co., Ltd.	5	65	February 2011
Park, Sang-Yong	Director	Professor, Yonsei University	2	59	February 2011
Yoo, Jang-Hee	Director	President, East Asian Economic Association	1	69	February 2012
Han, Joon-Ho	Director		1	64	February 2012

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Lee, Young-Sun	Director	CEO and Vice Chairman, Samchully Co., Ltd. President, Hallym University	1	62	February 2012
Kim, Byung-Ki	Director	Former President and Research Fellow, Samsung Economic Research Institute	1	60	February 2012
Lee, Chang-Hee	Director	Professor, Seoul National University	1	50	February 2012

The term of office of the Directors is up to three (3) years. Each Director's term expires at the close of the ordinary general meeting of shareholders convened in respect of the fiscal year that is the last one to end during such Director's tenure.

Senior Management

In addition to the Inside Directors who are also our executive officers, we have the following executive officers:

Name	Position	Responsibility and Division	Years with POSCO	Age
Kwon, Young-Tae	Senior Executive Vice President	Raw Materials Procurement Dept.	35	60

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Name	Position	Responsibility and Division	Years with POSCO	Age
Kim, Sang-Young	Senior Executive Vice President	Corporate Communication Dept.	23	58
Cho, Noi-Ha	Executive Vice President	Chief Technology Officer	32	57
Yoon, Yong-Won	Executive Vice President	Head of Growth and Investment Division	32	58
Park, Ki-Hong	Executive Vice President	Corporate Strategy Dept., Green Development Project Dept., Chief Risk Management Officer	4	52
Choo, Wung-Yong	Executive Vice President	General Superintendent (Technical Research Laboratories)	27	57
Yoo, Kwang-Jae	Executive Vice President	Stainless Steel Business Division	32	58
Kim, Joon-Sik	Executive Vice President	General Superintendent (Gwangyang Works)	29	56
Jang, Young-Ik	Executive Vice President	Stainless Steel Raw Materials Procurement Dept.	31	56
Cho, Bong-Rae	Executive Vice President	General Superintendent (Pohang Works)	30	57
Shin, Jung-Suk	Executive Vice President	Chief Marketing Officer	31	57
Baek, Sung-Kwan	Senior Vice President	Steel Business Dept. II	29	54
Lee, Kyung-Hoon	Senior Vice President	Environment and Energy Dept.	31	56
Jang, Sung-Hwan	Senior Vice President	Deputy General Superintendent (Administration, Pohang Works)	29	55
Lee, Hoo-Geun	Senior Vice President	FINEX Research and Development Project Dept. (Pohang Works)	27	52
Woo, Jong-Soo	Senior Vice President	European Union Office	30	54
Kang, Chang-Gyun	Senior Vice President	Corporate Synergy Dept.	30	54
Lee, Jung-Sik	Senior Vice President	Technology Strategy Dept.	30	55
Suh, Young-Sea	Senior Vice President	Stainless Steel Marketing Dept.	26	54
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Park, Myung-Kil	Senior Vice President	Procurement Service Center, Corporate Collaboration and Prosperity Dept.	24	51
Lee, Young-Hoon	Senior Vice President	Finance Dept.	24	50
Hwang, Eun-Yeon	Senior Vice President	Marketing Strategy Dept.	23	51
Kim, Yeung-Gyu	Senior Vice President	Human Resources and Innovation Dept.	27	55
Park, Kui-Chan	Senior Vice President	Dept. of External Affairs, Global Research and Development Center Project Dept.	3	53
Park, Sung-Ho	Senior Vice President	Deputy General Superintendent (Technical Research Laboratories)	27	53
Shin, Young-Kwan	Senior Vice President	Cold Rolled Products Marketing Dept.	25	52
Oh, In-Hwan	Senior Vice President	Automotive Flat Products Marketing Dept.	28	51
Yeon, Kyu-Sung	Senior Vice President	Deputy General Superintendent (Maintenance, Pohang Works)	25	51
Lee, Kyoung-Mok	Senior Vice President	Deputy General Superintendent (Iron and Steel Making, Pohang Works)	28	54
Jeon, Woo-Sig	Senior Vice President	Strategic Business Dept.	24	50
Kim, Young-Hun	Senior Vice President	Corporate Future Creation Academy	28	52
Choi, Jeong-Woo	Senior Vice President	Corporate Audit Dept.	25	53
Cho, Sang-Ho	Senior Vice President	Magnesium Business Dept.	27	54
Lee, Myung-Chul	Senior Vice President	Energy Business Dept.	22	51
An, Tong-Il	Senior Vice President	Deputy General Superintendent (Maintenance, Gwangyang Works)	23	51
Yae, Jae-Hen	Senior Vice President	Labor and Outside Services Dept.	25	54
Choi, Kyu-Seok	Senior Vice President	Information Planning Dept.	24	52
Min, Kyung-Zoon	Senior Vice President	Deputy General Superintendent (Hot and Cold Rolling, Gwangyang Works)	26	52
Kim, Won-Ki	Senior Vice President	POSCO-South Asia Co., Ltd.	28	53

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Name	Position	Responsibility and Division	Years with POSCO	Age
Nam, Sik	Senior Vice President	POSCO-Vietnam Co., Ltd.	27	53
Ko, Suk-Bum	Senior Vice President	Deputy General Superintendent (Administration, Gwangyang Works)	25	52
Kim, Hag-Dong	Senior Vice President	Deputy General Superintendent (Iron and Steel Making, Gwangyang Works)	25	51
Kim, Sun-Won	Senior Vice President	Order Processing and Technical Service Dept.	27	52
Son, Gi-Jin	Senior Vice President	Corporate Contribution Dept.	27	50
Kim, Dong-Chul	Senior Vice President	Steel Business Dept. I	24	54
Kim, Jhi-Yong	Senior Vice President	Advanced Materials Business Dept.	17	48
Jeon, Cheol	Senior Vice President	Stainless Steel Production and Technology	27	53
Kim, Yong-Min	Senior Vice President	Zhangjiagang Pohang Stainless Steel Co., Ltd.	27	52
Lee, Young-Ki	Senior Vice President	Deputy General Superintendent (Hot and Cold Rolling, Pohang Works)	24	50
Yu, Seong	Senior Vice President	POSCO-Japan Co., Ltd.	24	53
Shin, Jae-Chul	Senior Vice President	Hot Rolled Products Marketing Dept.	24	49
Kim, Se-Hyun	Senior Vice President	Productivity Research Center	0	50
Oh, In-Kyung	Senior Vice President	Global Leadership Center	0	49

Item 6.B. Compensation**Compensation of Directors and Officers**

Salaries and bonuses for Inside Directors and salaries for Directors are paid in accordance with standards decided by the board of directors within the limitation of directors remuneration approved by the annual general meeting of shareholders. In addition, executive officers' compensation is paid in accordance with standards decided by the board of directors. The aggregate compensation paid and accrued to all Directors and executive officers was approximately Won 21.1 billion in 2009 and the aggregate amount set aside or accrued by us to provide pension and retirement benefits to such persons was Won 5.5 billion in 2009.

We have also granted stock options to some of our Directors and executive officers. See Item 6.E. Share Ownership for a list of stock options granted to our Directors and executive officers. At the annual shareholders meeting held in February 2006 our shareholders elected to terminate the stock option program. Stock options granted prior to this meeting remain valid and outstanding pursuant to the articles of incorporation in effect at the time of the issuance of the stock option.

Item 6.C. Board Practices

Director Candidate Recommendation Committee

The Director Candidate Recommendation Committee comprises three Outside Directors, Han, Joon-Ho (committee chair), Lee, Young-Sun, Lee, Chang-Hee and one Inside Director, Park, Han-Yong. The Director Candidate Recommendation Committee reviews the qualifications of potential candidates and proposes nominees to serve on our board of directors as an Outside Director. Any shareholder holding our outstanding shares with voting rights may suggest candidates for Outside Directors to the Director Candidate Recommendation Committee.

Evaluation and Compensation Committee

The Evaluation and Compensation Committee comprises four Outside Directors, Lee, Young-Sun (committee chair), Ahn, Charles, Yoo, Jang-Hee and Kim, Byung-Ki. The Evaluation and

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Compensation Committee's primary responsibilities include establishing evaluation procedures and compensation plans for executive officers and taking necessary measures to execute such plans.

Finance and Operation Committee

The Finance and Operation Committee is comprised of three Outside Directors, Yoo, Jang-Hee (committee chair), Han, Joon-Ho, Kim, Byung-Ki and two Inside Directors, Choi, Jong-Tae and Kim, Jin-Il. This committee is an operational committee that oversees decisions with respect to finance and operational matters, including making assessments with respect to potential capital investments and evaluating prospective capital-raising activities.

Executive Management Committee

The Executive Management Committee comprises five Inside Directors: Chung, Joon-Yang (committee chair), Choi, Jong-Tae, Park, Han-Yong, Oh, Chang-Kwan and Kim, Jin-Il. This committee oversees decisions with respect to our operational and management matters, including review of management's proposals of new strategic initiatives, as well as deliberation over critical internal matters related to organization structure and development of personnel.

Audit Committee

Under Korean law and our articles of incorporation, we are required to have an Audit Committee. The Audit Committee may be composed of three or more directors; all members of the Audit Committee must be Outside Directors. Audit Committee members must also meet the applicable independence criteria set forth under the rules and regulations of the Sarbanes-Oxley Act of 2002. Members of the Audit Committee are elected by the shareholders at the ordinary general meeting of shareholders. We currently have an Audit Committee composed of three Outside Directors. Members of our Audit Committee are Park, Sang-Yong (committee chair), Sun, Wook and Lee, Chang-Hee.

The duties of the Audit Committee include:

- engaging independent auditors;
- approving independent audit fees;
- approving audit and non-audit services;
- reviewing annual financial statements;
- reviewing audit results and reports, including management comments and recommendations;
- reviewing our system of controls and policies, including those covering conflicts of interest and business ethics; and
- examining improprieties or suspected improprieties.

In addition, in connection with general meetings of stockholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors at each general meeting of stockholders. Our internal and external auditors report directly to the Audit Committee. The committee holds regular meetings at least once each quarter, and more frequently as needed.

Related Party Transactions Committee

The Related Party Transaction Committee is comprised of three Outside Directors, Park, Sang-Yong (committee chair), Sun, Wook and Lee, Chang-Hee. This committee reviews related party and other internal transactions and ensures compliance with the Monopoly Regulation and Fair Trade Act.

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As of December 31, 2009, we had 29,811 employees, including 13,295 persons employed by our subsidiaries, almost all of whom were employed within Korea. Of the total number of employees, approximately 80% are technicians and skilled laborers and 20% are administrative staff. We use subcontractors for maintenance, cleaning and transport activities. We had 29,730 employees, including 13,023 persons employed by our subsidiaries, as of December 31, 2008, and 28,543 employees, including 11,236 persons employed by our subsidiaries, as of December 31, 2007. To improve operational efficiency and increase labor productivity, we plan to reduce the number of our employees in future years through natural attrition. However, we expect the number of persons employed by our subsidiaries in growth industries to increase in the future.

We consider our relations with our work force to be excellent. We have never experienced a work stoppage or strike. Wages of our employees are among the highest of manufacturing companies in Korea. In addition to a base monthly wage, employees receive periodic bonuses and allowances. Base wages are determined annually following consultation between the management and employee representatives, who are currently elected outside the framework of the POSCO labor union. A labor union was formed by our employees in June 1988. Union membership peaked at 19,026 employees at the beginning of 1991, but has steadily declined since then. As of December 31, 2009, only 15 of our employees were members of the POSCO labor union.

We maintain a retirement plan, as required by Korean labor law, pursuant to which employees terminating their employment after one year or more of service are entitled to receive a lump-sum payment based on the length of their service and their total compensation at the time of termination. We are required to transfer a portion of retirement and severance benefit amounts accrued by our employees to the National Pension Fund. The amounts so transferred reduce the retirement and severance benefit amounts payable to retiring employees by us at the time of their retirement. We also provide a wide range of fringe benefits to our employees, including housing, housing loans, company-provided hospitals and schools, a company-sponsored pension program, an employee welfare fund, industrial disaster insurance, and cultural and athletic facilities.

As of December 31, 2009, our employees owned, through our employee stock ownership association, approximately 0.01% of our common stock in their association accounts and 3.05% of our common stock in their employee accounts.

Item 6.E. Share Ownership**Common Stock**

The persons who are currently our Directors or executive officers held, as a group, 16,303 common shares as of June 24, 2010, the most recent practicable date for which this information is available. The table below shows the ownership of our common shares by Directors and executive officers.

Shareholders	Number of Common Shares Owned
Yoon, Yong-Won	1,978
Choi, Jong-Tae	1,573
Chung, Joon-Yang	1,400
Kim, Hag-Dong	805
Cho, Noi-Ha	600
Yoo, Kwang-Jae	502

Kwon, Young-Tae	500
Oh, Chang-Kwan	400
Woo, Jong-Soo	391
Kim, Young-Hun	361
Min, Kyung-Zoon	330
Lee, Kyoung-Mok	322

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Shareholders	Number of Common Shares Owned
Oh, In-Hwan	320
Yae, Jae-Hen	320
Son, Gi-Jin	320
Kim, Dong-Chul	320
Jeon, Cheol	320
Lee, Kyung-Hoon	319
Lee, Hoo-Geun	298
Lee, Jung-Sik	296
Park, Sung-Ho	296
Kim, Sang-Young	293
Cho, Sang Ho	281
Chang, Song-Hwan	260
Kim, Yong-Min	251
Kim, Sun-Won	243
Shin, Jae-Chul	243
Jang, Young-Ik	242
Nam, Sik	241
Suh, Young-Sea	236
Kim, Joon-Sik	232
Lee, Young-Ki	219
Baek, Sung-Kwan	207
Shin, Jung-Suk	205
Kim, Won-Ki	192
Yu, Seong	168
Kim, Jhi-Yong	143
Kim, Jin-Il	140
Hwang, Eun-Yeon	119
Choo, Wung-Yong	104
Cho, Bong-Rae	104
Choi, Jeong-Woo	100
Yeon, Kyu-Sung	95
Ko, Suk-Bum	95
Lee, Young-Hoon	78
Shin, Young-Kwan	67
Kim, Yeung-Gyu	50
Park, Kui-Chan	36
Park, Han-Yong	12
Total	16,303

Stock Options

The following table sets forth information regarding the stock options we have granted to our current Directors and executive officers as of March 31, 2010. With respect to the options granted, we may elect either to issue shares of

common stock, distribute treasury stock or pay in cash the difference between the exercise and the market price at the date of exercise. The options may be exercised by a person who has continued employment with POSCO for two or more years from the

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date on which the options are granted. Expiration date of options is seven years from the date on which the options are granted. All of the stock options below relate to our common stock.

At the annual shareholders meeting held in February 2006, our shareholders elected to terminate the stock option program. Stock options granted prior to this meeting remain valid and outstanding pursuant to the articles of incorporation in effect at the time of the issuance of the stock option.

Directors	Grant Date	Exercise Period		Exercise Price	Granted Options	Exercised Options	Exercisable Options
		From	To				
Chung, Joon-Yang	April 27, 2002	4/28/2004	4/27/2009	136,400	9,316	9,316	0
	July 23, 2004	7/24/2006	7/23/2011	151,700	4,900	4,900	0
Choi, Jong-Tae	July 23, 2001	7/24/2003	7/23/2008	98,900	9,037	9,037	0
	April 26, 2003	4/27/2005	4/26/2010	102,900	1,921	1,921	0
Oh, Chang-Kwan	April 27, 2002	4/28/2004	4/27/2009	136,400	9,316	9,316	0
Kim, Jin-Il	April 26, 2003	4/27/2005	4/26/2010	102,900	9,604	9,604	0
Ahn, Charles	April 28, 2005	4/29/2007	4/28/2012	194,900	2,000	0	2,000
Sun, Wook	April 28, 2005	4/29/2007	4/28/2012	194,900	2,000	0	2,000

Executive Officers	Grant Date	Exercise Period		Exercise Price	Granted Options	Exercised Options	Exercisable Options
		From	To				
Kwon, Young-Tae	September 18, 2002	9/19/2004	9/18/2009	116,100	9,316	9,316	0
Kim, Sang-Young	July 23, 2004	7/24/2006	7/23/2011	151,700	9,800	0	9,800
Cho, Noi-Ha	April 28, 2005	4/29/2007	4/28/2012	194,900	10,000	0	10,000
Yoon, Yong-Won	April 28, 2005	4/29/2007	4/28/2012	194,900	10,000	10,000	0
Yoo, Kwang-Jae	April 28, 2005	4/29/2007	4/28/2012	194,900	10,000	10,000	0

Item 7. Major Shareholders and Related Party Transactions**Item 7.A. Major Shareholders**

The following table sets forth certain information relating to the shareholders of our common stock issued as of December 31, 2009.

Shareholders	Number of Shares Owned	Percentage
National Pension Service ⁽¹⁾	4,733,593	5.43
Nippon Steel Corporation ⁽²⁾	4,394,712	5.04
Mirae Asset Investments Co., Ltd.	2,817,800	3.23
SK Telecom	2,481,310	2.85
Pohang University of Science and Technology	2,000,000	2.29
Directors and executive officers as a group	14,489	0.02

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Public ⁽³⁾	60,590,974	69.50
POSCO (held in the form of treasury stock)	7,792,072	8.94
POSCO (held through treasury stock fund)	2,361,885	2.71
Total issued shares of common stock	87,186,835	100.00%

(1) National Pension Service sold shares to decrease its number of shareholding from 4,733,593 (5.43%) as of December 31, 2009 to 4,427,612 (5.08%) as of January 26, 2010.

(2) Held in the form of ADRs.

(3) Includes ADRs.

As of December 31, 2009, there were 16,514,756 shares of common stock outstanding in the form of ADRs, representing 18.94% of the total issued and outstanding shares of common stock.

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Item 7.B. *Related Party Transactions*

We have issued guarantees of Won 577 billion as of December 31, 2007, Won 1,934 billion as of December 31, 2008 and Won 2,103 billion as of December 31, 2009, in favor of affiliated and related companies. We have also engaged in various transactions with our subsidiaries and affiliated companies. See Note 29 of Notes to Consolidated Financial Statements.

As of December 31, 2007, 2008 and 2009, we had no loans outstanding to our executive officers and Directors.

Item 7.C. *Interests of Experts and Counsel*

Not applicable

Item 8. *Financial Information*

Item 8.A. *Consolidated Statements and Other Financial Information*

See Item 18. Financial Statements and pages F-1 through F-105.

Legal Proceedings

We have been subject to a number of anti-dumping and countervailing proceedings in the United States, the European Union and China. The anti-dumping and countervailing proceedings have not had a material adverse effect on our business and operations. However, there can be no assurance that further increases in or new imposition of countervailing duties, dumping duties, quotas or tariffs on our sales in the United States, China or Europe may not have a material adverse effect on our exports to these regions in the future. See Item 4. Information on the Company Item 4.B. Business Overview Markets Exports.

The National Tax Service conducts periodic comprehensive tax audits of companies operating in Korea. In June 2010, the National Tax Service began its latest round of comprehensive tax audit on us, which results have not been issued as of the date of this annual report.

Except as described above, we are not involved in any pending or threatened legal or arbitration proceedings that may have, or have had during the last 12 months, a material adverse effect on our results of operations or financial position.

DIVIDENDS

The amount of dividends paid on our common stock is subject to approval at the annual general meeting of shareholders, which is typically held in February or March of the following year. In addition to our annual dividends, our board of directors is authorized to declare and distribute interim dividends once a year under our articles of incorporation. If we decide to pay interim dividends, our articles of incorporation authorize us to pay them in cash and to the shareholders of record as of June 30 of the relevant fiscal year. We may pay cash dividends out of retained earnings that have not been appropriated to statutory reserves.

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The table below sets out the annual dividends declared on the outstanding common stock to shareholders of record on December 31 of the years indicated and the interim dividends declared on the outstanding common stock to shareholders of record on June 30 of the years indicated. A total of 87,186,835 shares of common stock were issued at the end of 2009. Of these shares, 77,032,878 shares were outstanding and 7,792,072 shares were held by us in treasury and 2,361,885 shares were held through our treasury stock fund. The annual dividends set out for each of the years below were paid in the immediately following year.

Year	Annual Dividend per Common Stock to Public	Interim Dividend per Common Stock (In Won)	Average Total Dividend per Common Stock
2004	6,500	1,500	8,000
2005	6,000	2,000	8,000
2006	6,000	2,000	8,000
2007	7,500	2,500	10,000
2008	7,500	2,500	10,000
2009	6,500	1,500	8,000

Owners of the ADSs are entitled to receive any dividends payable in respect of the underlying shares of common stock.

Historically, we have paid to holders of record of our common stock an annual dividend. However, we can give no assurance that we will continue to declare and pay any dividends in the future.

Item 8.B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our Consolidated Financial Statements included in this annual report.

Item 9. The Offer and Listing**Item 9.A. Offer and Listing Details****Market Price Information***Notes*

Not applicable

Table of Contents**Common Stock**

The principal trading market for our common stock is the KRX KOSPI Market. Our common stock, which is in registered form and has a par value of Won 5,000 per share, has been listed on the first section of the KRX KOSPI Market since June 1988 under the identifying code 005490. The table below shows the high and low trading prices and the average daily volume of trading activity on the KRX KOSPI Market for our common stock since January 1, 2005.

	Price		Average Daily
	High	Low	Trading Volume
	(In Won)		(Number of
			Shares)
2005			
First Quarter	225,500	176,500	285,371
Second Quarter	203,000	174,500	297,524
Third Quarter	240,500	182,000	281,567
Fourth Quarter	236,500	199,500	327,639
2006			
First Quarter	251,500	196,500	420,095
Second Quarter	287,000	217,500	380,671
Third Quarter	254,000	225,500	270,661
Fourth Quarter	318,500	239,000	244,757
2007			
First Quarter	395,000	286,500	296,883
Second Quarter	481,000	366,000	246,291
Third Quarter	673,000	443,500	298,177
Fourth Quarter	765,000	557,000	331,286
2008			
First Quarter	575,000	437,000	334,157
Second Quarter	594,000	450,000	382,083
Third Quarter	544,000	410,000	389,984
Fourth Quarter	436,500	242,000	600,141
2009			
First Quarter	430,000	303,000	389,081
Second Quarter	435,000	369,000	390,866
Third Quarter	519,000	420,000	324,403
Fourth Quarter	619,000	472,500	293,724
2010			
First Quarter	625,000	516,000	255,173
January	625,000	536,000	270,987
February	558,000	516,000	229,990
March	565,000	528,000	262,546
Second Quarter (through June 24)	560,000	434,500	346,944
April	560,000	499,000	348,418
May	488,000	434,500	383,223
June (through June 24)	507,000	447,000	304,488

ADSs

Our common stock is also listed on the New York Stock Exchange, the London Stock Exchange and the Tokyo Stock Exchange in the form of ADSs. The ADSs have been issued by The Bank of New York Mellon as ADR depository and are listed on the New York Stock Exchange under the symbol PKX. One ADS represents one-fourth of one share of common stock. As of December 31, 2009, 16,514,756 ADSs were outstanding, representing 18.94% shares of common stock.

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The table below shows the high and low trading prices and the average daily volume of trading activity on the New York Stock Exchange for our ADSs since January 1, 2005.

	Price		Average Daily
	High	Low	Trading Volume
	(In US\$)		(Number of ADSs)
2005			
First Quarter	54.85	41.22	866,811
Second Quarter	49.70	43.75	790,208
Third Quarter	57.08	44.12	606,928
Fourth Quarter	56.01	47.85	671,024
2006			
First Quarter	63.80	48.97	812,089
Second Quarter	74.41	56.07	922,906
Third Quarter	66.88	58.59	760,752
Fourth Quarter	84.88	63.00	748,789
2007			
First Quarter	106.88	76.49	770,003
Second Quarter	129.60	99.34	712,996
Third Quarter	184.54	124.50	809,315
Fourth Quarter	195.89	147.17	721,160
2008			
First Quarter	147.74	108.41	418,434
Second Quarter	147.05	112.80	249,329
Third Quarter	133.73	88.35	294,629
Fourth Quarter	89.00	47.14	355,604
2009			
First Quarter	79.11	47.14	212,268
Second Quarter	89.00	69.23	168,527
Third Quarter	108.08	80.73	491,455
Fourth Quarter	131.47	100.00	458,775
2010			
First Quarter	140.10	108.23	429,700
January	140.10	112.95	515,886
February	120.30	108.23	386,190
March	124.96	115.16	394,445
Second Quarter (through June 24)	124.83	88.78	563,909
April	124.83	112.16	415,490
May	110.35	88.78	696,461
June (through June 24)	105.14	89.32	589,786

Item 9.B. Plan of Distribution

Not applicable

Item 9.C. Markets

The Korean Securities Market

On January 27, 2005, the Korea Exchange was established pursuant to the Korea Securities and Futures Exchange Act by consolidating the Korea Stock Exchange, the Korea Futures Exchange, the KOSDAQ Stock Market, Inc., or the KOSDAQ, and the KOSDAQ Committee of the Korea Securities Dealers Association, which had formerly managed the KOSDAQ. There are three different markets operated by the Korea Exchange: the KRX KOSPI Market, the KRX KOSDAQ Market, and the KRX Derivatives Market. The Korea Exchange has two trading floors located in Seoul, one for the

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KRX KOSPI Market and one for the KRX KOSDAQ Market, and one trading floor in Busan for the KRX Derivatives Market. The Korea Exchange is a limited liability company, the shares of which are held by (i) investment brokers and investment dealers that were formerly members of the Korea Futures Exchange or the Korea Stock Exchange and (ii) the stockholders of the KOSDAQ. Currently, the Korea Exchange is the only stock exchange in Korea and is operated by membership, having as its members most of the Korean investment brokers and investment dealers and some Korean branches of foreign investment brokers and investment dealers.

According to data published by the Korea Exchange, as of December 31, 2009, the aggregate market value of equity securities listed on the KRX KOSPI Market and the KRX KOSDAQ Market was approximately Won 1,009 trillion, and the average daily trading volume of equity securities for 2009 was approximately 1,255 million shares with an average transaction value of Won 7,858 billion. The Korea Exchange has the power in some circumstances to suspend trading in the shares of a given company or to de-list a security pursuant to the Regulation on Listing on the Korea Exchange. The Korea Exchange also restricts share price movements. All listed companies are required to file accounting reports annually, semi-annually and quarterly and to release immediately all information that may affect trading in a security.

The Government has in the past exerted, and continues to exert, substantial influence over many aspects of the private sector business community that can have the intention or effect of depressing or boosting the market. In the past, the Government has informally both encouraged and restricted the declaration and payment of dividends, induced mergers to reduce what it considers excess capacity in a particular industry and induced private companies to offer publicly their securities.

The Korea Exchange publishes the Korea Composite Stock Price Index, or KOSPI, every ten seconds, which is an index of all equity securities listed on the Korea Exchange. On January 1, 1983, the method of computing KOSPI was changed from the Dow Jones method to the aggregate value method. In the new method, the market capitalizations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalization of all listed companies as of the base date, January 4, 1980.

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Movements in KOSPI are set out in the following table together with the associated dividend yields and price earnings ratios.

Year	Opening	High	Low	Closing	Period Average	Price
					Dividend	Earnings
					Yield	Ratio
					(1)(2)	(2)(3)
					(Percent)	
1985	139.53	163.37	131.40	163.37	5.3	5.2
1986	161.40	279.67	153.85	272.61	4.3	7.6
1987	264.82	525.11	264.82	525.11	2.6	10.9
1988	532.04	922.56	527.89	907.20	2.4	11.2
1989	919.61	1,007.77	844.75	909.72	2.0	13.9
1990	908.59	928.82	566.27	696.11	2.2	12.8
1991	679.75	763.10	586.51	610.92	2.6	11.2
1992	624.23	691.48	459.07	678.44	2.2	10.9
1993	697.41	874.10	605.93	866.18	1.6	12.7
1994	879.32	1,138.75	855.37	1,027.37	1.2	16.2
1995	1,027.45	1,016.77	847.09	882.94	1.2	16.4
1996	882.29	986.84	651.22	651.22	1.3	17.8
1997	647.67	792.29	350.68	376.31	1.5	17.0
1998	374.41	579.86	280.00	562.46	1.9	10.8
1999	565.10	1,028.07	498.42	1,028.07	1.1	13.5
2000	1,028.33	1,059.04	500.60	504.62	1.6	18.6
2001	503.31	704.50	468.76	693.70	2.0	14.2
2002	698.00	937.61	584.04	627.55	1.4	17.8
2003	633.03	822.16	515.24	810.71	2.2	10.9
2004	821.26	936.06	719.59	895.92	2.1	15.8
2005	896.00	1,379.37	870.84	1,379.37	1.7	11.0
2006	1,383.32	1,464.70	1,203.86	1,434.46	1.7	11.4
2007	1,438.89	2,015.48	1,345.08	1,897.13	1.4	16.8
2008	1,891.45	1,888.88	938.75	1,124.47	2.6	8.9
2009	1,132.87	1,718.88	1,018.81	1,682.77	1.2	23.7
2010 (through June 24)	1,681.71	1,752.20	1,552.79	1,739.87	1.3	15.4

Source: The KRX KOSPI Market

- (1) Dividend yields are based on daily figures. Before 1983, dividend yields were calculated at the end of each month. Dividend yields after January 3, 1984 include cash dividends only.
- (2) Starting in April 2000, dividend yield and price earnings ratio are calculated based on KOSPI 200, an index of 200 equity securities listed on the KRX KOSPI Market. Starting in April 2000, KOSPI 200 excludes classified companies, companies which did not submit annual reports to the KRX KOSPI Market, and companies which received qualified opinion from external auditors.

(3) The price earnings ratio is based on figures for companies that record a profit in the preceding year.

Shares are quoted ex-dividend on the first trading day of the relevant company's accounting period. Since the calendar year is the accounting period for the majority of listed companies, this may account for the drop in KOSPI between its closing level at the end of one calendar year and its opening level at the beginning of the following calendar year.

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With certain exceptions, principally to take account of a share being quoted ex-dividend and ex-rights, permitted upward and downward movements in share prices of any category of shares on any day are limited under the rules of the Korea Exchange to 15% of the previous day's closing price of the shares, rounded down as set out below:

Previous Day's Closing Price (Won)	Rounded Down to (Won)
Less than 5,000	5
5,000 to less than 10,000	10
10,000 to less than 50,000	50
50,000 to less than 100,000	100
100,000 to less than 500,000	500
500,000 or more	1,000

As a consequence, if a particular closing price is the same as the price set by the fluctuation limit, the closing price may not reflect the price at which persons would have been prepared, or would be prepared to continue, if so permitted, to buy and sell shares. Orders are executed on an auction system with priority rules to deal with competing bids and offers.

Due to deregulation of restrictions on brokerage commission rates, the brokerage commission rate on equity securities transactions may be determined by the parties, subject to commission schedules being filed with the Korea Exchange by the financial investment companies with a brokerage license. In addition, a securities transaction tax of 0.15% of the sales price will generally be imposed on the transfer of shares or certain securities representing rights to subscribe for shares. An agricultural and fishery special surtax of 0.15% of the sales prices will also be imposed on transfer of these shares and securities on the Korea Exchange. See Item 10. Additional Information Item 10.E. Taxation Korean Taxation.

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The number of companies listed on the KRX KOSPI Market, the corresponding total market capitalization at the end of the periods indicated and the average daily trading volume for those periods are set forth in the following table:

Year	Market Capitalization on the Last Day of		Average Daily Trading Volume, Value			
	Number of Listed Companies	(Billions of Won)	(Millions of US\$) ⁽¹⁾	Thousands of Shares	(Millions of Won)	(Thousands of US\$) ⁽¹⁾
1985	342	₩ 6,570	US\$ 7,381	18,925	₩ 12,315	US\$ 13,834
1986	355	11,994	13,924	31,755	32,870	38,159
1987	389	26,172	33,033	20,353	70,185	88,583
1988	502	64,544	94,348	10,367	198,364	289,963
1989	626	95,477	140,490	11,757	280,967	414,430
1990	669	79,020	110,301	10,866	183,692	256,411
1991	686	73,118	96,107	14,022	214,263	281,629
1992	688	84,712	107,448	24,028	308,246	390,977
1993	693	112,665	139,420	35,130	574,048	710,367
1994	699	151,217	191,730	36,862	776,257	984,223
1995	721	141,151	182,201	26,130	487,762	629,613
1996	760	117,370	139,031	26,571	486,834	576,680
1997	776	70,989	50,162	41,525	555,759	392,707
1998	748	137,799	114,091	97,716	660,429	546,803
1999	725	349,504	305,137	278,551	3,481,620	3,039,655
2000	704	188,042	149,275	306,163	2,602,211	2,065,739
2001	689	255,850	192,934	473,241	1,997,420	1,506,237
2002	683	258,681	215,496	857,245	3,041,598	2,533,815
2003	684	355,363	296,679	542,010	2,216,636	1,850,589
2004	683	412,588	395,275	372,895	2,232,109	2,138,445
2005	702	655,075	646,158	467,629	3,157,662	3,114,679
2006	731	704,588	757,948	279,096	3,435,180	3,695,331
2007	745	951,900	1,016,770	363,741	5,539,653	5,917,168
2008	763	576,888	458,758	352,599	3,211,039	2,553,510
2009	770	887,935	762,503	485,657	5,595,552	4,976,859
2010 (through June 24)	770	931,743	840,923	423,010	5,684,746	5,130,637

Source: The Korea Exchange

(1) Converted at the Concentration Base Rate of The Bank of Korea or the Market Average Exchange Rate, as the case may be, at the end of the periods indicated.

The Korean securities markets are principally regulated by the Financial Services Commission and under the regulations set forth in the Financial Investment Services and Capital Markets Act. In July 2007, the National Assembly of Korea enacted the Financial Investment Services and Capital Markets Act. The Financial Investment

Services and Capital Markets Act, which came into effect on February 4, 2009, comprehensively regulates the Korean capital markets, the financial investment business (including collective investment businesses and trust businesses) and financial investment products (such as securities and derivatives). The FSCMA imposes restrictions on insider trading and price manipulation, requires specified information to be made available by listed companies to investors and establishes rules regarding margin trading, proxy solicitation, takeover bids, acquisition of treasury shares and reporting requirements for shareholders holding substantial interests. The FSCMA regulates the operation and monitoring of the securities and derivatives markets.

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Protection of Customer's Interest in Case of Insolvency of Investment Brokers or Investment Dealers

Under Korean law, the relationship between a customer and an investment broker or an investment dealer in connection with a securities sell or buy order is deemed to be a consignment and the securities acquired by a consignment agent (i.e., the investment broker or the investment dealer) through such sell or buy order are regarded as belonging to the customer in so far as the customer and the consignment agent's creditors are concerned. Therefore, in the event of a bankruptcy or reorganization procedure involving an investment broker or an investment dealer, the customer of the investment broker or the investment dealer is entitled to the proceeds of the securities sold by the investment broker or the investment dealer.

When a customer places a sell order with an investment broker or an investment dealer that is not a member of the KRX KOSPI Market or the KRX KOSDAQ Market and this investment broker or investment dealer places a sell order with another investment broker or investment dealer that is a member of the KRX KOSPI Market or the KRX KOSDAQ Market, the customer is still entitled to the proceeds of the securities sold and received by the non-member company from the member company regardless of the bankruptcy or reorganization of the non-member company.

Under the Financial Investment Services and Capital Markets Act, the Korea Exchange is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by members of the KRX KOSPI Market or the KRX KOSDAQ Market. If an investment broker or an investment dealer that is a member of the KRX KOSPI Market or the KRX KOSDAQ Market breaches its obligation in connection with a buy order, the Korea Exchange is obliged to pay the purchase price on behalf of the breaching member. Therefore, the customer can acquire the securities that have been ordered to be purchased by the breaching member.

When a customer places a buy order with a non-member company and the non-member company places a buy order with a member company, the customer has the legal right to the securities received by the non-member company from the member company because the purchased securities are regarded as belonging to the customer in so far as the customer and the non-member company's creditors are concerned.

As the cash deposited with an investment broker or an investment dealer is regarded as belonging to the investment broker or investment dealer, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from the investment broker or the investment dealer if a bankruptcy or rehabilitation procedure is instituted against the investment broker or the investment dealer and, therefore, can suffer from loss or damage as a result. However, the Depositor Protection Act provides that the Korea Deposit Insurance Corporation will, upon the request of the investors, pay investors up to Won 50 million of cash deposited with an investment broker or an investment dealer in case of the investment broker or the investment dealer's bankruptcy, liquidation, cancellation of investment broker or investment dealer license or other insolvency events. Pursuant to the Financial Investment Services and Capital Markets Act, as amended, investment brokers or investment dealers are required to deposit the cash received from its customers at the securities finance company established pursuant to the Financial Investment Services and Capital Markets Act. Set-off or attachment of cash deposits by investment brokers or investment dealers is prohibited. The premiums related to this insurance are paid by investment brokers or investment dealers.

Clearance and Settlement

The settlement of trades on the Korea Exchange is required to be handled by a settlement agency of the Korea Exchange. The Korea Securities Depository is the institution commissioned by the Korea Exchange to handle all such settlement of trades. The settlement of trades on the Korea Exchange takes place through a clearance and settlement procedure. The Korea Exchange has adopted the multilateral netting system and carries out the clearance of the trades by netting the sales

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and purchases of each Korea Securities Depository participant. The Korea Exchange is required to provide the daily net settlement results of the trades to the Korea Securities Depository one business day after the day of the sale and purchase contract. The Korea Securities Depository then handles settlement of the securities and the funds based on the information received from the Korea Exchange. The securities are settled through book-entry changes in the accounts of Korea Securities Depository participants and the funds are settled by transfer to an account at a bank designated by the Korea Securities Depository. Settlement of trades is generally required to take place on the third day following the day of the sale and purchase contract.

Item 9.D. *Selling Shareholders*

Not applicable

Item 9.E. *Dilution*

Not applicable

Item 9.F. *Expenses of the Issuer*

Not applicable

Item 10. *Additional Information***Item 10.A. *Share Capital***

Currently, our authorized share capital is 200,000,000 shares, which consists of shares of common stock, par value Won 5,000 per share (Common Shares) and shares of non-voting stock, par value Won 5,000 per share (Non-Voting Shares). Common Shares and Non-Voting Shares together are referred to as Shares. Under our articles of incorporation, we are authorized to issue Non-Voting Shares up to the limit prescribed by applicable law, the aggregate of which currently is one-half of our total issued and outstanding capital stock. As of December 31, 2009, 87,186,835 Common Shares were issued, of which 7,792,072 shares were held by us in treasury and an additional 2,361,885 shares were held by our treasury stock fund. We have never issued any Non-Voting Shares. All of the issued and outstanding Common Shares are fully-paid and non-assessable and are in registered form. We issue share certificates in denominations of 1, 3, 4, 5, 10, 50, 100, 500, 1,000 and 10,000 shares.

Item 10.B. *Memorandum and Articles of Association*

This section provides information relating to our capital stock, including brief summaries of material provisions of our articles of incorporation, the FSCMA, the Commercial Code and related laws, all as currently in effect. The following summaries are subject to, and are qualified in their entirety by reference to, our articles of incorporation and the applicable provisions of the FSCMA and the Commercial Code. We have filed copies of our articles of incorporation and these laws (except for the newly enacted the FSCMA) as exhibits to registration statements under the Securities Act or the Securities Exchange Act previously filed by us.

Dividends

We distribute dividends to our shareholders in proportion to the number of shares owned by each shareholder. The Common Shares represented by the ADSs have the same dividend rights as other outstanding Common Shares.

Holders of Non-Voting Shares are entitled to receive dividends in priority to the holders of Common Shares in an amount not less than 9% of the par value of the Non-Voting Shares as determined by the board of directors at the time of their issuance. If the amount available for

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dividends is less than the aggregate amount of such minimum dividend, we do not have to declare dividends on the Non-Voting Shares.

We may declare dividends annually at the annual general meeting of shareholders which is held within three months after the end of the fiscal year. We pay the annual dividend shortly after the annual general meeting to the shareholders of record as of the end of the preceding fiscal year. We may distribute the annual dividend in cash or in Shares. However, a dividend of Shares must be distributed at par value. If the market price of the Shares is less than their par value, dividends in Shares may not exceed one-half of the annual dividend. In addition, we may declare, and distribute in cash, interim dividends pursuant to a board resolution once a fiscal year. We have no obligation to pay any annual dividend unclaimed for five years from the payment date.

Under the Commercial Code, we may pay an annual dividend only to the extent the net asset amount in our balance sheets exceeds the sum of the following: (i) our stated capital, (ii) the total amount of our capital surplus reserve and legal reserve accumulated up to the end of the relevant dividend period, and (iii) the legal reserve to be set aside for annual dividend. We may not pay an annual dividend unless we have set aside as earned surplus reserve an amount equal to at least 10% of the cash portion of the annual dividend or unless we have accumulated earned surplus reserve of not less than one-half of our stated capital. We may not use legal reserve to pay cash dividends but may transfer amounts from legal reserve to capital stock or use legal reserve to reduce an accumulated deficit.

Distribution of Free Shares

In addition to paying dividends in Shares out of our retained or current earnings, we may also distribute to our shareholders an amount transferred from our capital surplus or legal reserve to our stated capital in the form of free shares. We must distribute such free shares to all our shareholders in proportion to their existing shareholdings.

Preemptive Rights and Issuance of Additional Shares

We may issue authorized but unissued shares at the times and, unless otherwise provided in the Commercial Code, on the terms our board of directors may determine. All our shareholders are generally entitled to subscribe for any newly issued Shares in proportion to their existing shareholdings. We must offer new Shares on uniform terms to all shareholders who have preemptive rights and are listed on our shareholders' register as of the relevant record date. Under the Commercial Code, we may vary, without shareholders' approval, the terms of these preemptive rights for different classes of shares. We must give public notice of the preemptive rights regarding new Shares and their transferability at least two weeks before the relevant record date. Our board of directors may determine how to distribute Shares for which preemptive rights have not been exercised or where fractions of Shares occur.

Under our articles of incorporation, we may issue new Shares pursuant to a board resolution to persons other than existing shareholders, who in these circumstances will not have preemptive rights, if the new Shares are:

offered publicly or to underwriters for underwriting pursuant to the FSCMA;

issued to members of our employee stock ownership association pursuant to the FSCMA;

represented by depositary receipts pursuant to the FSCMA;

issued in a general public offering pursuant to a board resolution in accordance with the FSCMA, the amount of which is no more than 10% of the outstanding Shares;

issued to our creditors pursuant to a debt-equity swap;

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issued to domestic or foreign corporations pursuant to a joint venture agreement, strategic coalition or technology inducement agreement when deemed necessary for management purposes; or

issued to domestic or foreign financial institutions when necessary for raising funds in emergency cases.

In addition, we may issue convertible bonds or bonds with warrants, each up to an aggregate principal amount of Won 2,000 billion, to persons other than existing shareholders.

Members of our employee stock ownership association, whether or not they are our shareholders, generally have a preemptive right to subscribe for up to 20% of the Shares publicly offered pursuant to the FSCMA. This right is exercisable only to the extent that the total number of Shares so acquired and held by members of our employee stock ownership association does not exceed 20% of the total number of Shares then issued. As of December 31, 2009, our employees owned, through our employee stock ownership association, approximately 0.01% of our common stock in their association accounts and 3.05% of our common stock in their employee accounts.

General Meeting of Shareholders

We hold the annual general meeting of shareholders within three months after the end of each fiscal year. Subject to a board resolution or court approval, we may hold an extraordinary general meeting of shareholders:

as necessary;

at the request of holders of an aggregate of 3% or more of our outstanding Shares;

at the request of shareholders holding an aggregate of 1.5% or more of our outstanding Shares for at least six months; or

at the request of our audit committee.

Holders of Non-Voting Shares may request a general meeting of shareholders only after the Non-Voting Shares become entitled to vote or enfranchised, as described under **Voting Rights** below.

We must give shareholders written notice setting out the date, place and agenda of the meeting at least two weeks before the date of the general meeting of shareholders. However, for holders of 1% or less of the total number of issued and outstanding voting Shares, we may give notice by placing at least two public notices in at least two daily newspapers at least two weeks in advance of the meeting. Currently, we use *The Seoul Shinmun* published in Seoul, *The Maeil Shinmun* published in Taegu and *The Kwangju Ilbo* published in Kwangju for this purpose. Shareholders not on the shareholders' register as of the record date are not entitled to receive notice of the general meeting of shareholders or attend or vote at the meeting. Holders of Non-Voting Shares, unless enfranchised, are not entitled to receive notice of general meetings of shareholders, but may attend such meetings.

Our general meetings of shareholders are held either in Pohang or Seoul.

Voting Rights

Holders of our Common Shares are entitled to one vote for each Common Share, except that voting rights of Common Shares held by us, or by a corporate shareholder that is more than 10% owned by us either directly or indirectly, may not be exercised. The Commercial Code and the FSCMA permitted cumulative voting, under which voting method

each shareholder would have multiple voting rights corresponding to the number of directors to be appointed in the voting and may exercise all voting rights cumulatively to elect one director.

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Our shareholders may adopt resolutions at a general meeting by an affirmative majority vote of the voting Shares present or represented at the meeting, where the affirmative votes also represent at least one-fourth of our total voting Shares then issued and outstanding. However, under the Commercial Code and our articles of incorporation, the following matters, among others, require approval by the holders of at least two-thirds of the voting Shares present or represented at a meeting, where the affirmative votes also represent at least one-third of our total voting Shares then issued and outstanding:

amending our articles of incorporation;

removing a director;

effecting any dissolution, merger or consolidation of us;

transferring the whole or any significant part of our business;

effecting our acquisition of all of the business of any other company;

issuing any new Shares at a price lower than their par value;

approving matters required to be approved at a general meeting of shareholders, which have material effects on our assets, as determined by the Board of Directors; or

reducing capital.

In general, holders of Non-Voting Shares are not entitled to vote on any resolution or receive notice of any general meeting of shareholders. However, in the case of amendments to our articles of incorporation, or any merger or consolidation of us, or in some other cases that affect the rights or interests of the Non-Voting Shares, approval of the holders of Non-Voting Shares is required. We may obtain the approval by a resolution of holders of at least two-thirds of the Non-Voting Shares present or represented at a class meeting of the holders of Non-Voting Shares, where the affirmative votes also represent at least one-third of our total issued and outstanding Non-Voting Shares. In addition, the holders of Non-Voting Shares may be entitled to vote during the period between the general meeting of shareholders in which required preferred dividends are not paid to such holders until the next general meeting of shareholders at which the payment of such preferred dividends to such holders is declared. The holders of enfranchised Non-Voting Shares have the same rights as holders of Common Shares to request, receive notice of, attend and vote at a general meeting of shareholders.

Shareholders may exercise their voting rights by proxy. A shareholder may give proxies only to another shareholder, except that the Government may give proxies to a designated public official and a corporate shareholder may give proxies to its officers or employees.

Holders of ADRs exercise their voting rights through the ADR depository, an agent of which is the record holder of the underlying Common Shares. Subject to the provisions of the deposit agreement, ADR holders are entitled to instruct the ADR depository how to vote the Common Shares underlying their ADSs.

Rights of Dissenting Shareholders

In some limited circumstances, including the transfer of the whole or any significant part of our business and our merger or consolidation with another company, dissenting shareholders have the right to require us to purchase their Shares. Only the shareholders who have executed a share purchase agreement evidencing their acquisition of the

relevant Shares on or prior to the day immediately following the public disclosure of the board resolutions approving any of the aforementioned transactions have the rights to require us to purchase their Shares. To exercise this right, shareholders, including holders of Non-Voting Shares, must submit to us a written notice of their intention to dissent before the general meeting of shareholders. Within 20 days after the relevant resolution is passed at a meeting, the dissenting shareholders must request us in writing to purchase

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their Shares. We are obligated to purchase the Shares of dissenting shareholders within one month after the expiration of the 20-day period. The purchase price for the Shares is required to be determined through negotiation between the dissenting shareholders and us. If we cannot agree on a price through negotiation, the purchase price will be the average of (1) the weighted average of the daily Share prices on the Korea Exchange for the two-month period before the date of the adoption of the relevant board resolution, (2) the weighted average of the daily Share price on the Korea Exchange for the one month period before the date of the adoption of the relevant resolution and (3) the weighted average of the daily Share price on the Korea Exchange for the one week period before such date of the adoption of the relevant resolution. However, the court may determine this price if we or dissenting shareholders do not accept the purchase price. Holders of ADSs will not be able to exercise dissenters rights unless they have withdrawn the underlying common stock and become our direct shareholders.

Register of Shareholders and Record Dates

Our transfer agent, Kookmin Bank, maintains the register of our shareholders at its office in Seoul, Korea. It registers transfers of Shares on the register of shareholders on presentation of the Share certificates.

The record date for annual dividends is December 31. For the purpose of determining the shareholders entitled to annual dividends, the register of shareholders may be closed for the period from January 1 to January 31 of each year. Further, for the purpose of determining the shareholders entitled to some other rights pertaining to the Shares, we may, on at least two weeks public notice, set a record date and/or close the register of shareholders for not more than three months. The trading of Shares and the delivery of share certificates may continue while the register of shareholders is closed.

Annual Report

At least one week before the annual general meeting of shareholders, we must make our annual report and audited financial statements available for inspection at our principal office and at all of our branch offices. In addition, copies of annual reports, the audited financial statements and any resolutions adopted at the general meeting of shareholders will be available to our shareholders.

Under the FSCMA, we must file with the FSC and the Korea Exchange (1) an annual business report within 90 days after the end of our fiscal year, (2) a half-year report within 45 days after the end of the first six months of our fiscal year, and (3) quarterly reports within 45 days after the end of the third month and the ninth month of our fiscal year. Copies of these reports are or will be available for public inspection at the FSC and the Korea Exchange.

Transfer of Shares

Under the Commercial Code, the transfer of Shares is effected by delivery of share certificates. However, to assert shareholders rights against us, the transferee must have his name and address registered on our register of shareholders. For this purpose, a shareholder is required to file his name, address and seal with our transfer agent. A non-Korean shareholder may file a specimen signature in place of a seal, unless he is a citizen of a country with a sealing system similar to that of Korea. In addition, a non-resident shareholder must appoint an agent authorized to receive notices on his behalf in Korea and file a mailing address in Korea. The above requirements do not apply to the holders of ADSs.

Under current Korean regulations, the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a brokerage, dealing or collective investment license and internationally recognized custodians may act as agents and provide related services for foreign shareholders. Certain foreign exchange controls and

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securities regulations apply to the transfer of Shares by non-residents or non-Koreans. See Item 10. Additional Information Item 10.D. Exchange Controls.

Our transfer agent is Kookmin Bank, located at 36-3, Yeoido-dong, Yeongdeungpo-gu, Seoul, Korea.

Acquisition of Shares by Us

We may not acquire our own Shares except in limited circumstances, such as a reduction in capital. In addition, we may acquire Shares through purchases on the Korea Exchange or through a tender offer. Notwithstanding the foregoing restrictions, we may acquire interests in our own Shares through agreements with trust companies and asset management companies. The aggregate purchase price for the Shares may not exceed the total amount available for distribution of dividends available at the end of the preceding fiscal year less the amount of dividends and mandatory reserves required to be set aside for that fiscal year, subject to certain procedural requirements.

Under the Commercial Code, except in the case of a reduction in capital, we must resell or transfer any Shares acquired by us from a third party within a reasonable time. In general, corporate entities in which we own more than 50% equity interest may not acquire our Shares. Under the FSCMA, we are subject to certain selling restrictions for the Shares acquired by us. In the case of a reduction in capital, we must immediately cancel the Shares acquired by us.

Liquidation Rights

In the event of our liquidation, after payment of all debts, liquidation expenses and taxes, our remaining assets will be distributed among shareholders in proportion to their shareholdings. Holders of Non-Voting Shares have no preference in liquidation.

Item 10.C. *Material Contracts*

None.

Item 10.D. *Exchange Controls*

Shares and ADSs

The Foreign Exchange Transaction Act and the Presidential Decree and regulations under that Act and Decree (collectively, Foreign Exchange Transaction Laws) and the Foreign Investment Promotion Law regulate investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. Under the Foreign Exchange Transaction Laws, non-residents may invest in Korean securities subject to procedural requirements in accordance with these laws. The FSC has also adopted, pursuant to its authority under the FSCMA, regulations that restrict investment by foreigners in Korean securities.

Subject to certain limitations, the Ministry of Strategy and Finance has the authority to take the following actions under the Foreign Exchange Transaction Laws:

if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden and significant changes in domestic or foreign economic circumstances or similar events or circumstances, the Ministry of Strategy and Finance may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit, safe-keep or sell any means of payment to The Bank of Korea or certain other governmental

agencies or financial institutions; and

if the Government concludes that the international balance of payments and international financial markets are experiencing or are likely to experience significant disruption or that

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the movement of capital between Korea and other countries is likely to adversely affect the Won, exchange rates or other macroeconomic policies, the Ministry of Strategy and Finance may take action to require any person who intends to effect a capital transaction to obtain permission or to require any person who effects a capital transaction to deposit a portion of the means of payment acquired in such transactions with The Bank of Korea or certain other governmental agencies or financial institutions.

Government Review of Issuance of ADSs

In order for us to issue shares represented by ADSs, we are required to file a prior report of the issuance with our designated foreign exchange bank or the Ministry of Strategy and Finance, depending on the issuance amount. No further Korean governmental approval is necessary for the initial offering and issuance of the ADSs.

Under current Korean laws and regulations, the depositary bank is required to obtain our prior consent for the number of shares to be deposited in any given proposed deposit which exceeds the difference between (1) the aggregate number of shares deposited by us for the issuance of ADSs (including deposits in connection with the initial and all subsequent offerings of ADSs and stock dividends or other distributions related to these ADSs) and (2) the number of shares on deposit with the depositary bank at the time of such proposed deposit. We can give no assurance that we would grant our consent, if our consent is required.

Reporting Requirements for Holders of Substantial Interests

Under the FSCMA, any person whose direct or beneficial ownership of shares with voting rights, whether in the form of shares or ADSs, certificates representing the rights to subscribe for Shares and equity-related debt securities including convertible bonds and bonds with warrants (collectively, Equity Securities) together with the Equity Securities beneficially owned by certain related persons or by any person acting in concert with the person accounts for 5% or more of the total outstanding Equity Securities is required to report the status and the purpose (whether or not to exert an influence on management control over the issuer) of the holdings to the FSC and the Korea Exchange within five business days after reaching the 5% ownership interest. In addition, any change in the purpose of holding such ownership interest or a change in the ownership interest subsequent to the report which equals or exceeds 1% of the total outstanding Equity Securities is required to be reported to the FSC and the Korea Exchange within five business days from the date of the change. However, the reporting deadline of such reporting requirement is extended to the tenth day of the month immediately following the month of such change in their shareholding for (1) professional investors, as defined under the FSCMA, or (2) persons who hold shares for purposes other than management control. Those who report the purpose of shareholding as management control of the issuer are prohibited from exercising their voting rights and acquiring additional shares for five days subsequent to their report under the FSCMA.

Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment and may result in a loss of voting rights with respect to the ownership of Equity Securities exceeding 5%. Furthermore, the FSC may issue an order to dispose of non-reported Equity Securities.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of a company's shares accounts for 10% or more of the total issued and outstanding shares with voting rights (a major stockholder) must report the status of his or her shareholding to the Securities and Futures Commission and the Korea Exchange within five business days after he or she becomes a major stockholder. In addition, any change in the ownership interest subsequent to the report must be reported to the Securities and Futures Commission and the Korea Exchange by the fifth business day of any changes in his or her shareholding. Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment.

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Under the KRX regulations, if a company listed on the KRX KOSPI Market has submitted public disclosure of material matters to a foreign financial investment supervisory authority pursuant to the laws of the foreign jurisdiction, then it must submit a copy of the public disclosure and a Korean translation thereof to the Korea Exchange. In addition, if a company listed on the KRX KOSPI Market is approved for listing on a foreign stock exchange or determined to be de-listed from the foreign stock exchange or actually lists on, or de-lists from, a foreign stock exchange, then it must submit to the Korea Exchange a copy, together with a Korean translation thereof, of all documents submitted to, or received from, the relevant foreign government, supervisory authority or stock exchange.

Restrictions Applicable to ADSs

No Korean governmental approval is necessary for the sale and purchase of ADSs in the secondary market outside Korea or for the withdrawal of shares underlying ADSs and the delivery inside Korea of shares in connection with the withdrawal, provided that a foreigner who intends to acquire the shares must obtain an investment registration card from the Financial Supervisory Service (FSS) as described below. The acquisition of the shares by a foreigner must be immediately reported by the foreigner or his standing proxy in Korea to the Governor of the FSS (Governor).

Persons who have acquired shares as a result of the withdrawal of shares underlying the ADSs may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further governmental approval.

In addition, under the FSC regulations, effective as of November 30, 2006, we are required to file a securities registration statement with the FSC and such securities registration statement has to become effective pursuant to the FSCMA in order for us to issue shares represented by ADSs, except in certain limited circumstances.

Restrictions Applicable to Shares

Under the Foreign Exchange Transaction Laws and FSC regulations (together, the Investment Rules), foreigners may invest, with limited exceptions and subject to procedural requirements, in all shares of Korean companies, whether listed on the KRX KOSPI Market, unless prohibited by specific laws. Foreign investors may trade shares listed on the KRX KOSPI Market only through the KRX KOSPI Market, except in limited circumstances, including, among others:

odd-lot trading of shares;

acquisition of shares (Converted Shares) by exercise of warrant, conversion right under convertible bonds or withdrawal right under depositary receipts issued outside of Korea by a Korean company;

acquisition of shares as a result of inheritance, donation, bequest or exercise of shareholders' rights, including preemptive rights or rights to participate in free distributions and receive dividends;

over-the-counter transactions between foreigners of a class of shares for which the ceiling on aggregate acquisition by foreigners, as explained below, has been reached or exceeded with certain exceptions;

shares acquired by direct investment as defined in the Foreign Investment Promotion Law;

disposal of shares pursuant to the exercise of appraisal rights of dissenting shareholders;

disposal of shares in connection with a tender offer;

acquisition of shares by a foreign depositary in connection with the issuance of depositary receipts;

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acquisition and disposal of shares through overseas stock exchange market if such shares are simultaneously listed on the KRX KOSPI Market or the KRX KOSDAQ Market and such overseas stock exchange; and

arm's length transactions between foreigners, if all of such foreigners belong to an investment group managed by the same person.

The Investment Rules require a foreign investor who wishes to invest in shares for the first time on the Korea Exchange (including Converted Shares) to register its identity with the FSS prior to making any such investment; however, the registration requirement does not apply to foreign investors who acquire Converted Shares with the intention of selling such Converted Shares within three months from the date of acquisition of the Converted Shares or who acquire the shares in an over-the-counter transaction or dispose of shares where such acquisition or disposal is deemed to be a foreign direct investment pursuant to the Foreign Investment Promotion Law. Upon registration, the FSS will issue to the foreign investor an investment registration card which must be presented each time the foreign investor opens a brokerage account with a financial investment company with a brokerage license or dealing license in Korea. Foreigners eligible to obtain an investment registration card include foreign nationals who are individuals residing abroad for more than six months, foreign governments, foreign municipal authorities, foreign public institutions, international financial institutions or similar international organizations, corporations incorporated under foreign laws and any person in any additional category designated by decree of the Ministry of Strategy and Finance. All Korean offices of a foreign corporation as a group are treated as a separate foreigner from the offices of the corporation outside Korea. However, a foreign corporation or depository issuing depository receipts may obtain one or more investment registration cards in its name in certain circumstances as described in the relevant regulations.

Upon a foreign investor's purchase of shares through the Korea Exchange, no separate report by the investor is required because the investment registration card system is designed to control and oversee foreign investment through a computer system. However, a foreign investor's acquisition or sale of shares outside the Korea Exchange (as discussed above) must be reported by the foreign investor or his standing proxy to the Governor at the time of each such acquisition or sale; *provided, however*, that a foreign investor must ensure that any acquisition or sale by it of shares outside the Korea Exchange in the case of trades in connection with a tender offer, odd-lot trading of shares or trades of a class of shares for which the aggregate foreign ownership limit has been reached or exceeded, is reported to the Governor by the Korea Securities Depository, financial investment companies with a dealing or brokerage license or securities finance companies engaged to facilitate such transaction. A foreign investor must appoint one or more standing proxies from among the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks) financial investment companies with a dealing, brokerage or collective investment license and internationally recognized custodians which will act as a standing proxy to exercise shareholders' rights or perform any matters related to the foregoing activities if the foreign investor does not perform these activities himself. However, a foreign investor may be exempted from complying with these standing proxy rules with the approval of the Governor in cases deemed inevitable by reason of conflict between laws of Korea and those of the home country of the foreign investor.

Certificates evidencing shares of Korean companies must be kept in custody with an eligible custodian in Korea. Only foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license, the Korea Securities Depository and internationally recognized custodians are eligible to act as a custodian of shares for a non-resident or foreign investor. A foreign investor must ensure that his custodian deposits its shares with the Korea Securities Depository. However, a foreign investor may be exempted from complying with this deposit requirement with the approval of the Governor in circumstances where compliance with that requirement is made impracticable, including cases where compliance would contravene the laws of the home country of such foreign investor.

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Under the Investment Rules, with certain exceptions, foreign investors may acquire shares of a Korean company without being subject to any foreign investment ceiling. As one such exception, designated public corporations are subject to a 40% ceiling on the acquisition of shares by foreigners in the aggregate. Designated public corporations may set a ceiling on the acquisition of shares by a single person according to its articles of incorporation. We set this ceiling at 3% until the discontinuation of our designation as a public corporation on September 28, 2000. As a result, we currently do not have any ceiling on the acquisition of shares by a single person or by foreigners in the aggregate. Furthermore, an investment by a foreign investor of not less than 10% of the outstanding shares with voting rights of a Korean company is defined as a direct foreign investment under the Foreign Investment Promotion Law, which is, in general, subject to the report to, and acceptance by, the Ministry of Knowledge Economy. The acquisition of shares of a Korean company by a foreign investor may also be subject to certain foreign shareholding restrictions in the event that the restrictions are prescribed in each specific law which regulates the business of the Korean company.

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to acquire shares must designate a foreign exchange bank at which he must open a foreign currency account and a Won account exclusively for stock investments. No approval is required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened in the name of a financial investment company with a dealing, brokerage or collective investment license. Funds in the foreign currency account may be remitted abroad without any governmental approval.

Dividends on Shares are paid in Won. No governmental approval is required for foreign investors to receive dividends on, or the Won proceeds of the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any shares held by a non-resident of Korea must be deposited either in a Won account with the investor's financial investment company with a dealing, brokerage or collective investment license or his Won Account. Funds in the investor's Won Account may be transferred to his foreign currency account or withdrawn for local living expenses up to certain limitations. Funds in the Won Account may also be used for future investment in shares or for payment of the subscription price of new shares obtained through the exercise of preemptive rights.

Financial investment companies with a dealing, brokerage or collective investment license are allowed to open foreign currency accounts with foreign exchange banks exclusively for accommodating foreign investors' stock investments in Korea. Through these accounts, these financial investment companies and asset management companies may enter into foreign exchange transactions on a limited basis, such as conversion of foreign currency funds and Won funds, as counterparty to foreign investors, without the investors having to open their own accounts with foreign exchange banks.

Item 10.E. *Taxation*

The following summary is based upon tax laws of the United States and Korea as in effect on the date of this annual report on Form 20-F, and is subject to any change in United States or Korean law that may come into effect after such date. Investors in the shares of common stock or ADSs are advised to consult their own tax advisers as to the United States, Korean or other tax consequences of the purchase, ownership and disposition of such securities, including the effect of any national, state or local tax laws.

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Korean Taxation

The following summary of Korean tax considerations applies to you so long as you are not:

a resident of Korea;

a corporation with registered office or main office located in Korea or actual management of which takes place in Korea; or

engaged in a trade or business in Korea through a permanent establishment or a fixed base to which the relevant income is attributable or with which the relevant income is effectively connected.

Shares or ADSs

Dividends on the Shares of Common Stock or ADSs

We will deduct Korean withholding tax from dividends paid to you at a rate of 22.0% (including resident surtax). If you are a qualified resident in a country that has entered into a tax treaty with Korea, you may qualify for a reduced rate of Korean withholding tax. See the discussion under **Tax Treaties** below for an additional explanation on treaty benefits.

In order to obtain the benefits of a reduced withholding tax rate under an applicable tax treaty, you must submit to us, prior to the dividend payment date, such evidence of tax residence as may be required by the Korean tax authorities. Evidence of tax residence will include a certificate of your tax residency issued by a competent authority of your country of tax residence, and may be submitted to us through the ADR depository. If we distribute to you free shares representing a transfer of earning surplus or certain capital reserves into paid-in capital, that distribution may be subject to Korean tax.

Taxation of Capital Gains

As a general rule, capital gains earned by non-residents upon the transfer of the Shares or ADSs would be subject to Korean withholding tax at a rate equal to the lesser of (i) 11.0% (including resident surtax) of the gross proceeds realized or (ii) 22.0% (including resident surtax) of the net realized gain (subject to the production of satisfactory evidence of the acquisition costs and certain direct transaction costs arising out of the transfer of such Shares or ADSs), unless such non-resident is exempt from Korean income taxation under an applicable Korean tax treaty into which Korea has entered with the non-resident's country of tax residence. See the discussion under **Tax Treaties** below for an additional explanation of treaty benefits. Even if you do not qualify for any exemption under a tax treaty, you will not be subject to the foregoing withholding tax on capital gains if you qualify for the relevant Korean domestic tax law exemptions discussed in the following paragraphs.

With respect to shares of our common stock, you will not be subject to Korean income taxation on capital gains realized upon the transfer of such shares through the Korea Exchange if you (i) have no permanent establishment in Korea and (ii) did not own or have not owned (together with any shares owned by any person with which you have a certain special relationship and possibly including the shares represented by the ADSs) 25% or more of our total issued and outstanding shares at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

Capital gains earned by you (regardless of whether you have a permanent establishment in Korea) from the transfer of ADSs outside Korea (except for the case where you transfer the ADSs which you received as a holder of the relevant

shares upon the deposit of such shares) will be exempt from Korean income taxation by virtue of the Special Tax Treatment Control Law (STTCL), provided that the issuance of the ADSs is deemed to be an overseas issuance under the STTCL.

If you are subject to tax on capital gains with respect to the sale of ADSs, or of shares of common stock which you acquired as a result of a withdrawal, the purchaser or, in the case of the

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sale of shares of common stock on the Korea Exchange or through a licensed financial investment company in Korea, the licensed financial investment company, is required to withhold Korean tax from the sales price in an amount equal to the lesser of (i) 11% (including resident surtax) of the gross realization proceeds or (ii) 22% (including resident surtax) of the net realized gain (subject to the production of satisfactory evidence of the acquisition costs and certain direct transaction costs arising out of the transfer of such Shares or ADSs) and to make payment of these amounts to the Korean tax authority, unless you establish your entitlement to an exemption under an applicable tax treaty or domestic tax law. To obtain the benefit of an exemption from tax pursuant to a tax treaty, you must submit to the purchaser or the licensed financial investment company, or through the ADR depository, as the case may be, prior to or at the time of payment, such evidence of your tax residence as the Korean tax authorities may require in support of your claim for treaty benefits. See the discussion under **Tax Treaties** below for an additional explanation on claiming treaty benefits.

Tax Treaties

Korea has entered into a number of income tax treaties with other countries (including the United States), which would reduce or exempt Korean withholding tax on dividends on, and capital gains on transfer of, shares of our common stock or ADSs. For example, under the Korea-United States income tax treaty, reduced rates of Korean withholding tax of 16.5% or 11.0% (respectively, including resident surtax, depending on your shareholding ratio) on dividends and an exemption from Korean withholding tax on capital gains are available to residents of the United States that are beneficial owners of the relevant dividend income or capital gains, subject to certain exceptions. However, under Article 17 (Investment of Holding Companies) of the Korea-United States income tax treaty, such reduced rates and exemption do not apply if (i) you are a United States corporation, (ii) by reason of any special measures, the tax imposed on you by the United States with respect to such dividends or capital gains is substantially less than the tax generally imposed by the United States on corporate profits, and (iii) 25% or more of your capital is held of record or is otherwise determined, after consultation between competent authorities of the United States and Korea, to be owned directly or indirectly by one or more persons who are not individual residents of the United States. Also, under Article 16 (Capital Gains) of the Korea-United States income tax treaty, the exemption on capital gains does not apply if you are an individual, and (a) you maintain a fixed base in Korea for a period or periods aggregating 183 days or more during the taxable year and your ADSs or shares of common stock giving rise to capital gains are effectively connected with such fixed base or (b) you are present in Korea for a period or periods of 183 days or more during the taxable year.

You should inquire whether you are entitled to the benefit of an income tax treaty with Korea. It is the responsibility of the party claiming the benefits of an income tax treaty in respect of dividend payments or capital gains to submit to us, the purchaser or the financial investment company with a brokerage license, as applicable, a certificate as to his or her tax residence. In the absence of sufficient proof, we, the purchaser or the financial investment company with a brokerage license, as applicable, must withhold tax at the normal rates. In addition, in order for you to obtain the benefit of a tax exemption on certain Korean source income (e.g., dividends and capital gains) under an applicable tax treaty, Korean tax law requires you (or your agent) to submit the application for tax exemption along with a certificate of your tax residency issued by a competent authority of your country of tax residence, subject to certain exceptions. Such application should be submitted to the relevant district tax office by the ninth day of the month following the date of the first payment of such income.

Inheritance Tax and Gift Tax

If you die while holding an ADS or donate an ADS, it is unclear whether, for Korean inheritance and gift tax purposes, you will be treated as the owner of the shares of common stock underlying the ADSs. If the tax authority interprets depository receipts as the underlying share certificates, you may be treated as the owner of the shares of common stock and your heir or the donee (or in certain

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circumstances, you as the donor) will be subject to Korean inheritance or gift tax presently at the rate of 10% to 50%; provided that the value of the ADSs or shares of common stock is greater than a specified amount.

If you die while holding a share of common stock or donate a share of common stock, your heir or donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax at the same rate as indicated above.

At present, Korea has not entered into any tax treaty relating to inheritance or gift taxes.

Securities Transaction Tax

If you transfer shares of common stock on the Korea Exchange, you will be subject to securities transaction tax at the rate of 0.15% and an agriculture and fishery special surtax at the rate of 0.15% of the sale price of the shares of common stock. If your transfer of the shares of common stock is not made on the Korea Exchange, subject to certain exceptions you will be subject to securities transaction tax at the rate of 0.5% and will not be subject to an agriculture and fishery special surtax.

Although it is not entirely clear whether depositary receipts constitute share certificates subject to the securities transaction tax, the transfer of share certificates listed on the New York Stock Exchange, the NASDAQ National Market or other qualified foreign exchanges is exempt from the securities transaction tax under the Securities Transaction Tax Law. Accordingly, once the ADSs are listed on the New York Stock Exchange, your transfer of ADRs should not be subject to the securities transaction tax irrespective of whether depositary receipts constitute share certificates subject to the securities transaction tax.

In principle, the securities transaction tax, if applicable, must be paid by the transferor of the shares or rights. When the transfer is effected through a securities settlement company, such settlement company is generally required to withhold and pay the tax to the tax authorities. When such transfer is made through a financial investment company with a brokerage license only, such financial investment company is required to withhold and pay the tax. Where the transfer is effected by a non-resident without a permanent establishment in Korea, other than through a securities settlement company or a financial investment company with a brokerage license, the transferee is required to withhold the securities transaction tax.

United States Taxation

This summary describes the material U.S. federal income tax consequences for a U.S. holder (as defined below) of owning our shares of common stock or ADSs. This summary applies to you only if you hold shares of common stock or ADSs as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

a dealer in securities or currencies;

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;

a bank;

a life insurance company;

a tax-exempt organization;

a person that holds shares of common stock or ADSs that are a hedge or that are hedged against interest rate or currency risks;

a person that holds shares of common stock or ADSs as part of a straddle or conversion transaction for tax purposes;

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a person whose functional currency for tax purposes is not the U.S. dollar; or

a person that owns or is deemed to own 10% or more of any class of our stock.

This summary is based on laws, treaties and regulatory interpretations in effect on the date hereof, all of which are subject to change, possibly on a retroactive basis.

Please consult your own tax advisers concerning the U.S. federal, state, local and other national tax consequences of purchasing, owning and disposing of shares of common stock or ADSs in your particular circumstances.

For purposes of this summary, you are a U.S. holder if you are a beneficial owner of a share of common stock or ADS that is:

a citizen or resident of the United States;

a U.S. domestic corporation; or

subject to U.S. federal income tax on a net income basis with respect to income from the share of common stock or ADS.

Shares of Common Stock and ADSs

In general, if you hold ADSs, you will be treated as the holder of the shares of common stock represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange an ADS for the shares of common stock represented by that ADS.

Dividends

The gross amount of cash dividends that you receive (prior to deduction of Korean taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income. Dividends paid in Won will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of your (or, in the case of ADSs, the depository's) receipt of the dividend, regardless of whether the payment is in fact converted into Dollars. If such a dividend is converted into Dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. U.S. holders should consult their own tax advisers regarding the treatment of any foreign currency gain or loss on any Won received by U.S. holders that are converted into Dollars on a date subsequent to receipt.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual prior to January 1, 2011 with respect to the ADSs and common stock will be subject to taxation at a maximum rate of 15% if the dividends are qualified dividends. Dividends paid on the ADSs and common stock will be treated as qualified dividends if (i) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service has approved for the purposes of the qualified dividend rules and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). The income tax treaty between Korea and the United States (Treaty) has been approved for the purposes of the qualified dividend rules. Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2008 or 2009 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our

income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2010 taxable year. You should consult your own tax advisers regarding the availability of the reduced dividend tax rate in the light of your own particular circumstances.

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Distributions of additional shares in respect of shares of common stock or ADSs that are made as part of a pro-rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

Sales and Other Dispositions

For U.S. federal income tax purposes, gain or loss that you realize on the sale or other disposition of shares of common stock or ADSs will be capital gain or loss, and will be long-term capital gain or loss if the shares of common stock or ADSs were held for more than one year. Your ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at a reduced rate.

Foreign Tax Credit Considerations

You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits, including the possible adverse impact of failing to take advantage of benefits under the income tax treaty between the United States and Korea. If no such rules apply, you generally may claim a credit, up to any applicable reduced rates provided under the Treaty, against your U.S. federal income tax liability for Korean taxes withheld from dividends on shares of common stock or ADSs, so long as you have owned the shares of common stock or ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming a credit, you may, at your election, deduct such Korean taxes in computing your taxable income, provided that you do not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant tax year and subject to generally applicable limitations under U.S. tax law. Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain hedged positions in securities and may not be allowed in respect of arrangements in which your expected economic profit is insubstantial. You may not be able to use the foreign tax credit associated with any Korean withholding tax imposed on a distribution of additional shares that is not subject to U.S. tax unless you can use the credit against United States tax due on other foreign-source income.

Any Korean securities transaction tax or agriculture and fishery special tax that you pay will not be creditable for foreign tax credit purposes.

The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involves the application of complex rules that depend on a U.S. holder's particular circumstances. You should consult your own tax advisers regarding the creditability or deductibility of such taxes.

U.S. Information Reporting and Backup Withholding Rules

Payments in respect of the notes, shares of common stock or ADSs that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (1) is a corporation or other exempt recipient or (2) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Item 10.F. Dividends and Paying Agents

See Item 8.A. Consolidated Statements and Other Financial Information – Dividends above for information concerning our dividend policies and our payment of dividends. See Item 10.B. Memorandum and Articles of Association

Dividends for a discussion of the process by which

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dividends are paid on shares of our common stock. The paying agent for payment of our dividends on ADSs in the United States is the Bank of New York Mellon.

Item 10.G. *Statements by Experts*

Not applicable

Item 10.H. *Documents on Display*

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at the Public Reference Rooms in Washington, D.C., New York, New York and Chicago, Illinois. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any filings we make electronically will be available to the public over the Internet at the SEC's web site at <http://www.sec.gov>.

Item 10.I. *Subsidiary Information*

Not applicable

Item 11. *Quantitative and Qualitative Disclosures about Market Risk*

We are exposed to foreign exchange rate and interest rate risk primarily associated with underlying liabilities, and to changes in the commodity prices of principal raw materials and the market value of our equity investments. Following evaluation of these positions, we selectively enter into derivative financial instruments to manage the related risk exposures. These contracts are entered into with major financial institutions, which minimizes the risk of credit loss. The activities of our finance division are subject to policies approved by our senior management. These policies address the use of derivative financial instruments, including the approval of counterparties, setting of limits and investment of excess liquidity. Our general policy is to hold or issue derivative financial instruments for hedging purposes. From time to time, we may also enter into derivative financial contracts for trading purposes.

Exchange Rate Risk

Korea is our most important market and, therefore, a substantial portion of our cash flow is denominated in Won. Most of our exports are denominated in Dollars. Japan is also an important market for us, and we derive significant cash flow denominated in Yen. We are exposed to foreign exchange risk related to foreign currency denominated liabilities and anticipated foreign exchange payments. Anticipated foreign exchange payments, which represent a substantial sum and are mostly denominated in Dollars, relate primarily to imported raw material costs and freight costs. Foreign currency denominated liabilities relate primarily to foreign currency denominated debt. We use, to a limited extent, cross-currency interest rate swaps to reduce our exchange rate exposure with respect to foreign currency denominated debt. Under cross-currency interest rate swaps, we typically agree with the other parties to exchange, at the maturity date, a fixed amount denominated in one currency with a fixed amount denominated in another currency. Until the maturity date, we agree to exchange interest payments, at specified intervals, calculated based on different interest rates for each currency. We also use, to a limited extent, currency forward contracts to purchase Dollars to reduce our exchange rate exposure. Under currency forward contracts, we typically agree with the other parties to exchange, at the maturity date, a fixed amount denominated in Dollars with an amount denominated in Yen or Won at a fixed exchange rate.

As of December 31, 2009, we had entered into swap contracts, currency forward contracts and currency future contracts. We may incur losses under our existing contracts or any swap or other derivative product transactions

entered into in the future. See Note 23 of Notes to Consolidated Financial Statements.

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We are also subject to market risk exposure arising from changing interest rates. A reduction of interest rates increases the fair value of our debt portfolio, which is primarily of a fixed interest nature. From time to time, we use, to a limited extent, interest rate swaps to reduce interest rate volatility on some of our debt and manage our interest expense by achieving a balanced mixture of floating and fixed rate debt. As of December 31, 2009, we entered into one interest rate swap contract.

The following table summarizes the carrying amounts, fair values, principal cash flows by maturity date and weighted average interest rates of our short-term and long-term liabilities as of December 31, 2009 which are sensitive to exchange rates and/or interest rates. The information is presented in Won, which is our reporting currency.

	Maturities						December 31, 2009 Fair Value	December 31, 2008 Total Fair Value		
	2010	2011	2012	2013	2014	Thereafter			Total	
	(In billions of Won except rates)									
Local currency:										
Fixed rate	1,165	1,276	706	517	575	326	4,565	4,631	2,904	2,900
Weighted average rate										
Weighted rate ⁽¹⁾	3.71%	5.43%	5.38%	6.41%	5.36%	5.79%	5.11%		5.64%	
Variable rate	8	71	8	9	9	49	153	145	833	643
Weighted average rate										
Weighted rate ⁽¹⁾	5.60%	3.08%	2.52%	2.52%	2.52%	2.52%	2.94%		4.98%	
Sub-total	1,172	1,347	713	526	585	375	4,719	4,775	3,738	3,553
Foreign currency, principally dollars and yen:										
Fixed rate	2,735	333	265	987	822	374	5,517	5,536	5,649	5,443
Weighted average rate										
Weighted rate ⁽¹⁾	2.56%	3.31%	4.86%	2.39%	8.71%	5.69%	3.81%		3.17%	
Variable rate	105	1,037		929			2,077	2,069	1,609	1,609
Weighted average rate										
Weighted rate ⁽¹⁾	0.72%	2.10%		0.86%		2.25%	1.48%		2.31%	
Sub-total	2,840	1,370	265	1,917	822	380	7,594	7,605	7,258	5,452
Total	4,013	2,717	978	2,443	1,407	755	12,313	12,380	10,996	9,005

(1) Weighted average rates of the portfolio at the period end.

Commodity Price Risk

We are exposed to market risk of price fluctuations related to the purchase of raw materials, especially iron ore and coal. To ensure adequate supply of raw materials, we enter into long-term supply contracts to purchase iron ore, coal, nickel, chrome, stainless steel scrap and liquefied natural gas. These contracts generally have terms of three to ten years and provide for periodic price adjustments to then-market prices. The long-term contracts to purchase iron ore and coal generally provide for annual adjustments to the purchase prices to be determined through negotiation between the supplier and us, which are typically retroactively implemented starting on April 1 of each year. Such price negotiations are driven by various factors, including the global economic outlook, global market prices of raw materials and steel products, supply and demand outlook of raw materials and production costs of raw materials. Typically, globally influenced buyers and sellers of raw materials determine benchmark prices of raw materials, based on which other buyers and sellers negotiate their prices after taking into consideration the quality of raw materials and other factors. As of December 31, 2009, 364 million tons of iron ore and 59 million tons of coal remained to be purchased under long-term supply contracts.

Increases in prices of our key raw materials and our inability to pass along such increases to our customers could adversely affect our margins and profits. A 5% increase in the price of coal, iron

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ore and liquefied natural gas in 2009 would have increased our operating expenses by Won 467 billion in 2009.

Equity Price Risk

We are exposed to equity price risk primarily from changes in the stock price of SK Telecom and Nippon Steel Corporation. As of December 31, 2009, we hold a 2.88% interest in SK Telecom (excluding shares placed as collateral for exchangeable bonds issued in August 2008) and a 3.50% interest in Nippon Steel Corporation. We have not entered into any derivative instruments or any other arrangements to manage our equity price risks.

Item 12. *Description of Securities Other than Equity Securities*

Not applicable

Item 12.A. *Debt Securities*

Not applicable

Item 12.B. *Warrants and Rights*

Not applicable

Item 12.C. *Other Securities*

Not applicable

Item 12.D. *American Depositary Shares***Fees and Charges**

Under the terms of the deposit agreement, holders of our ADSs are required to pay the following service fees to the depository:

Services	Fees
Issuance of ADSs upon deposit of shares	Up to \$0.05 per ADS issued
Delivery of deposited shares against surrender of ADSs	Up to \$0.05 per ADS surrendered
Distribution delivery of ADSs pursuant to sale or exercise of rights	Up to \$0.05 per ADS held
Distributions of dividends	Up to \$0.02 per ADS held
Distribution of securities other than ADSs	A fee equivalent to the fee that would be payable if securities distributed had been shares and such shares had been deposited for issuance of ADSs.
Other corporate action involving distributions to shareholders	1. As necessary for taxes and other governmental charges that the depository or the custodian have to pay on any ADS or share underlying an ADS (for example, stock transfer taxes, stamp duty or withholding

taxes).

2. As necessary for any charges incurred by the depositary or its agents for servicing the deposited securities.

Holders of our ADSs are also responsible for paying certain fees and expenses incurred by the depositary and certain taxes and governmental charges such as:

fees for the transfer and registration of shares charged by the registrar and transfer agent for the shares in Korea (*i.e.*, upon deposit and withdrawal of shares);

expenses incurred for converting foreign currency into U.S. dollars;

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expenses for cable, telex and fax transmissions and for delivery of securities;

taxes and duties upon the transfer of securities (*i.e.*, when shares are deposited or withdrawn from deposit); and

fees and expenses incurred in connection with the delivery or servicing of shares on deposit.

Depository fees payable upon the issuance and surrender of ADSs are typically paid to the depository by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository and by the brokers (on behalf of their clients) delivering the ADSs to the depository for surrender. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository to the holders of record of ADSs as of the applicable ADS record date.

The depository fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (*i.e.*, stock dividend, rights), the depository charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depository sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via the Korea Securities Depository, or KSD), the depository generally collects its fees through the systems provided by KSD (whose nominee is the registered holder of the ADSs held in KSD) from the brokers and custodians holding ADSs in their KSD accounts. The brokers and custodians who hold their clients' ADSs in KSD accounts in turn charge their clients' accounts the amount of the fees paid to the depository.

In the event of refusal to pay the depository fees, the depository may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depository fees from any distribution to be made to such holder of ADSs.

The fees and charges that holders of our ADSs may be required to pay may vary over time and may be changed by us and by the depository. Holders of our ADSs will receive prior notice of such changes.

Fees and Payments from the Depository to Us

In 2009, we received the following payments from the depository:

Reimbursement of NYSE listing fees:	\$ 69,479.67
Reimbursement of London Stock Exchange listing fees:	\$ 24,445.49
Reimbursement of Tokyo Stock Exchange fees:	\$ 46,587.99
Reimbursement of proxy process expenses (printing, postage and distribution):	\$ 84,522.78
Contributions toward our investor relations efforts:	\$ 165,078.78

In addition, as part of its service to us, the depository waives its fees for the standard costs associated with the administration of the ADS facility, associated operating expenses, investor relations advice and access to an

internet-based tool used in our investor relations activities.

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PART II

Item 13. *Defaults, Dividend Arrearages and Delinquencies*

Not applicable

Item 14. *Material Modifications to the Rights of Security Holders and Use of Proceeds*

Not applicable

Item 15. *Controls and Procedures*

a. Disclosure Controls and Procedures

Our management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2009. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

b. Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed by, and under the supervision of, our principal executive, principal operating and principal financial officers, and effected by our board of directors, management and other personnel, 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.

Our 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 our assets; (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 our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. 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.

Our management has completed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2009 based on criteria in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2009.

KPMG Samjong Accounting Corp. (KPMG Samjong), an independent registered public accounting firm, which also audited our consolidated financial statements as of, and for the year ended December 31, 2009, as stated in their report which is included herein, has issued an attestation report on the effectiveness of our internal control over financial reporting.

c. Attestation Report of the Independent Registered Public Accounting Firm

The attestation report of our independent registered public accounting firm on the effectiveness of our internal control over financial reporting is furnished in Item 18 of this Form 20-F.

d. Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the year covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. *[Reserved]***Item 16A. *Audit Committee Financial Expert***

At our annual general meeting of shareholders in February 2010, our shareholders elected the following three members to the audit committee: Park, Sang-Yong (committee chair), Sun, Wook and Lee, Chang-Hee. The board of directors has approved this newly elected audit committee. Park, Sang-Yong is an audit committee financial expert and is independent within the meaning of applicable SEC rules.

Item 16B. *Code of Ethics*

We have adopted a code of business conduct and ethics, as defined in Item 16B. of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of business conduct and ethics, called Code of Conduct, applies to our chief executive officer and chief financial officer, as well as to our directors, other officers and employees. Our Code of Conduct is available on our web site at www.posco.com. If we amend the provisions of our Code of Conduct that apply to our chief executive officer or chief financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our web site at the same address.

Item 16C. *Principal Accountant Fees and Services***Audit and Non-Audit Fees**

The following table sets forth the fees billed to us by our independent auditor, KPMG Samjong in 2008 and 2009:

For the Year Ended December 31,	
2008	2009
(In millions of Won)	

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Audit fees	₩	2,539	3,122
Audit-related fees			
Tax fees		254	674
Other fees		200	51
Total fees	₩	2,993	3,847

Audit fees in 2009 as set forth in the above table are the aggregate fees billed by KPMG Samjong, the Korean member firm of KPMG International, in connection with the audit of our annual

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financial statements and the annual financial statements of other related companies and review of interim financial statements.

Audit-related fees in 2009 as set forth in the above table are the aggregate fees billed by KPMG Samjong for due diligence service related to an acquisition project, accounting advisory service on consolidation and general consultation on financial accounting and reporting standards.

Tax fees in 2009 as set forth in the above table are fees billed by KPMG Samjong for our tax compliance and tax planning, as well as tax planning and preparation of other related companies.

Other fees in 2009 as set forth in the above table are fees billed by KPMG Samjong primarily related to review of financial information on potential investment projects.

Audit Committee Pre-Approval Policies and Procedures

Our audit committee has not established pre-approval policies and procedures for the engagement of our independent auditors for services. Our audit committee expressly approves on a case-by-case basis any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or us.

Item 16D. *Exemptions from the Listing Standards for Audit Committees*

Not applicable

Item 16E. *Purchases of Equity Securities by the Issuer and Affiliated Purchasers*

The following table sets forth the repurchases of common shares by us or any affiliated purchasers during the fiscal year ended December 31, 2009:

Period	Total Number of Shares Purchased	Average Price Paid Per Share (In Won)	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans
January 1 to January 31				
February 1 to February 29				
March 1 to March 31				
April 1 to April 30				
May 1 to May 31				
June 1 to June 30				
July 1 to July 31				
August 1 to August 31				
September 1 to September 30				
October 1 to October 31				
November 1 to November 30				

December 1 to December 31

Total

Item 16F. *Change in Registrant's Certifying Accountant*

Not applicable

Item 16G. *Corporate Governance*

Pursuant to the rules of the New York Stock Exchange applicable to foreign private issuers like us that are listed on the New York Stock Exchange, we are required to disclose significant differences between the New York Stock Exchange's corporate governance standards and those that we follow under Korean law and in accordance with our own internal procedures. The following is a summary of such significant differences.

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NYSE Corporate Governance Standards

POSCO's Corporate Governance Practice

Director Independence

Independent directors must comprise a majority of the board

Our articles of incorporation provide that our board of directors must comprise no less than a majority of Outside Directors. Our Outside Directors must meet the criteria for outside directorship set forth under the Korean Securities and Exchange Act.

The majority of our board of directors is independent (as defined in accordance with the New York Stock Exchange's standards), and 8 out of 13 directors are Outside Directors. Under our articles of incorporation, we may have up to five Inside Directors and eight Outside Directors.

Nomination/Corporate Governance Committee

Listed companies must have a nomination/corporate governance committee composed entirely of independent directors

We have not established a separate nomination corporate governance committee. However, we maintain a Director Candidate Recommendation Committee composed of three Outside Directors and one Inside Director.

Compensation Committee

Listed companies must have a compensation committee composed entirely of independent directors

We maintain an Evaluation and Compensation Committee composed of four Outside Directors.

Executive Session

Listed companies must hold meetings solely attended by non-management directors to more effectively check and balance management directors

Our Outside Directors hold meetings solely attended by Outside Directors in accordance with operation guidelines of our board of directors.

Audit Committee

Listed companies must have an audit committee that is composed of minimum of three directors and satisfy the requirements of Rule 10A-3 under the Exchange Act

We maintain an Audit Committee comprised of three Outside Directors who meet the applicable independence criteria set forth under Rule 10A-3 under the Exchange Act.

Shareholder Approval of Equity Compensation Plan

Listed companies must allow their shareholders to exercise their voting rights with respect to any material revision to the company's equity compensation plan

We currently have an Employee Stock Ownership Program. We previously provided a stock options program for officers and directors, as another equity compensation plan. However, during our annual

shareholders meeting in February 2006, our shareholders resolved to terminate the stock option program and amended our articles of incorporation to delete the provision allowing grant of stock options to officers and directors. Consequently, since February 24, 2006, we have not granted stock options to officers and directors. Matters related to the Employee Stock Ownership Program are not subject to shareholders approval under Korean law.

Corporate Governance Guidelines

Listed companies must adopt and disclose corporate governance guidelines

We have adopted a Corporate Governance Charter setting forth our practices with respect to relevant corporate governance matters. Our Corporate Governance Charter is in compliance with Korean law but does not meet all requirements established by the New York Stock Exchange for U.S. companies listed on the exchange. A copy of our Corporate Governance Charter is available on our website at www.posco.com.

Code of Business Conduct and Ethics

Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers

We have adopted a Code of Conduct for all directors, officers and employees. A copy of our Code of Conduct is available on our website at www.posco.com.

PART III

Item 17. *Financial Statements*

Not applicable

Item 18. *Financial Statements*

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<u>Report of Independent Registered Public Accounting Firm, KPMG Samjong Accounting Corp., on Consolidated Financial Statements</u>	F-1
<u>Report of Independent Registered Public Accounting Firm, KPMG Samjong Accounting Corp., on Internal Control over Financial Reporting</u>	F-2
Report of Independent Registered Public Accounting Firm, Samil PricewaterhouseCoopers, on Consolidated Financial Statements	F-3
<u>Consolidated Statements of Financial Position as of December 31, 2008 and 2009</u>	F-4
<u>Consolidated Statements of Income for the Years Ended December 31, 2007, 2008 and 2009</u>	F-6
<u>Consolidated Statements of Changes in Equity for the Years Ended December 31, 2007, 2008 and 2009</u>	F-7
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2007, 2008 and 2009</u>	F-11
<u>Notes to Consolidated Financial Statements</u>	F-13

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Item 19. Exhibits

- 1.1 Articles of Incorporation of POSCO (English translation)
- 2.1 Form of Common Stock Certificate (including English translation) (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement No. 33-81554)*
- 2.2 Form of Deposit Agreement (including Form of American Depositary Receipts) (incorporated by reference to the Registrant's Registration Statement (File No. 33-84318) on Form F-6)*
- 2.3 Letter from ADR Depositary to the Registrant relating to the Pre-release of American Depositary Receipts (incorporated by reference to the Registrant's Registration Statement (File No. 33-84318) on Form F-6)*
- 8.1 List of consolidated subsidiaries
- 12.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 12.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 13.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed previously

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Report of Independent Registered Public Accounting Firm

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.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea
June 23, 2010

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

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 statements 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.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

June 23, 2010

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
POSCO:

In our opinion, the consolidated statements of income, of changes in equity and of cash flows for the year ended December 31, 2007 present fairly, in all material respects, the results of operations and cash flows of POSCO and its subsidiaries for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the Republic of Korea. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

/s/ Samil PricewaterhouseCoopers
Seoul, Republic of Korea
June 10, 2008

Samil PricewaterhouseCoopers
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Samil PricewaterhouseCoopers is the Korean network firm of PricewaterhouseCoopers International Limited (PwCIL). PricewaterhouseCoopers and PwC refer to the network of member firms of PwCIL. Each member firm is a separate legal entity and does not act as an agent of PwCIL or any other member firm.

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POSCO and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2009 and 2008

	2009	2008	(note 2) 2009
	(In millions of Korean Won and thousands of US dollar)		
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.

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POSCO and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2009 and 2008

	2009	2008	(note 2)
	(In millions of Korean Won and thousands of US dollar)		
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

See accompanying notes to consolidated financial statements.

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POSCO and Subsidiaries
Consolidated Statements of Income
For the years ended December 31, 2009, 2008 and 2007

		2009	2008	2007	(note 2) 2009
		(In millions of Korean Won and thousands of US dollar except per share information)			
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

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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.

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POSCO and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2009, 2008 and 2007

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Non Controlling Interest	Total
	(In millions of Korean Won)						
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
Others		(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
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See accompanying notes to consolidated financial statements.

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POSCO and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2009, 2008 and 2007

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Non Controlling Interest	Total
	(In millions of Korean Won)						
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.

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POSCO and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2009, 2008 and 2007

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Non Controlling Interest	Total
	(In millions of Korean Won)						
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

See accompanying notes to consolidated financial statements.

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POSCO and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2009, 2008 and 2007

	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive (Loss)	Retained Earnings	Non Controlling Interest	Total
	(In thousands of US dollar)						
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.

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Table of Contents**POSCO and Subsidiaries****Consolidated Statements of Cash Flows****For the years Ended December 31, 2009, 2008 and 2007**

	2009	2008	2007	(note 2) 2009
	(In millions of Korean Won and thousands of US dollar)			
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)

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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.

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Table of Contents**POSCO and Subsidiaries****Consolidated Statements of Cash Flows****For the years Ended December 31, 2009, 2008 and 2007**

	2009	2008	2007	(note 2) 2009
	(In millions of Korean Won and thousands of US dollar)			
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	2,308,952
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
	(40,865)	141,536	30,901	(34,999)

Effect of exchange rate changes on cash and cash equivalents

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:

	2009	2008	2007	2009
	(In millions of Korean Won and thousands of US Dollar)			
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.

Table of Contents**POSCO and Subsidiaries
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	4,733,593	5.43
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	70,461,869	80.81
	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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POSCO and Subsidiaries
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	POSCO	Number of Shares Subsidiaries	Total	Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	L
E & C	Engineering and construction	30,473,000	27,281,080		27,281,080	89.53		I
Co.,Ltd.	Steel sales and service	18,000,000	17,155,000		17,155,000	95.31		I
Co.,	Electronic control devices manufacturing	3,519,740	3,098,610		3,098,610	88.04		I
Color Ltd.	Coated steel manufacturing	6,000,000	3,412,000		3,412,000	56.87		I
Plant ng Co., nerly,								
y & ng Co.,	Steel work maintenance and machinery installation	1,700,000	1,700,000		1,700,000	100.00		I
CT Co., nerly, A Co.,	Computer hardware and software distribution	81,551,600	50,440,720		50,440,720	61.85		S
	Economic research and consulting	3,800,000	3,800,000		3,800,000	100.00		
		3,945,000	2,737,000	1,208,000	3,945,000	100.00		S

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Wang	Athletic facilities operation						POSCO E & C (30.62)	
Posmate Co.,	Architecture and consulting	300,000	300,000		300,000	100.00		
Steel	Specialty steel manufacturing	26,000,000	26,000,000		26,000,000	100.00		CH
Woohyang Co.,	Steel work maintenance and machinery installation	1,000,000	1,000,000		1,000,000	100.00		Gw
Hyundai Capital	Investment in venture companies	6,000,000	5,700,000		5,700,000	95.00		H
Posmate Co.,	Manufacturing and sellings	5,907,000	3,544,200		3,544,200	60.00		H
Posmate Co.,	Transporting and warehousing	5,000,000	2,550,000		2,550,000	51.00		Gw
Posmate Co.,	Construction	10,560,000	4,229,280		4,229,280	40.05	POSCO E & C (40.05)	
Posmate Co.,	Facilities management	714,286	214,286		214,286	30.00		
Posmate Co.,	Packing materials manufacturing	3,000,000	270,000	831,756	1,101,756	36.73	Posmate Co., Ltd. (27.73)	H
Power	Generation of Electricity	40,000,000	40,000,000		40,000,000	100.00		
006 Fund(*1)	Investment in new technology	570		126	126	22.11	POSTECH Venture Capital Corp (10.53) POSCO Power (11.58)	
		3,907,151		1,992,647	1,992,647	51.00	Posteel (51.00)	C

E Co.,	Components manufacturing and sales						
Ltd.	Rental houses construction and management	400,000	400,000	400,000	100.00	POSCO E & C (100.00)	I

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ia)	Steel sellings and mine development	761,775	761,775	761,775	100.00	
Ltd.	Coal trading	1,099,885	1,099,885	1,099,885	100.00	Posteel (100.00)
ew	Mine development	304,061	304,061	304,061	100.00	POSCAN (100.00)
	Steel intermediate trading	9,360,000	9,360,000	9,360,000	100.00	
on	Steel manufacturing				50.00	Posteel(5.00) POSCO Specialt Steel (10.00)
eel	Coated steel manufacturing				85.00	Posteel (15.00) POSCO-China (40.00)
Co.,	Steel service center				94.00	Posteel (84.00)
Co.,	Steel service center	9,800	9,310	9,310	95.00	POSCO-Japan (95.00)
n (*3)	Real estate rental				60.00	
teel	Steel structure fabrication and sales				70.00	POSCO E&C (60.00) Posteel (10.00)
s	Stainless steel manufacturing				82.48	POSCO-China (23.88)
ang ,	Coated steel manufacturing				97.09	POSCO-China (10.04)
nd)	Steel service center	14,857,921	12,721,734	2,136,187	14,857,921	100.00 Posteel (14.38)

Table of Contents**POSCO and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2009 and 2008**

Primary Business	Number of Outstanding Shares	POSCO	Number of Shares Subsidiaries	Total	Percentage of Ownership (%)	Percentage Ownership Subsidiaries
Specialty steel manufacturing and sales	19,200	13,440		13,440	70.00	
Stainless steel manufacturing					90.00	POSCO E&S (25.00) ZPSS (65.00)
Steel processing and sellings	4,900		2,785	2,785	56.84	POSCO-Japan (56.84)
Finance	5,000,000	5,000,000		5,000,000	100.00	
Steel service center	56,550,200	25,269,900	14,315,238	39,585,138	70.00	Posteel (25.00) ZPSS (20.00)
Stainless steel manufacturing					100.00	POSCO-China (10.00)
Steel service center					100.00	POSCO-China
Construction and sales	18,400		18,400	18,400	100.00	POSCO E&S (100.00)
Steel service center					100.00	Posteel (100.00)
Iron ore mining and trading	17,500,001		17,500,001	17,500,001	100.00	POSA (100.00)
Holding company					100.00	

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Steel trading	90,438	90,438		90,438	100.00	
Facilities manufacturing					100.00	POSCO E&E (100.00)
Coal trading	12,550,000		12,550,000	12,550,000	100.00	POSA (100.00)
Coal trading	11,050,000		11,050,000	11,050,000	100.00	POSA (100.00)
Coal trading	450,000,000	450,000,000		450,000,000	100.00	
Steel service center	115,062,471	74,787,138		74,787,138	65.00	
Steel service center	99,000		89,100	89,100	90.00	POSCO-Japan
Steel service center					100.00	POA (24.2) POSCO-Ch (36.20)
Construction and engineering					100.00	POSCO E&E (100.00)
Steel service center					61.00	POSAM (61.00)
Raw material and steel depot service					100.00	ZPSS (75.1) POSCO-Ch (24.89)
Cold-rolled steel manufacturing and sales					85.00	
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)
Steel service center	55,673,970	42,532,980		42,532,980	76.40	

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POSCO and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

	Primary Business	Number of Outstanding Shares	POSCO	Number of Shares Subsidiaries	Total	Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)
	Coal trading	35,000,000		35,000,000	35,000,000	100.00	POSA (100.00)
	Steel service center					86.86	
	Steel service center					100.00	POSCO-China (10.00)
	Components manufacturing and sales					100.00	Posteel(15.15) POA(15.15) POSCO (69.70)
	Steel service center	99,000		81,550	81,550	82.37	POSCO-Japan (82.37)
	Steel service center	27,000,000	16,200,000		16,200,000	60.00	
	Mine development and operation	100		100	100	100.00	POSCAN (85.00) Samjung P&A (15.00)
	Steel service center					100.00	POSCO-China (31.43)
	IPTV broadcasting & optional service	1,000,847		582,000	582,000	58.15	POSCO ICT (58.15)
	Steel service center					100.00	Posteel (100.00)
						90.00	

Stainless cold steel
manufacturing

- (*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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POSCO and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

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				Net Income (Loss)
	Total Assets	Total Liabilities	Net Assets	Sales	
	(In millions of Korean Won) (*)				
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)

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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 Fuel 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)

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POSCO and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Subsidiaries	Summary of Financial Information				Net Income
	Total Assets	Total	Net Assets	Sales	(Loss)
		Liabilities			
		(In millions of Korean Won) (*)			
POS-HiMetal Co., Ltd.	9,445	419	9,026		(974)
POSCO E&E	17,303		17,303		(97)
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)
	48,470	34,875	13,595	142,277	118

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POS-Qingdao Coil Center Co., Ltd.					
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

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POSCO and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Subsidiaries	Summary of Financial Information				Net Income (Loss)
	Total Assets	Total Liabilities	Net Assets	Sales	
	(In millions of Korean Won) (*)				
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
Zhangjigang 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
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.

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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:

Primary Business	Number of Outstanding Shares	POSCO	Number of Shares Subsidiaries	Total	Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)
E-business	3,200,000	560,000	350,000	910,000	28.44	POSCO E&C (3.75) and Others
Engineering	3,402,000		866,190	866,190	25.46	POSCO E&C (25.46)
Real estate	4,456,000		1,332,344	1,332,344	29.90	POSCO E&C (29.90)
Real estate	285,304		85,306	85,306	29.90	POSCO E&C (29.90)
Material manufacturing	37,000,000	18,130,000		18,130,000	49.00	
Construction	8,000,000		2,008,000	2,008,000	25.10	POSCO E&C (22.00) POADATA (3.10)
Wind power plant construction and management	5,000,000		2,500,000	2,500,000	50.00	POSCO E&C (50.00)
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)
Multiplex development	6,200,000		388,740	388,740	6.27	POSCO E&C (6.27)

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r	Generation of electricity	7,230,000		2,322,999	2,322,999	32.13	POSCO E&C (32.13)
	Non-resident building lease	200,000		98,000	98,000	49.00	POSCO E&C (49.00)
	Facilities lease	4,021,438,370	2,010,719,185		2,010,719,185	50.00	
)	Steel processing					50.00	POSAM (50.00)
d	Material manufacturing	86,700	21,675		21,675	25.00	
	Steel processing	23,455,600	2,345,558	4,573,842	6,919,400	29.50	Posteel (19.50)
	Steel manufacturing					50.00	
(*1)	Steel service center	12,600	1,193	3,579	4,772	37.87	Posteel (28.40)
	Investment in companies in the bio-tech industry					100.00	POSAM(100.00)
ty.	Material processing	9,715		3,239	3,239	33.34	POSA(33.34)
	Material processing	6,601,426	3,234,698		3,234,698	49.00	
Co.,	Manufacturing and sellings					35.00	POSREC (35.00)

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POSCO and Subsidiaries
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			
POSCO (PingHu) Steel Processing Center Co., Ltd. (*3)	Steel processing				20.00		China
POSCO Silicon Technology & Materials Co., Ltd. (*3)	Material processing				30.00	POSCO-China (30.00)	China
POSCO Poland Wrocław Steel Processing Center Co., Ltd. (*3)	Steel processing	100,000	30,000	30,000	30.00		Poland
POSCO Khanh New City Development (*1,3)	Construction				50.00	POSCO E&C (50.00)	Vietnam
POSCO Tsingpu Ferro Alloy Co., Ltd. (*1,3)	Material processing				49.00	Zhangjiagang STS (49.00)	China
POSCO United Spiral Pipe, Inc. (USP) (*1,3)	Steel pipe manufacturing and sales				35.00	POSAM (35.00)	USA
POSCO Longyue (Liangyue) Plate Industrial Co., Ltd. (*1,3)	Specialty steel manufacturing				34.00	POSCO-China (10.00)	China
POSCO Steel POSCO Cold Rolled sheet Co., Ltd. (*3)	Steel manufacturing				25.00		China
POSCO SS-SLPC s.r.o. (*3)	Steel processing				30.00		Slovakia
POSCO Moly LLC. (*3)	Material processing				20.00	POS-Mineral (20.00)	USA

S UTEK Development (*3)	Construction				25.00	POSCO E&C (25.00)	Russ
POSCO SAMSUNG Shou Steel Processing Center Co., (*3)	Steel processing				30.00		Chin
POSCO SeAH Steel Co. (Nantong) Ltd. (*3)	Steel processing				25.00	POSCO-China (25.00)	Chin
S-JK LLC.	Steel processing	10,300	2,574	2,574	24.99	POSCO E&C (4.9) Posteel (20.08)	UA

(*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.

Table of Contents**POSCO and Subsidiaries
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
	Innovalley Co., Ltd.	Korea	Non-majority control
	Busan-Gimhae Light Rail Transit Co., Ltd.	Korea	Non-majority control
	Applied Science Corp.	Korea	Non-majority control
	SENTECH KOREA CORP.	Korea	Non-majority control
	Incheon-Gimpo Highway	Korea	Non-majority control
	Green Jangryang Co., Ltd.	Korea	Non-majority control
Green Cheonan Co., Ltd.	Korea	Non-majority control	
Green Tongyeong Co., Ltd.	Korea	Non-majority control	
Foreign	DWEMEX,S.A.DE C.V.	Mexico	Small company
	POS MPC Servicios de C.V.	Mexico	Small company
	POSCO E&C SMART	Mexico	Small company
	POSCO MEXICO HUMAN TECH	Mexico	Small company
	POSCO MEXICO Logistics S.A. DE C.V. (POSCO-MESDC)	Mexico	Small company
	POSCO Engineering and Construction Venezuela C.A	Venezuela	Small company
	POSCO-Vietnam Hanoi Processing Centre LLC. (POSCO-VNPC)	Vietnam	Small company
	Europe Steel Distribution Center (POS-ESDC, Logistics, Trading and Investment d.o.o)	Slovenia	Small company
	POSCO South East Asia Pte. Ltd.	Singapore	Small company
	POSCO Gulf Logistics LLC.	UAE	Small company
	Vectus Limited	UK	Small company

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EUROTALY S.A.	Uruguay	Small company
POSCO E&C India Private Ltd.	India	Small company
POSCO India Chennai Steel Processing Centre Pvt. Ltd. (POSCO-ICPC)	India	Small company
POSCO Maharashtra Steel Private Limited	India	Small company
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

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POSCO and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Location	Investees	Country	Reason
	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 statements.

Changes in Scope of Consolidation in 2009

Investees	Location	Reason
POSCOAST 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 Phillipine 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

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POSCO and Subsidiaries
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:

Investees	2009		
	Net Assets Value before Adjustment	Adjustment Amount	Net Assets Value after Adjustment
(In millions of Korean Won)			
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

Investees	2008		
	Net Assets Value before Adjustment	Adjustment Amount	Net Assets Value after Adjustment
(In millions of Korean Won)			
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

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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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**POSCO and Subsidiaries
Notes to Consolidated Financial Statements
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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.

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**POSCO and Subsidiaries
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December 31, 2009 and 2008**

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

Allowance for doubtful accounts

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

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

Inventories

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

Investments in Securities

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

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

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.

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

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

Equity method investments

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

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.

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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.

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

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- (*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.

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.

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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.

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.

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Income tax and deferred income tax

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

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

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

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

Use of estimates

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

Elimination of the investments of investing company and the 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

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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.

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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:

	Annual Interest Rate (%)		2009	2008
			(In millions of Korean Won)	
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.

4. Trading Securities

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

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

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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:

	2009	2008
	(In millions of Korean Won)	
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

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

Face Value	Present Value Discount	Book Value	Maturity	Discount Rate (%)
(In millions of Korean Won)				
372	27	345	2011	3.7

Long-term loans receivable
Riviera C.C

₩	372	27	345
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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	1308	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.

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

Description	Balance at Beginning of Period	Additions			Balance at the End of Period
		Charged to Costs and Expenses	Change in Scope of Consolidation	Deductions (*)	
(In millions of Korean Won)					
Year ended					
December 31, 2009:					
Reserves deducted in the statement of financial position from the assets to which the apply:					
Allowance for doubtful accounts	₩ 340,325	₩ 45,538	₩ 2,808	₩ 103,776	₩ 284,895
Year ended					
December 31, 2008:					
Reserves deducted in the statement of financial position from the assets to which the apply:					
Allowance for doubtful accounts	341,766	28,186	1,072	30,699	340,325
Year ended					
December 31, 2007:					
Reserves deducted in the statement of financial position from the assets to which the apply:					
Allowance for doubtful accounts	385,755	37,237		81,226	341,766

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

6. Inventories

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

	2009	2008
	(In millions of Korean Won)	
Finished goods	₩ 8 77,850	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.

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7. Investment Securities

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

	2009	2008
	(In millions of Korean Won)	
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:

	2009	2008
	(In millions of Korean Won)	
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

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

Company	Number of Shares	Percentage of Ownership	2009		2008	
			Acquisition Cost (In millions of Korean Won)	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
	3,404		149	744	744	749

DC Chemical Co., Ltd. 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) Thainox Stainless Public Company Limited	238,352,000	3.50	719,622	1,128,734	1,128,734	963,486
Macarthur Coal Limited (*3)	1,200,000,000	15.00	42,301	67,658	67,658	40,299
Murchison Metals Ltd.	21,215,700	8.34	420,805	249,431	249,431	55,927
Cockatoo Coal Ltd. Sandfire Resources NL	50,567,000	12.25	27,146	132,139	132,139	27,737
Jupiter Mines Limited	73,595,835	19.99	31,352	33,389	33,389	21,129
Silicon Motion Technology Corp.	19,033,666	18.20	6,897	73,598	73,598	1,292
FuelCell Energy, INC.	48,000,000	13.00	8,159	9,531	9,531	
Others	136,925	0.42	3,052	545	545	394
	10,786,418	12.80	57,156	47,354	47,354	18,651
			14,049	9,460	9,460	11,968
			₩ 4,050,077	₩ 3,973,531	₩ 3,973,531	₩ 2,917,595

(*1) Certain portions 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:

Company	Number of Shares	Percentage of Ownership (%)	2009		2008	
			Acquisition Cost (In millions of Korean Won)	Book Value	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.

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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:

Company	Beginning Balance	2009 Increase (Decrease)	Ending Balance	Beginning Balance	2008 Increase (Decrease)	Ending Balance
			(In millions of Korean Won)			
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)
	3,664	(1,119)	2,545	5,246	(1,582)	3,664

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SeAH Steel Corp.						
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:

		2009		2008	
	Maturity	Acquisition	Book	Book	Book
		Cost	Value	Value	Value
		(In millions of Korean Won)			
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	

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

	2009		2008	
	Acquisition	Book	Book	Book
	Cost	Value	Value	Value
	(In millions of Korean Won)			
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:

	2009			2008			
	Amortized	Gross	Gross	Fair	Amortized	Gross	Gross
	Cost (*)	Unrealized	Unrealized	Value	Cost (*)	Unrealized	Unrealized
	(In millions of Korean Won)						
ies:							
and	₩ 5,504	₩	₩ 522	₩ 4,982	₩ 591	₩	₩
nds	151,445		633	150,812	38,764		₩
	156,949		1,155	155,794	39,355		
rities:							
Equity	3,744,085	948,334	(718,888)	3,973,531	3,611,012	322,218	(1,015,635)
ble	1,179,887	137,002	(142,023)	1,174,866	1,239,895	108,445	(41,600)
rities							

21,003	3,143		24,146	20,567	4,257		
4,944,975	1,088,479	(860,911)	5,172,543	4,871,474	434,920	(1,057,235)	
₩ 5,101,924	₩ 1,088,479	₩ (859,756)	₩ 5,328,337	₩ 4,910,829	₩ 434,920	₩ (1,057,235)	₩

(*) 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.

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POSCO and Subsidiaries
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Held-To-Maturity Securities

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

	Maturity	2009 Acquisition Cost (In millions of Korean Won)	Book Value	2008 Book Value
Current portion of held-to-maturity securities	Less than			
Government bonds	1 year	₩ 20,717	₩ 20,717	₩ 20,613
Held-to-maturity securities	1-5 years	101,031	91,792	86,756
Government bonds (*)	5-10 years			565
		101,031	91,792	87,321
		₩ 121,748	₩ 112,509	₩ 107,934

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

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POSCO and Subsidiaries
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Equity-Method Investments

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

Investees ^(*1)	Number of Shares	Percentage of Ownership (%)	2009		2008	
			Acquisition Cost (In millions of Korean Won)	Net Asset Value	Book Value	Book Value
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
BX STEEL POSCO Cold Rolled Sheet Co., Ltd. ^(*5)		25.00	61,961	56,763	63,667	90,776
USS-POSCO Industries (UPI) ^(*2,5)		50.00	254,649	52,433	45,961	51,330
POSCO Bio Ventures L.P. ^(*5,6)		100.00	47,874	30,439	30,439	39,584

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CAML Resources Pty. Ltd. (*2)	3,239	33.34	40,388	28,250	30,237	31,959
United Spiral Pipe, LLC. (USP) (*2,5)		35.00	29,354	23,997	23,984	32,260
Zhongyue POSCO (Qinhuangdau) Tinplate Industrial Co., Ltd. (*2,5)		34.00	9,517	17,847	15,592	16,944
Poschrome (Proprietary) Limited An Khanh New City Development Joint-Ventured Company Ltd. (*2,5)	21,675	25.00	4,859	13,768	13,481	5,004
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd. (*5)		50.00	20,429	12,644	12,643	21,184
Henan Tsingpu Ferro Alloy Co., Ltd. (*2,5)		30.00	3,236	9,734	9,899	10,552
POS-JK LLC. (*4)	2,574	49.00	8,846	4,664	4,664	5,084
Others		24.99	1,990	(293)		
			26,984	30,575	28,101	31,680
			₩ 964,120	₩ 722,107	₩ 827,583	₩ 832,536

(*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:

	Dec. 31 2007	Equity Method Profits	Other Increase (Decrease)	Dec. 31 2008	Equity Method Profits	Other Increase (Decrease)	Dec. 31 2009
Investees	Balance	(Losses)	(*)	Balance	(Losses)	(*)	Balance
	(In millions of Korean Won)						
POSCO Incheon Co., Ltd.	₩ 87,762	₩ (28,742)	₩	₩ 59,020	₩ 34,244	₩ (1)	₩ 93,264
Seoul Tidal Power Plant Co., Ltd.					(208)	11,249	11,041
Seogwipo Wind Power Corporation		2,413	2,860	5,273	(3,722)	9,404	10,955
Seoul IT Co., Ltd.	5,321	1,788	(183)	6,926	1,229	149	8,302
Seoul International Korea Inc.	11,385	3,308	(7,710)	6,983	5,038	(4,104)	7,917
Seoul toB Corporation	6,149	748	622	7,519	418	(241)	7,696
Seoulju Enterprise City	9,576	(1,847)	(43)	7,686	(2,303)		5,383
Seoulgla International Business Town Co., Ltd.		(539)	3,893	3,354	(1,212)	17	2,150
Seoulkel Mining Company SAS	200,622	(35,918)	55,849	220,553	(3,634)	(26,770)	190,141

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reka Moly LLC			121,209	121,209	(305)	(7,799)	113,10
DBRASCO	41,143	35,385	(18,872)	57,656	25,611	15,676	98,94
K STEEL POSCO Cold lled Sheet Co., Ltd.	66,782	3,261	20,733	90,776	(23,086)	(4,023)	63,66
S-POSCO Industries(UPI)	59,771	308	(8,749)	51,330	(18,530)	13,161	45,96
SCO Bio Ventures L.P.	35,190	(8,288)	12,682	39,584	(5,037)	(4,108)	30,43
AML Resources Pty. Ltd.	28,155	3,617	187	31,959	(6,561)	4,839	30,23
ited Spiral Pipe, LLC. SP)		(1,393)	33,653	32,260	(5,523)	(2,753)	23,98
ongyue SCO(Qinhuangdau) plate Industrial Co., Ltd.	10,043	2,361	4,540	16,944	(159)	(1,193)	15,59
schrome (Proprietary) nited	5,165	3,288	(3,449)	5,004	6,237	2,240	13,48
Khanh New City velopment Joint-Ventured mpany Ltd.	10,893	(2,697)	12,988	21,184	(6,509)	(2,032)	12,64
bei Huaerliang POSCO icon Science & Technology , Ltd.	4,385	4,000	2,167	10,552	122	(775)	9,89
nan Tsingpu Ferro Alloy , Ltd.	8,470	(5,043)	1,657	5,084	(40)	(380)	4,66
S-JK					(1,931)	1,931	
thers	13,800	126	17,754	31,680	(1,019)	(2,560)	28,10
	₩ 604,612	₩ (23,864)	₩ 251,788	₩ 832,536	₩ (6,880)	₩ 1,927	₩ 827,58

(*) 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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POSCO and Subsidiaries
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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:

Investee	Dec. 31 2007			Dec. 31 2008			Dec. 31 2009		
	Balance	Increase (Decrease)	Amortization	Balance	Increase (Decrease)	Amortization	Balance	Increase (Decrease)	Amortization
(In millions of Korean Won)									
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:

Investee	2009			2008		
	Inventories	Property, Plant and Equipment, and Intangible Assets	Total	Inventories	Property, Plant and Equipment, and Intangible Assets	Total
(In millions of Korean Won)						
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	2,368		2,368	(6,268)		(6,268)
	(14)		(14)			

United Spiral Pipe, LLC. Zhongyue POSCO(Qinhuangdao) Tinplate Industrial Co., Ltd.	(210)		(210)	(168)		(168)
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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POSCO and Subsidiaries
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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:

Investee	Total Assets	Total Liabilities (In millions of Korean Won)	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	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.	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

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8. Property, Plant and Equipment

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

	2009	2008
	(In millions of Korean Won)	
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 year ended December 31, 2009 and 2008, are as follows:

	Beginning Balance	Acquisition (*1)	Disposal	Depreciation (*2)	Others (*3)	Elimination of Intercompany Transactions	En Ba
	(In millions of Korean Won)						
	₩ 1,861,451	₩ 153,118	₩ (26,083)	₩	₩ 160,305	₩ (6,170)	₩ 2
	2,855,902	876,087	(43,536)	(245,517)	155,786	(169,204)	3
	1,590,231	196,500	(10,773)	(150,340)	99,480	(76,988)	1
and	8,635,599	3,332,801	(165,204)	(2,005,954)	813,289	(539,183)	10
	33,923	56,976	(23,383)	(17,294)	1,323	(480)	
	94,396	38,580	(2,180)	(33,519)	(28,490)	(432)	
and fixtures	90,034	36,342	(2,305)	(37,445)	3,682	(4,284)	
lease assets	10,579	3,410	(10)	(6,840)	16,426		
on-in-progress	2,896,984	5,587,395	(32,049)		(3,788,448)	(344,703)	4
	₩ 18,069,099	₩ 10,281,209	₩ (305,523)	₩ (2,496,909)	₩ (2,566,647)	₩ (1,141,444)	₩ 2

(*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.

Beginning

**Elimination of
Intercompany**

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	Balance	Acquisition	Disposal	Depreciation	Others	Transactions	Bal
	(In millions of Korean Won)						
	₩ 1,509,189	₩ 119,753	₩ (26,404)	₩	₩ 260,018	₩ (1,105)	₩ 1
	2,623,024	231,885	(11,123)	(216,416)	405,973	(177,441)	2
	1,546,816	152,673	(5,687)	(130,600)	104,876	(77,847)	1
y and t	8,526,549	1,479,351	(29,270)	(1,795,165)	978,965	(524,831)	8
	36,946	10,928	(2,064)	(15,040)	4,038	(885)	
	75,383	54,086	(548)	(43,896)	10,306	(935)	
and fixtures	69,152	48,066	(733)	(34,838)	13,859	(5,472)	
Lease assets	10,829	403		(687)	34		
ion-in-progress	1,183,877	4,014,374	(33,483)		(2,018,206)	(249,578)	2
	₩ 15,581,765	₩ 6,111,519	₩ (109,312)	₩ (2,236,642)	₩ (240,137)	₩ (1,038,094)	₩ 18

(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:

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

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POSCO and Subsidiaries
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9. Intangible Assets

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

	2009	2008
	(In millions of Korean Won)	
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:

	For the Year Ended December 31, 2009						Elimination of Intercompany Transactions	Ending Balance
	Beginning Balance	Acquisition	Disposal	Recovery (Amortization)	Others^(*1)	(In millions of Korean Won)		
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	
	116,078	1,680		(18,090)		(116)	99,552	

Port facilities usage rights								
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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For the Year Ended December 31, 2008

	Beginning Balance	Acquisition	Disposal	Recovery (Amortization)	Others	Elimination of Intercompany Transactions	Ending Balance
	(In millions of Korean Won)						
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:

	2009	2008
	(In millions of Korean Won)	
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:

	Description	2009	2008	Remaining Useful Life
(In millions of Korean Won)				
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.

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

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

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:

Beneficiaries		2009	2008
		(In millions of Korean Won)	
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:

Financial Institution	2009		2008	
	Foreign Currency	Won Equivalent (In millions of Korean Won)	Foreign Currency	Won Equivalent
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:

	2009	2008
	(In millions of Korean Won)	
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

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:

Financial Institutions	Annual Interest Rate (%)		2009		2008	
			(In millions of Korean Won)			
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

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

Financial Institutions	Annual Interest Rate (%)		2009		2008	
			(In millions of Korean Won)			
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 ~ 13.2	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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13. Long-Term Debts

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

	Issue date	Maturity	Annual Interest Rate (%)	2009			2008
				(In millions of Korean Won)			
res	10/21/2004 ~ 11/24/2009	08/18/2009 ~ 08/27/2019	4.02~6.80	KRW	3,372,050	₩	3,882,688
				USD	340,000,000		
				JPY	9,000,000,000		
(Public)	06/28/2006	06/28/2013	2.05	JPY	50,000,000,000		631,410
(Private)	12/29/2008 11/11/2008	12/29/2011 11/11/2011	Tibor +1.6 Tibor +2.6	JPY	50,000,000,000		631,410
				JPY	20,000,000,000		252,564
				USD	300,000,000		350,280
ds (*)	08/19/2008	08/19/2013	5.88	JPY	52,795,000,000		666,706
	03/26/2009	03/26/2014	8.75	USD	700,000,000		817,320
							7,232,378
bond							10,067
on							(317,084)
							(70,449)
						₩	6,854,912

(*) 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
	JPY 168,944,000

Fair value of an exchangeable right as of
December 31,2009:

Exercise period of exchangeable right:

Commencing ten business days following the issuance date until
ten business days prior to maturity date

Exercise date of put by bondholders:

August 19, 2011

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

Financial Institutions	Annual Interest Rate		2009		2008	
	(%)		(In millions of Korean Won)			
Won currency borrowings						
The Korea Resources Corporation	Representative Borrowing Rate ^(*) - 2.25	KRW	55,114	₩ 55,114	49,308	49,308
Woori Bank	Representative Borrowing Rate ^(*) - 1.25	KRW	20,405	20,405		
The Korea Development Bank and Less: Current portion	1.00 ~ 7.36	KRW	537,418	537,418	595,037	595,037
				(226,622)		(9,475)
				386,315		634,870
Foreign currency borrowings ^(*)						
The Korea Development Bank and others	Representative Borrowing Rate ^(*) - 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)
Loans from foreign financial institutions				982,982		727,007
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:

Period	Debentures (*)	Borrowings	Foreign		Loans from Foreign Financial Institutions	Total
			Currency Borrowings	(In millions of Korean Won)		
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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14. Accrued Severance Benefits

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

	2009	2008
	(In millions of Korean Won)	
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:

Period	Amount	
	(In millions of Korean Won)	
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.

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

	2009	2008
	(In millions of Korean Won)	
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

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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:

Grantors	Entity Being Guaranteed	Financial Institution (In millions of Korean Won)	Amount		Won
					Equivalent
POSCO	POSCO Investment Co., Ltd.	HSBC	CNY	630,000,000	₩ 107,767
			MYR	280,000,000	95,427
			USD	346,000,000	403,990
	POSCO-Vietnam Co., Ltd.	The Export-Import Bank of Korea and others	JPY	4,806,750,000	60,701
			USD	230,000,000	268,548
			CNY	359,180,000	61,441
POSCO E&C Co., Ltd.	Taegisan Wind Power Corporation	Korea Development Bank	USD	13,800,000	16,113
			KRW	7,500	7,500
	IBC Corporation	The Export-Import Bank of Korea	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.	BOTM	USD	50,600,000	59,081
			USD	81,751,820	95,453
	POSCO-Mexico Co., Ltd.	HSBC	USD	130,000,000	151,788
			EUR	8,600,000	14,399
	POSCO Poland Wroclaw Steel Processing Center Co., Ltd.	HSBC	USD	42,000,000	49,039
			CNY	630,000,000	107,768
	Qingdao Pohang Stainless Steel Co., Ltd.	Standard Chartered	USD	280,000,000	326,928
	Zhangjiagang Pohang Stainless Steel Co., Ltd.	Bank of China and others	CNY	630,000,000	107,768
			USD	280,000,000	326,928

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	Zhongyue POSCO (Qinhuangdao) Tinsplate Industrial Co., Ltd.	Bank of China and others	CNY	5,100,000	872
POSCO-Japan Co., Ltd.	POSCO ICT Co.,Ltd.	Mizuho Bank	JPY	100,000,000	1,263
	POSCO-JKPC Co., Ltd.	Mizuho Bank and others	JPY	2,990,000,000	37,758
	POSCO-JNPC Co., Ltd.	Mizuho Bank and others	JPY	3,300,000,000	41,673
	POSCO-JOPC Co., Ltd.	Mizuho Bank and others	JPY	2,827,500,000	35,706
	POSCO-JYPC Co., Ltd.	Mizuho Bank and others	JPY	2,506,250,000	31,649
POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd.	POSCO E&C(Beijing) Co., Ltd.	Korea Exchange Bank	CNY	8,000,000	1,368
POSCOAST 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:

Grantors	Entity Being		Amount		Won Equivalent
	Guaranteed	Financial Institution (In millions of Korean Won)	Guaranteed		
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
	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
			KRW	75,960	75,960

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Hyundai ENG Co., Ltd.	Samsung C&T Corporation and others			
DAEWOO TECH THAILAND	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.

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(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:

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

(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:

Company	Plaintiff	Amount (In millions of Korean Won)	Description
POSCO	Songdo Construction Co.,Ltd. and others	13,054	13 lawsuits including claim for operation damages due to loss of the sands at beach
POSCO E&C Co., Ltd.	Korea Development 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.

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(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 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, six blank checks and six other notes, approximately amounting to ₩61,704 million, to Korea Housing Guarantee Co., Ltd. and other financial institutions as collateral for agreements and outstanding loans. In addition, POSCO E&C Co., Ltd. has entered into a contract to guarantee the borrowings of subcontractors amounting to ₩1,188,693 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.

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6) As of December 31, 2009, Pohang Coated Steel Co., Ltd. has local credit loan agreements, credit purchase loan agreements and letters of credit in relation to trade of up to ₩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.

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.

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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.

18. Capital Surplus

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

	2009	2008
	(In millions of Korean Won)	
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

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19. Retained Earnings

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

	2009	2008
	(In millions of Korean Won)	
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

20. Dividends

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

Interim Dividends

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

Year-end Cash Dividends

	2009		2008		2007	
	Dividend		Dividend		Dividend	
	Ratio	Dividend	Ratio	Dividend	Ratio	Dividend
	(%)	Amount	(%)	Amount	(%)	Amount
	(In millions of Korean Won)					
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

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21. Capital Adjustments

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

		2009	2008
		(In millions of Korean Won)	
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:

		2009		2008
		Number of	Book	Book
		shares	value	value
		(In millions of Korean Won)		
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.

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:

1 st Grant	2 nd Grant	3 rd Grant	4 th Grant	5 th Grant	6 th Grant	Total
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**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	April 28, 2004	Sept. 19, 2004	April 27, 2005	July 24, 2006	April 29, 2007	
	July 23, 2008	April 27, 2009	Sept. 18 2009	April 26, 2010	July 23, 2011	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.

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

	1 st Grant	2 nd Grant	3 rd Grant	4 th Grant	5 th Grant	6 th Grant	Total
	(In millions of Korean Won)						
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.

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

Stock Appreciation Rights Outstanding	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
	(In Korean Won)					
Beginning of year	198,481	₩ 150,770	279,472	₩ 145,170	460,335	₩ 145,238
Granted						
Excercised	(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
Excercisable 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:

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

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

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years ended December 31, 2009 and 2008 and related contracts outstanding as of December 31, 2009 and 2008 are as follows:

Type of Transaction	Purpose of Transaction	Financial Institutions	Valuation Gain/Loss				Transa
			Income Statement		Comprehensive Income		
			2009	2008	2009	2008	Inco
(In millions of Korean Won)							
Currency forward	Trading	Woori Bank and others	₩	₩	₩	₩	₩ 14,1
Embedded derivative (*)	Exchangeable Bonds	Related creditors	7,065	17,985			
Currency forward	Fair value hedge	HSBC and others	10,659	(124,870)			12,5
Interest Swap	Cash flow hedge	Calyon Bank and others	(28,045)	72,182		(4,634)	(4,3
Valuation of Fixed Contract	Fair market value hedge		(34,328)	177,940			
Currency forward	Trading	SC Korea First Bank	23				(
Currency forward	Trading	Shinhan Bank					
Currency Option	Trading	SC Korea First Bank and others	5,145	(138,472)			(6,9
Currency Swap	Trading	SC Korea First Bank and others		10,451			
Non-derivatives	Cash flow hedge	Citi Bank					2,1
Currency forward	Trading	Korea Exchange Bank and others		(2,482)			(1,2

Currency forward	Trading	SC Korea First Bank	6	(2)					
Currency Swap	Cash flow hedge	SC Korea First Bank							
Currency future	Trading	Woori Bank and others				215			
Currency forward	Trading	Nong Hyup Bank and others	5,251						
Currency Swap	Cash flow hedge	Calyon Bank and others	(18,670)	51,800			(6,166)		
Currency forward	Trading	Citi Bank	354	(5,886)					(7,2)
Derivatives	Trading	MML	9,295	(584)					
Currency future	Fair value hedge	Standard Chartered							
			₩ (43,245)	₩ 58,277	₩	₩	(10,800)	₩	10,1

(*) The Company applied derivative accounting as exchangeable right to investors related to exchangeable bond issued in August 19, 2008 meets certain criteria of embedded derivatives. Fair values of exchangeable right are ₩2,133 million (JPY168,994,000) and ₩9,199 million (JPY659,937,500) as of December 31, 2009 and 2008, respectively. This exchangeable right is included in other long-term liabilities. (note 15)

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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:

	2009	2008	2007
	(In millions of Korean Won)		
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
Meetings	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

25. Income Taxes

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

	2009	2008	2007
	(In millions of Korean Won)		
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

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(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:

	2009	2008	2007
	(In millions of Korean Won)		
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:

	Temporary Differences			Deferred Income Tax		
	Dec. 31, 2008	Inc. (dec.)	Dec. 31, 2009 (In millions of Korean Won)	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	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)
	12,121	22,391	34,512	2,944	5,255	8,199

Accrued on valuation of Inventories									
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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	Temporary Differences			Deferred Income Tax		
	Dec. 31, 2007	Inc. (dec.)	Dec. 31, 2008	Dec. 31, 2007	Inc. (dec.)	Dec. 31, 2008
	(In millions of Korean Won)					
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		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

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	₩ (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:

	2009	2008	2007
	(In millions of Korean Won, except per share information)		
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:

	2009	2008	2007
	(In millions of Korean Won)		
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)

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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:

	2009		2008			
	Foreign Currency (*2)	Won Equivalent	Foreign Currency (*2)	Won Equivalent		
(In millions of Korean Won, other currencies in thousands)						
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
	Foreign subsidiaries	723,876	845,198	Foreign subsidiaries	728,786	916,448
Trade accounts and notes receivable	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
	Foreign subsidiaries	1,075,209	1,255,413	Foreign subsidiaries	807,654	1,015,625
Other accounts and notes receivable	USD	14,023	16,373	USD	5,740	7,218
	JPY	8,879	112	JPY	8,879	124
	Foreign subsidiaries	82,694	96,552	Foreign subsidiaries	101,680	127,863
Short-term and long-term loans receivable	USD	849	991	USD		
	Foreign subsidiaries	481,875	562,637	Foreign subsidiaries	331,900	417,365
Long-term trade accounts and notes receivable	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.

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	2009		2008			
	Foreign Currency (*2)	Won Equivalent	Foreign Currency (*2)	Won Equivalent		
	(In millions of Korean Won, other currencies in thousands)					
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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(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 Fuel 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.

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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:

	Sales and Others ^(*1)			Purchases and Others ^(*1)		
	2009	2008	2007	2009	2008	2007
	(In millions of Korean Won)					
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 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
	130,964	131,497	39,002	39	176	

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POSCORE Co., Ltd.						
POSCOAST 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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	Receivables ^(*2)		Payables ^(*2)	
	2009	2008	2009	2008
	(In millions of Korean Won)			
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 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	
POSCOAST 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

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:

Sales and Others ^(*1)

Purchases and Others ^(*1)

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	2009	2008	2007	2009	2008	2007
	(In millions of Korean Won)					
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

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	Receivables ^(*2)		Payables ^(*2)	
	2009	2008	2009	2008
	(In millions of Korean Won)			
eNtoB Corporation	₩	₩	₩	₩
KOBRASCO		4,115	6,561	6,016
Poschrome (Proprietary) Limited	176			
POSVINA			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 year ended December 31, 2009, 2008 and 2007, and receivables and payables as of December 31, 2009, 2008 and 2007, are as follows:

	Sales and Others (*1)	Purchase and Others (*1)	Receivables (*2)	Payables (*2)
	(In millions of Korean Won)			
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 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.	380,268	27,011	62,434	1,625
POSCO Thailand Bangkok Processing Center 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 (Suzhou) 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

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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:

	2009	2008
	(In millions of Korean Won)	
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.

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

	Steel	Engineering and Construction	Trading	Others	Consolidation Adjustment	Consolidated
	(In millions of Korean Won)					
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

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

	Steel	Engineering and Construction	Trading	Others	Consolidation Adjustment	Consolidated
	(In millions of Korean Won)					
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

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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								

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

	Steel	Engineering and Construction	Trading (In millions of Korean Won)	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						
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.

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:

	2009	2008	2007
	(In millions of Korean Won)		
Total of segment results	₩ 3,863,586	7,449,957	5,037,514
Consolidation adjustment (*1)	4,576	(276,028)	(117,652)

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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.

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(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:

Customer Location	2009	Sales (*1)			Property, Plant and Equipment	
		2008	2007	2009	2008	
		(In millions of Korean Won)				
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.

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

	Non-Financial Institution		Financial Institution	
	2009	2008	2009	2008
	(In millions of Korean Won)			
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

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Non-Current liabilities	9,371,979	7,607,183	637	502
Total Liabilities	₩ 18,250,656	18,216,608	₩ 396,778	400,469

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

	Non-financial Institution		Financial Institution	
	2009	2008	2009	2008
	(In millions of Korean Won)			
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)	₩	

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.

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December 31, 2009 and 2008****(a) Reconciliation of Net Income from Korean GAAP to U.S. GAAP**

	Adjustments Before Deferred Income Tax	Deferred Income Tax Effect	Net Adjustments to Net Income
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(In millions of Korean Won, except share information)

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)
Capitalized costs		131,843		(29,005)
Investment securities		210,762		(46,368)
Goodwill		56,433		(12,414)
Derivatives		90,846		(22,446)
Others, net		576		(128)
Tax effects resulting from intercompany transactions	₩	500,821	₩	(112,641)
			₩	388,180
			₩	(21,680)
Net income in accordance with U.S. GAAP			₩	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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Adjustments
Before
Deferred
Income Tax
Deferred
Income
Tax Effect
Net Adjustments
to Net Income
(In millions of Korean Won, except share information)

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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	Adjustments Before Deferred Income Tax	Deferred Income Tax Effect	Net Adjustments to Net Income
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(In millions of Korean Won, except share information)

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

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

	Adjustments Before Deferred Income Tax Effect	Deferred Income Tax Effect	Net Adjustments to Equity
	(In millions of Korean Won)		
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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	Adjustments Before Deferred Income Tax Effect	Deferred Income Tax Effect	Net Adjustments to Equity
	(In millions of Korean Won)		
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

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

		2009	2008	2007
		(In millions of Korean Won)		
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

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:

		2009	2008	2007
		(In millions of Korean Won)		
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.

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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 (FAS 123(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.

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.

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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:

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

The total stock compensation expenses, 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.

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

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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:

	2009	2008	2007
	(In millions of Korean Won)		
Impairment loss	₩ 207,000	(445,225)	
Recognition of gains on disposal	3,762	391	537
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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:

	2009	2008
	(In millions of Korean Won)	
<i>Available-for-Sale Securities under Korean GAAP</i>		
Marketable Securities	₩ 3,973,531	2,917,595
Non-marketable Securities	1,354,806	1,370,918
	₩ 5,328,337	4,288,513
<i>Available-for-Sale Securities and Other Investment Securities under U.S. GAAP</i>		
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:

	Less than 12 Months		12 Months or More		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
	(In millions of Korean Won)					
Available for Sale Securities:						
Equity securities	₩ 97,946	₩ 398,314	₩ 101,587	₩ 311,707	₩ 199,533	₩ 710,021

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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 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.

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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 is 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.

(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 (FIN 48) Accounting for Uncertainty in Income Taxes, an interpretation of

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FASB Statement No. 109,) which set outs 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:

	2009	2008	2007
	(In millions of Korean Won)		
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

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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:

	2009	2008
	(In millions of Korean Won)	
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

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

2009 **2008**
(In millions of Korean Won)

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 realization 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 realization 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.

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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.

(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:

		2009	2008	2007
		(In millions of Korean Won)		
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

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

	Foreign Currency Translation Adjustments	Change in Fair Value of a Derivative Instrument (In millions of Korean Won)	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)
Balance, December 31, 2008	₩ 530,722	₩ (11,342)	₩ 253,621	₩ 773,001
Foreign currency translation adjustments, net of tax	(143,163)			(143,163)

₩ 48,425 million					
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

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December 31, 2009 and 2008****(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.

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:

	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions of Korean Won)			
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

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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

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(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:

	Level 1	Level 2	Level 3	Total
	(In millions of Korean Won)			
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

(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

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₩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:

	2009	2008	2007
	(In millions of Korean Won)		
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.

(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.

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**POSCO and Subsidiaries
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(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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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

POSCO
(Registrant)

/s/ Chung, Joon-Yang
Name: Chung, Joon-Yang

Title: Chief Executive Officer and

Representative Director
Date: June 25, 2010

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Exhibit Index

- 1.1 Articles of incorporation of POSCO (English translation)
- 2.1 Form of Common Stock Certificate (including English translation) (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement No. 33-81554)*
- 2.2 Form of Deposit Agreement (including Form of American Depositary Receipts) (incorporated by reference to the Registrant's Registration Statement (File No. 33-84318) on Form F-6)*
- 2.3 Letter from ADR Depositary to the Registrant relating to the Pre-release of American Depositary Receipts (incorporated by reference to the Registrant's Registration Statement (File No. 33-84318) on Form F-6)*
- 8.1 List of consolidated subsidiaries
- 12.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 12.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 13.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed previously