

POSCO

Non-Consolidated Financial Statements

March 31, 2008

(With Independent Accountants' Review Report Thereon)

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Independent Accountants' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders of
POSCO:

We have reviewed the accompanying non-consolidated balance sheet of POSCO (the "Company") as of March 31, 2008, and the related non-consolidated statements of income, changes in shareholders' equity and cash flows for the three-month period ended March 31, 2008. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these non-consolidated financial statements based on our review. The accompanying non-consolidated statements of income and cash flows of the Company for the three-month period ended March 31, 2007, were reviewed by Samil PricewaterhouseCoopers whose report thereon dated May 9, 2007, stated that they were not aware of any material modifications that should be made to these statements in order for them to be in conformity with generally accepted accounting principles in the Republic of Korea.

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

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

The non-consolidated balance sheet as of December 31, 2007, and the related non-consolidated statements of income, appropriation of retained earnings, changes in shareholders' equity and cash flows for the year then ended, which are not accompanying this report, were audited by Samil PricewaterhouseCoopers, whose report thereon dated February 11, 2008, expressed an unqualified opinion on those statements. The accompanying non-consolidated balance sheet as of December 31, 2007, presented for comparative purposes, is not different from that included in the audited financial statement noted above in all material respects.

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

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

Handwritten signature in black ink that reads "KPMG Samjung Accounting Corp." The signature is written in a cursive, flowing style.

Seoul, Korea
May 6, 2008

<p>This report is effective as of May 6, 2008, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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POSCO
Non-Consolidated Balance Sheets
As of March 31, 2008 and December 31, 2007
(Unaudited)

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents (note 3)	₩ 521,049	691,034
Short-term financial instruments (note 3)	1,620,563	1,443,301
Trading securities (note 6)	1,408,163	1,239,290
Current portion of held-to-maturity securities (note 7)	172,000	191,995
Trade accounts and notes receivable, net of allowance for doubtful accounts (notes 4 and 21)	2,048,345	1,894,850
Inventories (note 5)	3,065,340	3,221,279
Other accounts receivable, net of allowance for doubtful accounts (notes 4 and 21)	98,294	48,777
Other current assets (note 11)	<u>79,423</u>	<u>37,368</u>
Total current assets	9,013,177	8,767,894
Property, plant and equipment at cost (notes 8 and 22)	34,232,844	33,881,421
Less accumulated depreciation	<u>(21,057,440)</u>	<u>(20,679,772)</u>
Property, plant and equipment, net	13,175,404	13,201,649
Investment securities (notes 7 and 10)	7,920,288	8,163,412
Intangible assets (notes 9 and 22)	199,242	211,975
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts (note 4)	19,881	19,365
Long-term financial instruments (note 3)	47	47
Other non-current assets, net of allowance for doubtful accounts (note 11)	<u>113,562</u>	<u>128,456</u>
Total non-current assets	21,428,424	21,724,904
Total assets	<u>₩ 30,441,601</u>	<u>30,492,798</u>

POSCO
Non-Consolidated Balance Sheets
As of March 31, 2008 and December 31, 2007
(Unaudited)

<i>(in millions of Won)</i>	2008	2007
Liabilities		
Short-term borrowings (note 12)	₩ 123,230	81,293
Trade accounts and notes payable (note 21)	548,291	632,047
Current portion of long-term debt, net of discount on debentures issued (note 12)	518,843	432,134
Accrued expenses	96,196	87,949
Other accounts payable (note 21)	451,432	595,046
Withholdings	29,550	27,131
Income tax payable	787,743	823,723
Deferred income tax liabilities (note 19)	138,808	96,673
Other current liabilities (note 15)	56,517	35,811
Total current liabilities	2,750,610	2,811,807
Long-term debt, net of current portion and discount on debentures issued (note 13)	2,341,599	2,240,878
Accrued severance benefits, net (note 14)	258,738	225,404
Deferred income tax liabilities (note 19)	355,936	557,749
Other long-term liabilities (note 17)	121,173	153,728
Total liabilities	5,828,056	5,989,566
Shareholders' Equity		
Common stock of ₩5,000 par value		
Authorized – 200,000,000 shares		
Issued and outstanding – 75,394,201 shares	482,403	482,403
Capital surplus	4,160,178	4,160,785
Capital adjustments, net	(2,822,783)	(2,785,952)
Accumulated other comprehensive income	560,858	877,769
Retained earnings	22,232,889	21,768,227
Total shareholders' equity	24,613,545	24,503,232
Total liabilities and shareholders' equity	₩ 30,441,601	30,492,798

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Balance Sheets
As of March 31, 2008 and December 31, 2007
(Unaudited)

<i>(in millions of Won)</i>	2008	2007
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Total liabilities and shareholders' equity	₩ 30,441,601	30,492,798

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Income
For the three-month periods ended March 31, 2008 and 2007
(Unaudited)

<i>(in millions of Won, except share information)</i>	2008	2007
Sales (notes 21 and 22)	₩ 6,066,183	5,701,005
Cost of goods sold (notes 16, 21 and 24)	4,505,705	4,270,154
Gross profit	1,560,478	1,430,851
Selling and administrative expenses (note 18)	286,827	318,202
Operating profit	1,273,651	1,112,649
Non-operating income		
Interest income	40,840	24,009
Dividend income	55,181	32,324
Gain on valuation of trading securities	10,411	10,591
Gain on disposal of trading securities	10,441	11,354
Gain on disposal of property, plant and equipment	1,624	3,853
Gain on foreign currency transaction	44,928	18,298
Gain on foreign currency translation	10,167	1,158
Equity in earnings of equity method accounted investments	175,118	205,344
Gain from disposal of held-for-sale assets	17,952	-
Others	26,603	32,194
	393,265	339,125
Non-operating expenses		
Interest expense	28,233	20,641
Other bad debt expense	4,322	3,027
Loss on foreign currency transactions	43,665	19,413
Loss on foreign currency translation	195,123	21,752
Donations	87	67,062
Loss on disposal of property, plant and equipment	10,546	6,836
Equity in losses of equity method accounted investments	35,514	17,174
Loss on sales of accounts receivable	1,461	6,309
Others	8,076	11,162
	327,027	173,376
Income before income taxes	1,339,889	1,278,398
Income tax expense (note 19)	308,675	296,093
Net income	₩ 1,031,214	982,305
Basic earnings per share (note 20)	₩ 13,673	12,759

See accompanying notes to non-consolidated financial statements.

POSCO

Non-Consolidated Statements of Changes in Shareholders' Equity For the three-month periods ended March 31, 2008 and 2007 (Unaudited)

(in millions of Won)

	Common stock	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total
Balance as of January 1, 2007	₩ 482,403	₩ 3,934,587	₩ (1,670,690)	₩ 301,463	₩ 18,743,894	₩ 21,791,657
Cumulative effect of changes in accounting policy	-	67,519	(69,987)	2,468	-	-
Dividends	-	-	-	-	(465,557)	(465,557)
Net income	-	-	-	-	982,305	982,305
Acquisition of treasury stock	-	-	(766,666)	-	-	(766,666)
Gain on valuation of available-for-sale securities	-	-	-	117,291	-	117,291
Changes in capital adjustment arising from equity method investments	-	-	-	50,069	-	50,069
Balance as of March 31, 2007	₩ 482,403	₩ 4,002,106	₩ (2,507,343)	₩ 471,291	₩ 19,260,642	₩ 21,709,099

(in millions of Won)

	Common stock	Capital surplus	Capital adjustment	Accumulated other comprehensive income	Retained earnings	Total
Balance as of January 1, 2008	₩ 482,403	₩ 4,160,784	₩ (2,785,951)	₩ 877,769	₩ 21,768,227	₩ 24,503,232
Dividends	-	-	-	-	(566,552)	(566,552)
Net income	-	-	-	-	1,031,214	1,031,214
Changes in capital surplus of equity method accounted investments	-	(606)	-	-	-	(606)
Acquisition of treasury stock	-	-	(36,832)	-	-	(36,832)
Gain on valuation of available-for-sale securities	-	-	-	(426,601)	-	(426,601)
Changes in capital adjustment arising from equity method investments	-	-	-	109,690	-	109,690
Balance as of March 31, 2008	₩ 482,403	₩ 4,160,178	₩ (2,822,783)	₩ 560,858	₩ 22,232,889	₩ 24,613,545

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2008 and 2007
(Unaudited)

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Net income	₩ 1,031,214	₩ 982,305
Adjustments to reconcile net income		
to net cash provided by operating activities		
Depreciation and amortization	466,864	388,223
Accrual of severance benefits	56,015	39,043
Gain on valuation of trading securities	(10,411)	(10,591)
Gain on disposal of trading securities	(10,441)	(11,354)
Gain from disposal of held-for-sale assets	(17,952)	-
Loss on disposal of property, plant and equipment, net	8,922	2,983
Equity in earnings of equity accounted investments, net	(139,604)	(188,170)
(Reversal of) stock compensation expense	(29,044)	33,414
Loss on foreign currency translation, net	192,321	18,936
Accrual for executive performance compensation	1,533	1,201
Loss on disposal of notes receivable	1,461	6,309
Bad debt expense for other accounts receivable		
and other non-current receivables	4,469	3,027
Others	10	9
	<u>524,103</u>	<u>283,030</u>
Changes in operating assets and liabilities		
Decrease (increase) in trade accounts and notes receivable	(155,636)	8,301
Increase in other accounts and notes receivable	(53,595)	(12,052)
Increase in accrued income	(6,473)	(2,686)
Increase in prepaid expenses	(34,960)	(34,646)
Decrease (increase) in inventories	155,939	(4,021)
Increase (decrease) in trade accounts and notes payable	(83,910)	69,559
Increase (decrease) in other accounts and notes payable	(143,414)	163,171
Increase (decrease) in accrued expenses	8,248	(130,789)
Increase (decrease) in income tax payable	(35,980)	284,713
Payment of severance benefits	(25,322)	(7,414)
Decrease in income tax expense due to		
changes in deferred income tax liabilities	(21,990)	(17,345)
Decrease in severance benefits trust	1,813	1,764
Dividends from equity method accounted investment	42,470	48,057
Increase in other current liabilities	16,389	18,849
Others, net	5,673	(4,273)
	<u>(330,748)</u>	<u>381,188</u>
Net cash provided by operating activities	1,224,569	1,646,523

See accompanying notes to non-consolidated financial statements.

POSCO
Non-Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2008 and 2007
(Unaudited)

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Cash flows from investing activities		
Disposal of short-term financial instruments	791,711	258,695
Disposal of trading securities	2,076,979	2,736,719
Disposal of available-for-sale securities	476	-
Maturity of held-to-maturity securities	99,995	-
Disposal of property, plant and equipment	2,133	3,988
Disposal of equity method accounted investments	8,606	-
Disposal of other non-current asset	50,422	12,984
Acquisition of short-term financial instruments	(1,005,805)	(179,774)
Acquisition of trading securities	(2,225,000)	(2,085,591)
Acquisition of available-for-sale securities	(353)	(468,606)
Acquisition of equity method accounted investments	(123,586)	(46,922)
Acquisition of held-to-maturity securities	(80,000)	-
Acquisition of other non-current asset	(16,216)	(12,819)
Acquisition of property, plant and equipment	(430,727)	(529,819)
Acquisition of intangible assets	(3,439)	(1,629)
Others	(5,702)	(5,020)
	<u>(860,506)</u>	<u>(317,794)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	91,063	200,000
Acquisition of treasury stock	-	(766,666)
Repayment of short-term borrowings	(53,816)	-
Repayment of current portion of long-term debt	(216)	(191)
Payment of cash dividends	(566,552)	(465,558)
Others	(4,527)	(3,897)
	<u>(534,048)</u>	<u>(1,036,312)</u>
Net cash used in investing activities	(860,506)	(317,794)
Net cash used in financing activities	(534,048)	(1,036,312)
Net increase (decrease) in cash and cash equivalents	(169,985)	292,417
Cash and cash equivalents		
Cash and cash equivalents at beginning of the year	<u>691,034</u>	<u>512,421</u>
Cash and cash equivalents at end of the year	<u>₩ 521,049</u>	<u>₩ 804,838</u>

See accompanying notes to non-consolidated financial statements.

POSCO
Notes to Non-Consolidated Financial Statements
March 31, 2008
(Unaudited)

1. The Company

POSCO (the “Company”) was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea to manufacture and sell steel rolled products and plates in the domestic and overseas markets. The Company owns and operates two steel plants in Korea. Annual production capacity is 33,000 thousand tons: 15,000 thousand tons at the Pohang mill, and 18,000 thousand tons at the Gwangyang mill. The shares of the Company have been listed on the Korea Stock Exchange since 1988. The Company’s head office is located in Pohang, Korea, and it also operates internationally through seven of its overseas liaison offices.

Under its Articles of Incorporation, the Company is authorized to issue 200 million shares of common stock with a par value of ₩5,000 per share. The Company retired 2,891,140, 2,807,690, 1,815,640 and 1,779,320 shares of treasury stock with the approval of the Board of Directors on August 25, 2001, November 20, 2002, July 22, 2003, and October 19, 2004 respectively. Accordingly, total issued shares are 87,186,835 as of March 31, 2008.

As of March 31, 2008, the shares of the Company are listed on the Korea Stock Exchange, while its depository receipts are listed on the New York, Tokyo and London Stock Exchanges.

2. Summary of significant accounting policies

Basis of presentation

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

The accounting policies were consistently applied for the non-consolidated financial statements both as of and for the three-month period ended March 31, 2008 and as of and for the year ended December 31, 2007 except for the application of the revised Statement of Korea Accounting Standards (SKAS) No. 15, *Equity Method Investments*, effective January 1, 2008.

In accordance with the revised SKAS No. 15, *Equity Method Investments*, the Company reclassified the difference between the acquisition cost of minority interest of subsidiaries and book value of net assets transferred recorded in accumulated other comprehensive income to capital surplus (or capital adjustment), as appropriate. As required under the transition requirements, the revised standard was adopted retrospectively and thus the beginning balance of capital surplus, capital adjustment and accumulated other comprehensive income has been adjusted as of January 1, 2007 in the non-consolidated statement of changes in shareholders’ equity. Adoption of this standard did not result in any change to reported net income or total shareholders’ equity of prior periods. The details of reclassification were as followings:

POSCO
Notes to Non-Consolidated Financial Statements
March 31, 2008
(Unaudited)

<i>(in millions of won)</i>	2005		2006		2007	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
Capital surplus	242,700	292,437	297,986	365,505	473,217	524,184
Capital adjustments, net	-	(69,987)	-	(69,987)	-	(69,987)
Accumulated other comprehensive income, net	42,400	62,650	(5,200)	(2,732)	170,363	189,383

3. Cash and Cash Equivalents, and Financial Instruments

Cash and cash equivalents, and short-term and long-term financial instruments as of March 31, 2008 and December 31, 2007 are summarized as follows:

<i>(in millions of Won)</i>	Annual Interest Rate (%)	2008	2007
Cash and cash equivalents			
Checking accounts	-	₩ 1,044	1,539
Money market deposit accounts	4.90 ~ 5.10	50,500	103,800
Time deposits	5.25	20,000	
Time deposits in foreign currency	1.00 ~ 5.85	339,505	215,692
Repurchase agreements	5.10 ~ 5.23	110,000	370,000
Others		-	3
		<u>₩ 521,049</u>	<u>691,034</u>
Short-term financial instruments			
Restricted deposits (*1)	0.50	₩ 4,781	5,140
Time deposits	5.40 ~ 6.45	760,000	540,000
Specified money in trust	4.91 ~ 5.02	55,782	135,231
Certificates of deposit	5.40 ~ 7.06	740,000	747,930
Repurchase agreements	5.50 ~ 5.58	60,000	15,000
		<u>₩ 1,620,563</u>	<u>1,443,301</u>
Long-term financial instruments			
Guarantee deposits for opening accounts (*2)	-	₩ 47	47

(*1) In relation to projects outsourced to POSCO by the government, these deposits are restricted in use.

(*2) The Company is required to provide deposits amounting to ₩47 million as of March 31, 2008 and December 31, 2007, respectively, to maintain checking accounts and accordingly, the withdrawal of these deposits is restricted.

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Notes to Non-Consolidated Financial Statements
March 31, 2008
(Unaudited)

4. Accounts and Notes Receivable

Accounts and notes receivable, and their respective allowance for doubtful accounts as of March 31, 2008 and December 31, 2007 are summarized as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Trade accounts and notes receivable	₩ 2,049,985	1,896,352
Less: Allowance for doubtful accounts	(1,640)	(1,502)
	<u>₩ 2,048,345</u>	<u>1,894,850</u>
Other accounts and notes receivable	₩ 130,942	77,104
Less: Allowance for doubtful accounts	(32,648)	(28,327)
	<u>₩ 98,294</u>	<u>48,777</u>
Long-term trade accounts and notes receivable	₩ 31,831	31,831
Less: Allowance for doubtful accounts	(11,950)	(12,466)
	<u>₩ 19,881</u>	<u>19,365</u>

5. Inventories

Inventories as of March 31, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Finished goods	₩ 459,678	490,817
By-products	4,733	5,377
Semi-finished goods	883,917	862,831
Raw materials	735,647	770,572
Fuel and materials	434,081	416,608
Materials-in-transit	546,631	674,429
Others	653	645
	<u>₩ 3,065,340</u>	<u>3,221,279</u>

6. Trading Securities

Trading securities as of March 31, 2008 and December 31, 2007 are summarized as follows:

<i>(in millions of Won)</i>	<u>2008</u>			<u>2007</u>
	<u>Acquisition</u>	<u>Fair</u>	<u>Book</u>	<u>Book</u>
Beneficiary certificates	<u>₩ 1,397,752</u>	<u>₩ 1,408,163</u>	<u>₩ 1,408,163</u>	<u>₩ 1,239,290</u>

POSCO
Notes to Non-Consolidated Financial Statements
March 31, 2008
(Unaudited)

7. Investment Securities

(a) Available-for-sale securities as of March 31, 2008 and December 31, 2007 are summarized as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Available-for-sale securities		
Marketable equity securities	₩ 3,098,363	3,680,054
Non-marketable equity securities	117,645	138,036
Investments in bonds	-	124
Investments in capital	500	500
	<u>₩ 3,216,508</u>	<u>3,818,714</u>

(b) Investments in marketable equity securities as of March 31, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	<u>2008</u>			<u>2007</u>		
	Number of shares	Percentage of ownership (%)	Acquisition Cost	Fair Value	Book Value	Book Value
SK Telecom Co., Ltd. (*1)	4,241,411	5.22	₩ 1,197,441	₩ 803,136	₩ 803,136	₩ 1,061,740
Hana Financial Group Inc.	4,663,776	2.20	29,998	188,883	188,883	235,054
Nippon Steel Corporation	238,352,000	3.50	719,622	1,203,918	1,203,918	1,374,491
Hyundai Heavy Industries Hanil Iron & Steel Co., Ltd.	1,477,000	1.94	343,505	547,229	547,229	653,572
HISteel Co., Ltd.	206,798	10.14	2,413	6,059	6,059	5,811
Moonbae Steel Co., Ltd.	135,357	9.95	1,609	2,639	2,639	2,430
Dong Yang Steel Pipe Co., Ltd.	1,849,380	9.02	3,588	7,120	7,120	8,230
Korea Line Corporation	1,564,250	2.45	3,911	2,425	2,425	2,831
Shinhan Financial Group Inc.	217,373	1.89	8,067	40,431	40,431	35,867
SeAH Steel Corp.	3,815,676	0.96	219,467	199,560	199,560	204,139
Thainox Stainless Public Company Limited	540,000	10.11	18,792	27,378	27,378	26,028
Union Steel Co., Ltd.	1,200,000,000	15.00	42,301	44,661	44,661	46,243
	1,005,000	9.80	40,212	24,924	24,924	23,618
			<u>₩ 2,630,926</u>	<u>₩ 3,098,363</u>	<u>₩ 3,098,363</u>	<u>₩ 3,680,054</u>

(*1) 1,899,840 shares of SK Telecom Co., Ltd., have been pledged as collateral related to exchangeable bonds (note 12).

(c) Held-to-maturity as of March 31, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Held-to-maturity	₩ 203,468	223,434
Less: Current portion	(172,000)	(191,995)
	<u>₩ 31,468</u>	<u>31,439</u>

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(d) Equity method investments as of March 31, 2008 and December 31, 2007 are as follows:

(in millions of Won)

Investees (*1)	Number of Shares	Percentage of Ownership	Acquisition Cost	2007	Increase (Decrease)		2008
				Book Value	Equity method Profit (Loss)	Other increase (decrease)(*2)	Book Value
POSCO E&C	27,281,080	90.94%	365,789	657,107	62,241	41,008	760,356
Posteel Co., Ltd.	17,155,000	95.31%	113,393	283,509	17,593	(3,654)	297,448
POSCON Co., Ltd.	3,098,610	88.04%	49,822	46,261	7,823	(2,409)	51,675
POSCO C&C	3,412,000	56.87%	82,017	155,769	3,923	(14,648)	145,044
POSCO Machinery & Engineering Co., Ltd.	1,700,000	100.00%	17,052	27,005	2,141	1,748	30,894
POSDATA Co., Ltd.	50,440,720	61.85%	52,749	95,191	(1,576)	(722)	92,893
POSCO Research Institute	3,800,000	100.00%	19,000	23,196	259	-	23,455
Seung Kwang Co., Ltd.	2,737,000	69.38%	28,408	28,916	83	-	28,999
POS-AC Co., Ltd.	230,000	100.00%	1,043	9,972	2,081	-	12,053
POSCO Specialty Steel Co., Ltd.	26,000,000	100.00%	260,000	487,376	22,642	(2,946)	507,072
POSCO Machinery Co., Ltd.	1,000,000	100.00%	10,000	11,264	1,787	-	13,051
POSTECH Venture Capital Corp.	5,700,000	95.00%	28,500	36,792	424	(563)	36,653
eNtoB Corporation (*4)	560,000	17.50%	2,800	4,163	31	-	4,194
POSCO Refractories & Environment Company Ltd. (POSREC)	3,544,200	60.00%	41,210	74,627	4,298	(2,591)	76,334
POSCO Terminal Co., Ltd.	2,550,000	51.00%	4,144	18,172	677	(8,606)	10,243
POSMATE Co., Ltd.	214,286	30.00%	7,233	9,531	(202)	(407)	8,922
Samjung Packing & Aluminum Co., Ltd. (*4)	270,000	9.00%	2,714	5,138	(604)	(203)	4,331
POSCO Power Corp.	40,000,000	100.00%	597,170	618,048	(605)	(10,321)	607,122
SNNC Co., Ltd.	18,130,000	49.00%	90,650	89,516	(1,492)	-	88,024
PNR Corporation	5,467,686	70.00%	27,338	-	4	27,338	27,342
POSCO America Corporation (formerly "Pohang Steel America Corporation)	338,820	99.45%	281,852	86,093	(3,298)	36,720	119,515
POSCO Australia Pty. Ltd.	761,775	100.00%	37,352	199,968	1,260	(21,258)	179,970
POSCO Asia Co., Ltd.	9,360,000	100.00%	7,425	19,380	1,030	1,497	21,907
VSC POSCO Steel Corporation (*3)	-	35.00%	4,758	4,750	3,609	331	8,690
Dalian POSCO-CFM Coated Steel Co., Ltd. (*3)	-	30.00%	7,189	1,657	(511)	273	1,419
POS-Tianjin Coil Center Co., Ltd. (*3, 4)	-	10.00%	653	926	123	105	1,154
Zhangjiagang Pohang Stainless Steel Co., Ltd. (*3)	-	58.60%	234,204	338,703	19,194	(13,216)	344,681
Guangdong Pohang Coated Steel Co., Ltd. (*3)	-	83.66%	26,297	17,313	1,879	2,014	21,206
POSCO Thailand Co., Ltd.	12,721,734	85.62%	39,677	9,696	(616)	28,666	37,746
Myanmar POSCO Steel Co., Ltd.	13,440	70.00%	2,192	2,612	485	166	3,263
KOBRASCO	2,010,719,185	50.00%	32,950	40,509	2,539	3,084	46,132
POSCO Investment Co., Ltd.	5,000,000	100.00%	53,189	67,036	641	3,847	71,524
Poschrome (Proprietary) Limited	21,675	25.00%	4,859	5,056	716	(797)	4,975
Guangdong Xingpu Steel Center Co., Ltd. (*3, 4)	-	10.50%	927	1,454	14	164	1,632
POS-Hyundai Steel Manufacturing India Private Limited. (*4)	2,345,558	10.00%	1,057	1,363	63	65	1,491
POSVINA Co., Ltd. (*3)	-	50.00%	1,527	2,096	105	122	2,323
POSMMIT Steel Centre SDN BHD	4,200,000	30.00%	6,666	4,587	419	4,468	9,474
PT POSMI Steel Indonesia (*4)	1,193	9.47%	782	803	11	46	860
Qingdao Pohang Stainless Steel Co., Ltd. (*3)	-	70.00%	49,733	51,257	2,380	5,633	59,270
POSCO (Suzhou) Automotive Processing Center Co., Ltd. (*3)	-	90.00%	31,023	30,181	1,291	3,429	34,901

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Investees (*1)	Number of Shares	Percentage of Ownership	Acquisition Cost	2007	Increase (Decrease)		2008
				Book Value	Equity method Profit (Loss)	Other increase (decrease)(*2)	Book Value
POSCO-China Holding Corp. (*3)	-	100.00%	165,233	173,158	9,899	18,078	201,135
POSCO-Japan Co., Ltd.	90,438	100.00%	50,558	45,878	1,090	14,713	61,681
POSCO-India Private Ltd.	224,999,999	100.00%	52,627	49,386	199	2,276	51,861
POS-India Steel Processing Centre Pvt. Ltd.	42,764,058	65.00%	17,017	12,160	946	8,190	21,296
POSCO-Foshan Steel Processing Center Co.,Ltd. (*3)	-	44.67%	9,408	8,545	849	957	10,351
Nickel Mining Company	3,234,698	49.00%	157,585	200,622	(20,250)	24,850	205,222
POSCO-Vietnam Co., Ltd.	158,000,000	100.00%	146,802	146,421	(328)	6,635	152,728
POSCO-Mexico Co., Ltd.	693,284,530	74.59%	59,478	21,078	(803)	42,016	62,291
POSS Delhi Steel Processing Centre Pvt. Ltd.	966	76.48%	9,089	10,759	(675)	496	10,580
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd. (*3)	-	24.00%	6,718	7,128	(244)	699	7,583
POSCO Vietnam Processing Center Co.,Ltd	8,832,000	80.00%	8,192	7,893	(184)	397	8,106
BX STEEL POSCO Cold Rolled Sheet Co.,Ltd. (*3)	-	25.00%	61,961	63,238	338	5,155	68,731
POSCO Malaysia (*5)	16,200,000	60.00%	1,749	-	(1,059)	1,059	-
POSK Steel (Pinghu) Processing Center Co., Ltd. (*3, 6)	-	20.00%	1,869	-	31	2,209	2,240
POSCO Poland Wroclaw Steel Processing Center (*6)	30,000	30.00%	3,803	-	(375)	4,391	4,016
POSCO Chongqing Automotive Processing Center Co.,Ltd. (*3, 6)	-	90.00%	6,201	-	(2,436)	6,866	4,430
POSCO Samsung Slovakia Processing Center (*6)	30	30.00%	1,794	-	(256)	2,079	1,823
			<u>3,385,428</u>	<u>4,313,259</u>	<u>139,604</u>	<u>219,449</u>	<u>4,672,312</u>

(*1) The Company used the unaudited or unreviewed financial statements of all these companies when applying the equity method of accounting.

(*2) Other increase (decrease) represents the changes in investment securities primarily due to acquisitions (disposals), dividends received, valuation gain or loss on equity method accounted investments, changes in retained earnings and others.

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

(*4) Equity method of accounting is applied as the Company has significant influence on investees directly or indirectly through its affiliates by owning more than 20% of outstanding shares of investees.

(*5) During the three-month period ended March 31, 2008, the Company discontinued the equity method of accounting for POSCO Malaysia, as the valuation on equity method accounted investments is less than zero, and as a result, equity in loss of equity method accounted investments of ₩1,403 million was not recognized for the three-month period ended March 31, 2008.

(*6) Those securities were reclassified from available-for-sales securities to equity method accounted investments as total assets of each investee are greater than ₩7,000 million as of March 31, 2008.

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As of March 31, 2008 and December 31, 2007, unamortized goodwill balances amounted to ₩86,557 million and ₩79,988 million, respectively. For the three-month period ended March 31, 2008, the elimination of unrealized profit from intercompany transactions amounted to ₩10,087 million.

8. Property, Plant and Equipment

(a) The changes in property, plant and equipment for the three-month period ended March 31, 2008 are as summarized follows:

<i>(in millions of Won)</i>	Beginning Balance	Acquisition	Disposal	Others (*1)	Depreciation (*2)	Ending Balance
Land	₩ 860,350	₩ -	₩ -	₩ -	₩ -	₩ 860,350
Buildings	2,019,902	-	(865)	30,237	(41,392)	2,007,882
Structures	1,473,696	-	-	11,344	(28,859)	1,456,181
Machinery and equipments	7,508,093	-	(4,884)	363,311	(368,522)	7,497,998
Vehicles	28,729	-	(33)	643	(2,849)	26,490
Tools	19,790	-	-	12,007	(3,686)	28,111
Furniture and facilities	38,119	-	(2)	5,930	(3,683)	40,364
Leased property under capital leases	10,829	-	-	-	(160)	10,669
Construction-in-progress	1,242,141	430,727	-	(425,509)	-	1,247,359
	<u>₩ 13,201,649</u>	<u>₩ 430,727</u>	<u>₩ (5,784)</u>	<u>₩ (2,037)</u>	<u>₩ (449,151)</u>	<u>₩ 13,175,404</u>

(*1) Represents assets transferred to intangible assets.

(*2) Includes depreciation expense of temporarily idle assets due to routine maintenance.

(b) The Company's expenditures in relation to construction-in-progress for the expansion of Gwangyang No. 14 storage unit amounted to ₩430,727 million for the three-month period ended March 31, 2008.

(c) Construction-in-progress includes capital investments in Gwangyang No. 2 Minimill. Through a resolution of the Board of Directors in May 1998, the construction on the Minimill was temporarily suspended due to the decline in the economy in the Republic of Korea and the Asia Pacific region. The continuing unstable economic condition and related decrease in sales price of products, resulting in the deterioration in profitability, drove the management's operation committee to cease the construction of the No. 2 Minimill in April 2002, and to use the buildings for the Tailor Welded Blank ("TWB") project designed to manufacture custom-made automobile body panels. The Company previously recognized impairment losses on the construction-in-progress in Gwangyang No. 2 Minimill amounting to ₩469,581 million and reclassified related machinery held to be disposed of in the future as non-current assets as of December 31, 2004. As of December 31, 2006, the Company entered into a contract with Al-Tuwairqi Trading & Contracting Establishment in Saudi Arabia to sell the No. 2 Minimill equipment for an estimate of US\$ 96 million. The Company received proceeds of ₩47,196 million and recognized gain on disposal of the Minimill equipment amounting to ₩17,932 million for the three month period ended March 31, 2008. As of March 31, 2008, held for sale property, plant and equipment including the remaining Gwangyang No. 2 Minimill equipment reclassified to held-for-sale assets amounted to ₩37,916 million.

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9. Intangible Assets

Intangible assets, net of amortization, as of March 31, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Intellectual property rights	₩ 1,751	1,514
Port facilities usage rights	126,350	130,596
Land usage rights	2,239	2,255
Other intangible assets (*1)	68,902	77,610
	<u>₩ 199,242</u>	<u>211,975</u>

(*1) The Company capitalized costs directly related to the Enterprise Resource Planning (ERP) system and process innovation as other intangible assets.

10. Pledged assets

As of March 31, 2008, held-to-maturity securities amounting to ₩31,466 million was provided as collateral to the Gyung-sangbuk-do office for as a guarantee for environmental remediation of POSCO No. 4 disposal site.

1,899,840 shares, equivalent to 17,098,563 ADRs, of SK Telecom Co., Ltd. have been pledged as collateral for the exchangeable bonds issued (note 12).

Guarantees provided by third parties on behalf of the Company as of March 31, 2008 and December 31, 2007 were as follows:

<i>(in millions of Won)</i>	<u>2008</u>		<u>2007</u>	
Korea Development Bank	EUR 5,080,442	₩ 7,951	EUR 5,236,941	₩ 7,234

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11. Other Assets

Other current and non-current assets as of March 31, 2008 and December 31, 2007 are as follows:

(in millions of Won)

	<u>2008</u>	<u>2007</u>
Other current assets		
Short-term loans receivable	₩ 14	₩ 14
Accrued income	37,215	30,743
Prepaid expenses	40,955	5,995
Advance payments	1,146	248
Others	93	369
	<u>79,423</u>	<u>37,369</u>
Other non-current assets		
Guarantee deposits (Note 28)	1,310	975
Held-for-sale assets (Note 8)	37,916	69,633
Other investment assets	74,367	42,650
	<u>113,593</u>	<u>113,258</u>
Less: Allowance for doubtful accounts	(31)	(30)
	<u>₩ 113,562</u>	<u>₩ 113,228</u>

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

Short-term borrowings as of March 31, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>	<u>2008</u>	<u>2007</u>
Short-term borrowings			
Foreign currency borrowings	3.29~5.29	₩ 123,230	₩ 81,293

Current portion of long-term debt as of March 31, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate (%)</u>	<u>2008</u>	<u>2007</u>
Current portion of long-term debt			
Exchangeable bonds(*1)	-	516,323	430,182
Foreign currency borrowings in won equivalent	4.60	1,920	1,600
Loans from foreign financial institutions	2.00	996	879
		<u>519,239</u>	<u>432,661</u>
Less: Discount on debentures issued		<u>(396)</u>	<u>(527)</u>
		<u>₩ 518,843</u>	<u>₩ 432,134</u>

(*1) Details of exchangeable bonds as of March 31, 2008 are as follows:

Issuance date:	August 20, 2003
Maturity date:	August 20, 2008
Rate:	Interest rate of zero percent
Issuance price:	JPY 51,622,000,000
Exchangeable price:	JPY 51,880,110,000
Exercise call period by bondholders	Commencing ten business days following the issuance date until ten business days prior to maturity date
Exercise put period by POSCO	Exactly three years following the issuance date

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On August 20, 2003, POSCO sold 15,267,837 ADRs of SK Telecom Co., Ltd. to Zeus (Cayman), a tax-exempt entity formed under the laws of the Cayman Islands. Zeus (Cayman) then issued zero-coupon, guaranteed and exchangeable bonds amounting to JPY51,622 million which are due in 2008, and are fully and unconditionally guaranteed by POSCO. POSCO may elect to pay the holder cash in lieu of delivering SK Telecom Co., Ltd. ADRs (the "Cash Settlement Option"). The number of ADRs the bond holders are entitled to receive will be calculated by dividing the aggregate principal amount of the bonds to be exchanged by the exchangeable price. Under the Cash Settlement Option, such holder is entitled to receive the cash equivalent of the market value of ADRs upon exercise. These bonds are non-interest bearing and are exchangeable with SK Telecom Co., Ltd. ADRs at the option of the bondholder. The transaction between the POSCO and Zeus (Cayman) is deemed to be a borrowing transaction under the Korean generally accepted accounting principles. From 2004 to 2007, in compliance with the terms of the exchangeable bonds, dividends earned by Zeus (Cayman) from the SK Telecom Co., Ltd. ADRs were used to purchase additional 1,830,726 ADRs which brought down the exchangeable bond price to JPY3,019/ADR.

13. Long-Term Debt

(a) Debentures as of March 31, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	<u>Issue date</u>	<u>Maturity</u>	<u>Annual Interest Rate (%)</u>	<u>2008</u>	<u>2007</u>
Domestic debentures	3/28/2006~ 5/11/2007	3/28/2011~ 5/11/2012	4.66~5.26	₩ 1,500,000	1,500,000
Samurai bonds	6/28/2006	6/28/2013	2.05	500,100	416,665
Euro bonds	8/10/2006	8/10/2016	5.88	297,510	281,460
Exchangeable bonds(*1)	8/20/2003	8/20/2008	-	516,323	430,182
				<u>2,813,933</u>	<u>2,628,307</u>
Less: Current portion				(516,323)	(430,182)
Discount on debentures issued				(10,998)	(11,258)
				<u>₩ 2,286,612</u>	<u>2,186,867</u>

(*1) The Company issued exchangeable bonds on August 20, 2003. The bonds can be exchanged with SK Telecom Co., Ltd.'s ADRs (note 12).

(b) Long-term domestic borrowing as of March 31, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	<u>Annual Interest Rate(%)</u>	<u>2008</u>	<u>2007</u>
Korea Resources Corporation	Representative-Borrowing Rate ^(*1) -2.25%	₩ 45,100	45,100

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

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13. Long-Term Debt, Continued

- (c) Long-term foreign currency borrowing as of March 31, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	Annual Interest Rate	2008	2007
	(%)		
Korea National Oil Corporation(*1)	Representative-Borrowing Rate -2.25%	₩ 1,011	957
Development Bank of Japan	4.60	3,841	3,200
		4,852	4,157
Less: Current portion		(1,920)	(1,600)
		₩ 2,932	2,557

(*1) The borrowing is related to the exploration of gas fields in the Aral Sea (note 16).

- (d) Loans from foreign financial institutions as of March 31, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	Annual Interest Rate(%)	2008	2007
Natixis Banques Populaires	2.00	₩ 7,951	7,234
Less : Current portion		(996)	(879)
		₩ 6,955	6,355

- (e) Aggregate maturities of long-term debt as of March 31, 2008 are as follows:

(in millions of Won)

March 31,	Debtentures	Borrowings	Foreign Currency Borrowings	Loans from Foreign Financial Institutions	Total
2008	₩ 516,323	₩ -	₩ 1,920	₩ 996	₩ 519,239
2009	200,000	-	1,921	996	202,917
2010	300,000	-	-	996	300,996
2011	500,000	1,127	-	996	502,123
Thereafter	1,297,610	43,973	1,011	3,967	1,346,561
	₩ 2,813,933	₩ 45,100	₩ 4,852	₩ 7,951	₩ 2,871,836

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14. Severance Benefits

Changes in the retirement and severance benefits for the three-month period ended March 31, 2008 and the year ended December 31, 2007 are as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Estimated severance benefits at beginning of period	₩ 682,686	572,445
Provision for severance benefits	56,838	134,632
Payment	(25,322)	(24,391)
Estimated severance benefits at end of period	<u>714,202</u>	<u>682,686</u>
Transfer to National Pension Fund	(84)	(89)
Deposit for severance benefits trust	(455,379)	(457,192)
Net balance at end of period	<u>₩ 258,739</u>	<u>225,405</u>

15. Other Current Liabilities

Other current liabilities as of March 31, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Other current liabilities		
Advances received	₩ 27,602	24,754
Unearned revenue	3,084	1,579
Dividends payable	4,077	4,120
Others	21,754	5,357
	<u>₩ 56,517</u>	<u>35,810</u>

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16. Commitments and Contingencies

- (a) As of March 31, 2008, contingent liabilities for outstanding guarantees provided by the Company for the repayment of loans of related companies and others are as follows:

<u>Related companies</u>	<u>Financial Institution</u>	<u>Guaranteed Facility Amount</u>		<u>Won Equivalent (in millions)</u>	
POSINVEST	Bank of Tokyo-Mitsubishi	US\$	42,000,000	₩	53,955
		CNY	87,000,000		
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Bank of China and others	US\$	199,925,000		198,266
					<u>252,221</u>
Others					
DC Chemical Co., Ltd.	E1 Co., Ltd.	₩	640		640
The Siam United Steel Co. Ltd.	Japan Bank for International	US\$	5,120,535		5,078
Zeus	Related creditors	JPY	51,622,000,000		516,323
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Bank of China and others	US\$	17,000,000		37,395
		CNY	145,200,000		
Zhongyue POSCO(Qinhuangdao) Tinsplate Industrial Co., Ltd.	Industrial & Commercial Bank of China	US\$	10,200,000		21,655
	Bank of China	CNY	81,600,000		
					<u>581,091</u>
				₩	<u>833,312</u>

- (b) As of March 31, 2008, the Company issued two blank promissory notes to Korea Resources Corporation as collateral for borrowings, and issued three blank promissory notes to Korea National Oil Corporation as collateral for foreign currency borrowings.

- (c) As of March 31, 2008, the Company acquired certain tools and equipment under operating lease agreements from Macquarie Capital Korea Company Limited and others. The Company's rent expense with respect to these lease agreements, amounted to ₩1,344 million and ₩1,339 million for the three-month periods ended March 31, 2008 and 2007, respectively. Future lease payments under these lease agreements are as follows:

(in millions of Won)

<u>Period</u>	<u>Amount</u>	
2008	₩	3,825
2009		3,286
2010		1,244
	₩	<u>8,355</u>

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- (d) In January 2007, the Company entered into a finance lease contract acquiring a ro-ro ship for the exclusive use of transporting plates for ₩11,466 million, equivalent to 90 % of fair value of the ship price, to be redeemed over 12 years. Future finance lease payments under these lease agreements are as follows:

(in millions of Won)

<u>Period</u>	<u>Amount</u>
2008	₩ 780
2009	816
2010	853
2011	892
thereafter	7,198
	<u>₩ 10,539</u>

- (e) The Company is involved in various lawsuits and claims for alleged damages aggregating to ₩3,132 million as of March 31, 2008 which arose in the ordinary course of business. The Company is unable to predict the possible outcome of the above claims. However, in the opinion of management, the foregoing lawsuits and claims will not have a material adverse effect on the Company's financial position, operating results or cash flows. No provision is recorded in connection with above lawsuits and claims as of March 31, 2008.
- (f) The Company entered into long-term contracts to purchase iron ore, coal, nickel and chrome with minimum annual purchase requirements. These contracts generally have terms of five to ten years and provide for periodic price adjustments to market price. As of March 31, 2008, 402 million tons of iron ore and 113 million tons of coal remained to be purchased under such long-term contracts.
- (g) On July 1, 2004, the Company entered into an agreement with Tangguh LNG Consortium in Indonesia regarding the commitment to purchase 550 thousand tons of LNG annually for 20 years commencing in July 2005. This agreement provides for periodic price adjustments to market price up to the ceiling price as provided in the agreement.
- (h) The Company has a bank overdraft agreement with Woori Bank and others amounting to ₩300,000 million as of March 31, 2008. In addition, the Company entered into a credit purchase loan agreement for credit lines of up to ₩200,000 million and ₩500,000 million in short-term borrowings.
- (i) As of March 31, 2008, the Company has an agreement with Woori Bank and others to open letters of credit, documents against acceptance and documents against payment amounting to US\$600 million and US\$ 300 million in foreign short-term borrowings.
- (j) The outstanding balance of accounts receivable in foreign currency sold to financial institutions as of March 31, 2008 amounted to US\$72 million for which the Company is contingently liable upon the issuers' default.

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- (k) The Company entered into a foreign currency borrowing agreement of up to US\$6.86 million with Korea National Oil Corporation (“KNOC”) related to the exploration of gas field in the Aral Sea. The repayment obligation is subject to results of the exploration. If the exploration fails, the Company will be exempt from all or portion of the repayment obligation. If it succeeds, a portion of the project income is payable to KNOC.

17. Stock Appreciation Rights

The Company granted stock options to its executive officers in accordance with the stock option plan approved by the Board of Directors. The details of the stock options granted are as follows:

	1st Grant	2nd Grant	3rd Grant	4th Grant	5th Grant	6th Grant	Total
Before the modifications(*)							
Number of shares	498,000 shares	60,000 shares	22,000 shares	141,500 shares	218,600 shares	90,000 shares	1,030,100 shares
Exercise price	₩ 98,400 per share	135,800 per share	115,600 per share	102,900 per share	151,700 per share	194,900 per share	
After the modifications(*)							
Grant date	July 23, 2001	April 27, 2002	September 18, 2002	April 26, 2003	July 23, 2004	April 28, 2005	
Exercise price	₩ 98,900 per share	136,400 per share	116,100 per share	102,900 per share	151,700 per share	194,900 per share	
Number of shares granted	453,576 shares	55,896 shares	20,495 shares	135,897 shares	214,228 shares	90,000 shares	970,092 shares
Number of shares cancelled	19,409 shares	-	-	-	-	-	19,409 shares
Number of shares exercised	415,656 shares	42,126 shares	6,931 shares	112,307 shares	55,284 shares	52,000 shares	684,304 shares
Number of shares outstanding	18,511 shares	13,770 shares	13,564 shares	23,590 shares	158,944 shares	38,000 shares	266,379 shares
Exercise period	July 24, 2003 - July 23, 2008	April 28, 2004 - April, 27, 2009	Sept. 19, 2004 - Sept. 18, 2009	April, 27, 2005 - April 26, 2010	July 24, 2006 - July 23, 2011	April 29, 2007 - April, 28, 2012	

- (*) The Company changed the number of shares granted and the exercise price, as presented above, in accordance with the resolutions of the Board of Directors on April 26, 2003, October 17, 2003 and October 22, 2004.

Changes in liabilities related to stock appreciation rights granted to employees and executives for the three-month period ended March 31, 2008 are as follows:

<i>(in millions of Won)</i>	1 st Grant	2 nd Grant	3 rd Grant	4 th Grant	5 th Grant	6 th Grant	Total
December, 31, 2007	₩ 60,825	14,050	7,837	35,145	88,823	34,000	₩ 240,680
	(2,084)	(1,457)	(1,435)	(3,232)	(16,816)	(4,020)	(29,044)
March, 31, 2008	₩ 58,741	12,593	6,402	31,913	72,007	29,980	₩ 211,636

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18. Selling, General and Administration Expenses

Details of selling, general and administrative expenses for the three-month periods ended March 31, 2008 and 2007 were as follows:

<i>(In millions of Won)</i>	<u>2008</u>	<u>2007</u>
Selling expenses	₩ 177,552	140,809
Fees and charges	31,296	28,312
Salaries and wages	22,606	20,709
Other employee benefit	17,684	16,799
Advertising	16,203	20,353
Provision for severance benefits	8,422	7,684
Research and development	6,330	13,832
Rent	5,125	5,706
Depreciation	3,976	4,355
Training	3,749	3,203
Amortization	2,975	3,552
Travel	2,756	2,868
Supplies	2,542	2,665
Repairs	2,110	2,121
Communications	2,022	1,558
Insurance	1,673	1,020
Vehicle maintenance	1,268	1,273
Taxes and dues	1,142	973
Entertainment	1,109	772
Subscriptions and printing	556	618
Utilities	236	200
Stock compensation expense	(29,044)	33,414
Miscellaneous	4,539	5,406
	₩ <u>286,827</u>	<u>318,202</u>

19. Income Taxes

(a) The components of income tax expense for the three-month periods ended March 31, 2008 and 2007 are summarized as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Current income taxes	₩ 330,346	313,263
Deferred income taxes	(155,815)	40,426
Items charged directly to shareholders' equity	134,144	(57,596)
	₩ <u>308,675</u>	<u>296,093</u>

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- (b) The charge for income taxes calculated by applying statutory tax rates to the Company's taxable income for the three-month periods ended March 31, 2008 and 2007 differs from the actual charge in the non-consolidated statements of income for the three-month periods ended March 31, 2008 and 2007 for the following reasons:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Charge for income taxes at normal tax rates	₩ 368,466	351,555
Tax credit	(41,259)	(30,914)
Others, net	<u>(18,532)</u>	<u>(24,548)</u>
Actual charge for income taxes	<u>₩ 308,675</u>	<u>296,093</u>

- (c) The effective tax rate, after adjustments for certain differences between amounts reported for financial accounting and income tax purposes, was approximately 23.04% and 23.16% for the three-month periods ended March 31, 2008 and 2007, respectively.

- (d) Changes in temporary differences and deferred income taxes for the three-month period ended March 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>Accumulated temporary differences</u>				<u>Deferred income tax</u>			
	<u>Dec. 31, 2007</u>	<u>Adjustments(*1)</u>	<u>Inc. (dec.)</u>	<u>Mar. 31, 2008</u>	<u>Dec. 31, 2007(*1)</u>	<u>Inc. (dec.)</u>	<u>Mar. 31, 2008</u>	
Reserve for special repairs	₩ (301,751)	₩ -	₩ 5,027	₩ (296,724)	₩ (82,982)	₩ 1,382	₩ (81,600)	
Allowance for doubtful accounts	19,484	(330)	2,389	21,543	5,267	657	5,924	
Reserve for technology developments	(1,071,667)	-	87,917	(983,750)	(294,708)	24,177	(270,531)	
Dividend income from related companies	366,233	-	51,076	417,308	100,714	14,046	114,760	
Depreciation expense	(151,035)	2,423	(30,905)	(179,516)	(40,868)	(8,499)	(49,367)	
Valuation of equity method accounted investments	(1,423,440)	12,284	(234,304)	(1,645,459)	(305,807)	(29,977)	(335,784)	
Prepaid expenses	34,422	-	15,651	50,073	9,466	4,304	13,770	
Impairment loss on property, plant, equipment	374,053	-	(217,490)	156,564	102,865	(59,810)	43,055	
Gain on valuation of available-for-sale securities	(1,228,045)	-	306,992	(921,053)	(337,712)	84,423	(253,289)	
Loss on valuation of available-for-sale securities	278,548	-	281,424	559,972	76,601	77,391	153,992	
Others	443,132	(331)	173,527	616,328	116,606	47,720	164,326	
	<u>₩ (2,660,066)</u>	<u>₩ 14,046</u>	<u>₩ 441,304</u>	<u>₩ (2,204,716)</u>	<u>₩ (650,558)</u>	<u>₩ 155,814</u>	<u>₩ (494,744)</u>	

(*1) The adjustments reflect the effect of the finalized tax assessment for the year ended December 31, 2007 and as a result, the deferred income tax balances as of December 31, 2007 has been adjusted by ₩3,864 million.

(*2) In relation to valuation of equity method investments, as the Company is unlikely to dispose of investees' shares or receive dividend within five years, the income tax effect in 2008 of ₩189,000 million is not recognized since it is more likely that the deferred tax asset will not be realized.

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(e) The gross balances of deferred tax assets and liabilities as of March 31, 2008 are as follows:

<i>(in millions of Won)</i>	<u>Current</u>	<u>Non-current</u>
Deferred tax assets	₩ 46,367	631,281
Deferred tax liabilities	(185,174)	(987,217)
Total	<u>₩ (138,807)</u>	<u>(355,936)</u>

(f) Components of income tax expense directly charged to shareholders' equity as of March 31, 2008 and 2007 are as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Changes in fair value of available-for-sale securities	₩ (161,814)	44,490
Changes in capital adjustment arising from equity method accounted investments, net	27,670	13,106
	<u>₩ (134,144)</u>	<u>57,596</u>

20. Earnings Per Share

Basic earnings per share for the three-month periods ended March 31, 2008 and 2007 were as follows:

<i>(in millions of Won except share information)</i>	<u>2008</u>	<u>2007</u>
Net ordinary income	₩ 1,031,214	982,305
Weighted-average number of common shares outstanding(*)	75,421,190	76,992,113
Basic ordinary income and earnings per share	<u>₩ 13,673</u>	<u>12,759</u>

(*) Basic earnings per share is computed by dividing net income allocated to common stock, by the weighted-average number of common shares outstanding for the three-month periods ended March 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Total number of common shares issued		
Weighted-average number of treasury shares	87,186,835	87,186,835
Weighted-average number of common shares outstanding	11,765,645	10,194,722
	<u>75,421,190</u>	<u>76,992,113</u>

Basic ordinary income per share is identical to the basic earning per share since there is no extraordinary item.

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21. Related Party Transactions

As of March 31, 2008, the subsidiaries of the Company are as follows:

Domestic

POSCO E & C (POSEC), Posteel Co., Ltd., POSCON Co., Ltd., Pohang Steel Co., Ltd., POSCO Machinery & Engineering Co., Ltd., POSDATA Co., Ltd., POSCO Research Institute, Seung Kwang Co.,Ltd., POS-AC Co., Ltd., POSCO Specialty Steel Co., Ltd., POSCO Machinery Co., Ltd., POSTECH Venture Capital Co., Ltd., POSCO Refractories & Environment (POSREC), POSCO Terminal Co., Ltd., Posmate Co., Ltd., Samjung Packing & Aluminum Co., Ltd., POSCO Power Corp., Korea Energy Investment Limited, Metapolis Co., Ltd., POSCORE Co., Ltd., PHP Co., Ltd., P&R Co., Ltd., Megaasset Co., Ltd.

Foreign

POSCO America Corp., POSCO Australia Pty. Ltd., POSCO Canada Ltd., POSCAN Elkview Coal Ltd., POSCO Asia Co., Ltd., VSC POSCO Steel Corp., DALIAN POSCO-CFM Coated Steel Co., Ltd., POS-Tianjin Coil Center Co., Ltd., POSMETAL Co., Ltd., Shanghai Real Estate Development Co., Ltd., IBC Corp., POSLILAMA Steel Structure Co., Ltd., Zhangjiagang Pohang Stainless Steel Co., Ltd., Guangdong Pohang Coated Steel Co., Ltd., POSCO Thailand Co.,Ltd., Zhangjiagang POSHA Steel Port Co., Ltd., POSCO Investment Co., Ltd., Quindao Pohang Stainless Steel Co., Ltd., POSCO (SUZHOU) Automotive Processing Center Co., Ltd., POS-Qingdao Coil Center Co., Ltd., POSCO-China Holding Corp., POS-ORE Pty. Ltd., POSCO Japan Co., Ltd., POSEC-Hawaii Inc., POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd., POS-GC Pty. Ltd., POS-CD Pty. Ltd., POSCO-India Private Ltd., POS-IPC, POS-MPC, POS-NPC, POS-FPC, Zhangjiagang Pohang Port Co.,Ltd., POSCO-Vietnam Co.,Ltd., POSMMIT Steel Centre SDN BHD(POSMMIT), POSCO-Samsung Delhi Processing Center Co., Ltd., Myanmar-POSCO Steel Co., Ltd., POS-OPC Co., Ltd., POS-NP Pty. Ltd., POSCO E&C (Beijing) Co., Ltd., POSCO-Mexico Co., Ltd., POS-VHPC, SUZHOU POSCORE Technology Co., Ltd., POSCO-CCPC, POSCO-JYPC, POSCO-Malaysia, POS-Minerals

Significant transactions, which occurred in the ordinary course of business, with related companies for the three-month periods ended March 31, 2008 and 2007, and the related account balances as of March 31, 2008 and December 31, 2007 are as follows:

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	<i>(in millions of Won)</i>		Sales and Others (*1)		Purchase and others (*1)		Receivables (*2)		Payables (*2)	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
POSCO E&C	₩ 4,353	₩ 4,596	₩ 219,043	₩ 206,055	₩ 2,049	₩ 186	₩ 81,252	₩ 105,178		
Possteel Co., Ltd.	302,765	277,693	65,639	48,559	113,595	104,624	4,299	12,386		
POSCON Co., Ltd.	23	45	33,027	48,733	1	7	14,066	24,842		
Pohang Steel Co., Ltd.	121,103	85,826	361	256	48,567	40,431	133	119		
POSCO Machinery & Engineering Co., Ltd.	19	70	16,029	26,506	6	6	5,658	20,431		
POSDATA Co., Ltd.	855	1,129	41,060	39,045	1	10	26,527	31,614		
POSCO Reearch Institute	-	-	4,765	3,407	54	1	1,987	6,394		
Seung Kwang Co., Ltd.	-	-	36	-	-	-	-	-		
POS-AC Co., Ltd.	192	317	5,641	5,431	-	1	1,421	2,001		
POSCO Specialty Steel Co., Ltd.	327	1,622	19,314	36,378	-	40	5,754	8,067		
POSCO Machinery Co., Ltd.	2,191	1,086	14,356	31,431	248	50	3,314	10,445		
POSTECH Venture Capital Co., Ltd.	21	40	-	-	-	-	68	66		
POSCO Refractories & Environment (POSREC)	1,979	58	60,289	51,725	881	9	26,806	24,265		
POSCO Terminal Co., Ltd.	2,308	3,217	60	93	993	1,001	16	61		
POSMATE Co., Ltd.	565	599	8,829	8,448	-	63	4,013	5,038		
Samjung Packing & Aluminum Co., Ltd.	3,993	4,540	50,556	54,892	1,399	1,355	19,655	20,612		
P&R Co., Ltd.	2	-	-	-	-	-	-	-		
POSCO America Corporation(POSAM)	26,583	32,554	-	-	6,161	4,447	-	-		
POSCO Australia Pty. Ltd.(POSA)	5,979	4,470	-	-	1,879	40	-	-		
POSCO Canada Ltd. (POSCAN)	-	-	18,172	8,283	-	21	9,838	9,635		
POSCO Asia Co., Ltd.(POA)	197,324	129,966	28,887	30,571	22,601	24,323	4,761	1,922		
POSMET AL Co., Ltd.	4,533	-	-	-	-	-	-	-		
Zhangjiagang Pohang Stainless Steel Co., Ltd.	3,545	578	-	-	1,913	-	-	-		
POSCO Thailand Co.,Ltd.	13,828	-	-	-	-	-	-	-		
POSMMIT Steel Centre SDN BHD	3,097	319	-	-	-	-	-	-		
Qingdao Pohang Stainless Steel Co., Ltd.	15,726	15,246	-	-	4,063	5,153	-	-		
POS-Qingdao Coil Center Co., Ltd.	1,748	1,633	-	-	1,368	1,862	-	-		
POSCO-China Holding Corp.	-	-	236	117	-	-	-	-		
POSCO-Japan Co., Ltd.	199,061	235,868	2,853	19,947	26,661	30,952	12	6		
POS-India Steel Processing Centre Pvt. Ltd.	13,556	15,744	-	-	6,967	-	-	-		
POSCO Vietnam Processing Center Co.,Ltd	1,097	-	-	-	-	-	-	-		
POSCORE Co., Ltd.	24,675	-	-	-	9,584	9,500	-	-		
POSCO Malaysia eNtoB Corporation	-	-	58,177	43,854	-	-	3,906	2,999		
SNNC Co., Ltd.	756	25	-	-	-	1	9	-		
KOBRASCO	-	-	27,189	31,388	-	-	-	4,048		
Poschrome (Proprietary) Limited	-	-	17,378	3,558	-	-	-	-		
POSVINA Co., Ltd.	4,647	529	-	-	-	-	-	-		
USS - POSCO Industries (UPI)	74,397	55,531	-	-	8	8	-	-		
Guangdong Xingpu Steel Center Co., Ltd.	1,976	1,961	-	-	1,976	4,276	-	-		
	<u>₩ 1,035,872</u>	<u>₩ 875,262</u>	<u>₩ 691,897</u>	<u>₩ 698,677</u>	<u>₩ 250,975</u>	<u>₩ 228,367</u>	<u>₩ 213,495</u>	<u>₩ 290,129</u>		

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- (*1) Sales and others include sales and non-operating income: purchases and others include purchases, acquisition of property, plant and equipment and overhead expenses.
- (*2) Receivables include trade and other accounts receivable: payables include trade accounts and other accounts payable.

Details of compensation to key management officers for the three-month periods ended March 31, 2008 and 2007 are as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Salaries	₩ 2,478	2,240
Severance benefits	1,643	3,888
Stock compensation expense	(29,044)	33,414
Management achievement awards	3,284	3,717
Total	<u>₩ (21,639)</u>	<u>43,259</u>

Key management officers include directors (including non-executive directors) and internal audit officer who have significant influence and responsibilities in the Company's business and operations.

22. Segment Information

The Company has a plant in Pohang and in Gwangyang in the Republic of Korea. General information on plants as of March 31, 2008 is as follows:

	<u>Pohang Mill</u>	<u>Gwangyang Mill</u>
Major Products		
Hot Roll	HR coil	HR coil
Cold Roll	CR coil, CR Sheet	CR coil, CR Sheet
Plate	Plate	-
Electric iron	Electric iron coil	-
Stainless	STS HR coil and others	-
Semi-finished goods	Slab, Bloom, Billet	Slab
Major Facilities		
Furnaces	1-4 furnaces, F furnace, Finex	1-5 furnaces
Steel manufacturing, Continuous Casting	1-2 steel manufacturing, 1-3 Continuous Casting	1-2 steel manufacturing, 1-2 Continuous Casting
Hot Roll	1-2 HR	1-3 HR, Mini mill
Cold Roll, Plating	1-2 CR, ETL, EGL	1-4 CR, 1-6 CGL, PGL, 1-2 EGL
Others	HR, Steel plate, STS and others	Mini Mill, POL, TWB and others

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Operating results and long-lived assets as of and for the three-month periods ended March 31, 2008 and 2007 are as follows:

<i>(in millions of Won)</i>	2008			
	Pohang	Gwangyang	Others	Total
Sales(*1)				
Domestic	₩ 2,588,844	1,649,981	17,653	₩ 4,256,478
Export	774,368	1,035,337	-	1,809,705
Total	<u>₩ 3,363,212</u>	<u>2,685,318</u>	<u>17,653</u>	<u>₩ 6,066,183</u>
Property, plant and equipment(*2)	₩ 7,745,749	5,429,655	-	₩ 13,175,404
Intangible assets(*2)	139,247	59,995	-	199,242
	<u>₩ 7,884,996</u>	<u>5,489,650</u>	<u>-</u>	<u>₩ 13,374,646</u>
Depreciation and amortization(*3)	₩ 278,661	188,424	-	₩ 467,085
	<u>₩ 278,661</u>	<u>188,424</u>	<u>-</u>	<u>₩ 467,085</u>

<i>(in millions of Won)</i>	2007			
	Pohang	Gwangyang	Others	Total
Sales(*1)				
Domestic	₩ 2,496,260	1,390,446	18,818	₩ 3,905,524
Export	952,770	842,711	-	1,795,481
Total	<u>₩ 3,449,030</u>	<u>2,233,157</u>	<u>18,818</u>	<u>₩ 5,701,005</u>
Property, plant and equipment(*2)	₩ 7,741,986	4,872,675	-	₩ 12,614,661
Intangible assets(*2)	134,428	80,807	-	215,235
	<u>₩ 7,876,414</u>	<u>4,953,482</u>	<u>-</u>	<u>₩ 12,829,896</u>
Depreciation and amortization(*3)	₩ 213,268	174,968	-	₩ 388,236
	<u>₩ 213,268</u>	<u>174,968</u>	<u>-</u>	<u>₩ 388,236</u>

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

(*2) Presented at net book value.

(*3) Includes depreciation expense of assets not in use.

23. Comprehensive Income

For the three-month periods ended March 31, 2008 and 2007, comprehensive income are as follows:

<i>(in millions of Won)</i>	2008		2007	
Net income	₩	1,031,213	₩	982,305
Other Comprehensive Income				
Change of accounting policies		-		2,468
Changes fair value of available-for-sale securities		(426,601)		117,291
Changes in capital adjustments of equity method accounted investments		109,690		50,069
Comprehensive income	<u>₩</u>	<u>714,302</u>	<u>₩</u>	<u>1,152,133</u>

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24. Cost of goods sold

Details of cost of goods sold for the three-month periods ended March 31, 2008 and 2007 are as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Finished goods , semi-product and by-product		
Beginning balance of inventories	₩ 1,359,025	1,184,913
Cost of goods manufactured	4,442,258	4,191,086
Overhead variance	48,887	33,948
Refund of customs	(2,768)	(6,380)
Ending balance of inventories	<u>(1,348,328)</u>	<u>(1,140,553)</u>
	4,499,074	4,263,014
Others	<u>6,631</u>	<u>7,140</u>
Total	<u>₩ 4,505,705</u>	<u>4,270,154</u>