

# **POSCO**

**Non-Consolidated Financial Statements**

**June 30, 2008**

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

## Table of Contents

	<b>Page</b>
<b>Independent Accountants' Review Report .....</b>	<b>1</b>
<b>Non-Consolidated Financial Statements</b>	
Non-Consolidated Balance Sheets .....	3
Non-Consolidated Statements of Income .....	5
Non-Consolidated Statements of Changes in Shareholders' Equity.....	6
Non-Consolidated Statements of Cash Flows .....	7
Notes to the Non-Consolidated Financial Statements .....	9

## **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 June 30, 2008, and the related non-consolidated statements of income for the three-month and six-month periods ended June 30, 2008, and changes in shareholders' equity and cash flows for the six-month period ended June 30, 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 of the Company for the three-month and six-month periods ended June 30, 2007, changes in shareholders' equity and cash flows for the six-month period ended June 30, 2007, were reviewed by Samil PricewaterhouseCoopers whose report thereon dated July 31, 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.

Seoul, Korea  
July 28, 2008

<p>This report is effective as of July 28, 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 June 30, 2008 and December 31, 2007**  
**(Unaudited)**

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash and cash equivalents (note 3)	₩ 740,659	691,034
Short-term financial instruments (note 3)	1,662,748	1,443,301
Trading securities (note 6)	990,807	1,239,290
Current portion of held-to-maturity securities (note 7)	142,000	191,995
Trade accounts and notes receivable, net of allowance for doubtful accounts (notes 4 and 21)	2,418,495	1,894,850
Inventories (note 5)	4,851,910	3,221,279
Other accounts and notes receivable, net of allowance for doubtful accounts (notes 4 and 21)	95,742	48,777
Other current assets, net of allowance for doubtful accounts (note 11)	80,703	37,368
<b>Total current assets</b>	<u>10,983,064</u>	<u>8,767,894</u>
Property, plant and equipment at cost (notes 8 and 22)	34,767,144	33,881,421
Less accumulated depreciation	(21,409,440)	(20,679,772)
Property, plant and equipment, net	<u>13,357,704</u>	<u>13,201,649</u>
Investment securities, net (notes 7 and 10)	8,460,256	8,163,412
Intangible assets, net (notes 9 and 22)	184,079	211,975
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts (note 4)	23,233	19,365
Long-term financial instruments (note 3)	40	47
Other long-term assets, net of allowance for doubtful accounts (note 11)	87,331	128,456
<b>Total non-current assets</b>	<u>22,112,643</u>	<u>21,724,904</u>
<b>Total assets</b>	<u>₩ 33,095,707</u>	<u>30,492,798</u>

*See accompanying notes to non-consolidated financial statements.*

**POSCO**  
**Non-Consolidated Balance Sheets**  
**As of June 30, 2008 and December 31, 2007**  
**(Unaudited)**

<i>(in millions of Won)</i>	<b>2008</b>	<b>2007</b>
<b>Liabilities</b>		
Trade accounts and notes payable (note 21)	₩ 1,435,490	632,047
Short-term borrowings (note 12)	98,648	81,293
Current portion of long-term debt, net of discount on debentures issued (notes 12 and 13)	509,596	432,134
Accrued expenses	125,950	87,949
Other accounts payable (note 21)	509,747	595,046
Withholdings	34,087	27,131
Income tax payable	724,294	823,723
Deferred income tax liabilities(note 19)	180,493	96,673
Other current liabilities (notes 15 and 21)	65,970	35,810
<b>Total current liabilities</b>	<b>3,684,275</b>	<b>2,811,806</b>
Long-term debt, net of current portion and discount on debentures issued (note 13)	2,347,650	2,240,879
Accrued severance benefits, net (note 14)	217,333	225,405
Deferred income tax liabilities (note 19)	440,751	557,749
Other long-term liabilities	127,076	153,727
<b>Total liabilities</b>	<b>6,817,085</b>	<b>5,989,566</b>
<b>Shareholders' Equity</b>		
Capital stock	482,403	482,403
Capital surplus	4,172,391	4,160,785
Capital adjustments, net	(2,822,783)	(2,785,951)
Accumulated other comprehensive income	738,155	877,768
Retained earnings	23,708,456	21,768,227
<b>Total shareholders' equity</b>	<b>26,278,622</b>	<b>24,503,232</b>
<b>Total liabilities and shareholders' equity</b>	<b>₩ 33,095,707</b>	<b>30,492,798</b>

*See accompanying notes to non-consolidated financial statements.*

# POSCO

## Non-Consolidated Statements of Income

### For the three-month and six-month periods ended June 30, 2008 and 2007 (Unaudited)

	For the three-month period ended June 30		For the six-month period ended June 30	
	2008	2007	2008	2007
<i>(in millions of Won, except share information)</i>				
<b>Sales (notes 21 and 22)</b>	₩ 7,457,958	5,814,619	13,524,141	11,515,624
<b>Cost of goods sold (notes 21 and 24)</b>	5,201,934	4,244,265	9,707,640	8,514,419
Gross profit	2,256,024	1,570,354	3,816,501	3,001,205
<b>Selling and administrative expenses (note 18)</b>	371,203	322,894	658,030	641,096
Operating profit	1,884,821	1,247,460	3,158,471	2,360,109
<b>Non-operating income</b>				
Interest income	41,687	24,913	82,527	48,922
Dividend income	14,068	10,723	69,249	43,047
Gain on valuation of trading securities	-	-	9,351	7,678
Gain on disposal of trading securities	15,853	16,622	26,295	27,976
Gain on disposal of property, plant and equipment	2,738	2,717	4,362	6,570
Gain on foreign currency transactions	67,257	14,398	112,184	32,696
Gain on foreign currency translation	-	52,375	5,095	32,669
Equity in earnings of equity method accounted investments (note 7)	141,812	199,297	316,929	404,641
Reversal of allowance for doubtful accounts	7,636	-	7,636	-
Gain from disposal of held-for-sale assets	6,441	4,151	24,094	4,151
Others	21,551	11,022	48,130	43,218
	319,043	336,218	705,852	651,568
<b>Non-operating expenses</b>				
Interest expense	28,660	25,904	56,894	46,544
Other bad debt expense	-	92	4,296	3,119
Loss on valuation of trading securities	1,060	2,912	-	-
Loss on foreign currency transactions	79,959	16,886	123,624	36,299
Loss on foreign currency translation	13,948	-	204,000	888
Donations	72,915	22,222	73,002	89,284
Loss on disposal of property, plant and equipment	11,809	14,338	22,355	21,174
Equity in losses of equity method accounted investments (note 7)	39,759	11,125	75,272	28,299
Others	16,106	22,194	25,344	39,668
	264,216	115,673	584,787	265,275
Income before income taxes	1,939,648	1,468,005	3,279,536	2,746,402
Income tax expense (note 19)	464,082	355,081	772,757	651,174
Net income (note 23)	₩ 1,475,566	1,112,924	2,506,779	2,095,228
Basic earnings per share (note 20)	₩ 19,571	14,721	33,243	27,463

See accompanying notes to non-consolidated financial statements.

# POSCO

## Non-Consolidated Statements of Changes in Shareholders' Equity For the six-month periods ended June 30, 2008 and 2007 (Unaudited)

<i>(in millions of Won)</i>		<b>Common Stock</b>	<b>Capital Surplus</b>	<b>Capital Adjustments</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Retained Earnings</b>	<b>Total</b>
<b>Balance as of January 1, 2007</b>	₩	482,403	3,934,588	(1,670,690)	301,463	18,743,894	21,791,658
Cumulative effect of changes in accounting policy		-	67,519	(69,987)	2,468	-	-
Dividends		-	-	-	-	(465,557)	(465,557)
Net income		-	-	-	-	2,095,228	2,095,228
Changes in capital surplus of equity method accounted investments		-	(5,422)	-	-	-	(5,422)
Acquisition of treasury stock		-	-	(988,693)	-	-	(988,693)
Disposal of treasury stock		-	101,912	201,866	-	-	303,778
Gain on valuation of available-for-sale securities, net		-	-	-	311,987	-	311,987
Changes in capital adjustment arising from equity method accounted investments		-	-	-	49,714	-	49,714
<b>Balance as of June 30, 2007</b>	₩	<b>482,403</b>	<b>4,098,597</b>	<b>(2,527,504)</b>	<b>665,632</b>	<b>20,373,565</b>	<b>23,092,693</b>

<i>(in millions of Won)</i>		<b>Common Stock</b>	<b>Capital Surplus</b>	<b>Capital Adjustments</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Retained Earnings</b>	<b>Total</b>
<b>Balance as of January 1, 2008</b>	₩	482,403	4,160,785	(2,785,952)	877,769	21,768,227	24,503,232
Dividends		-	-	-	-	(566,552)	(566,552)
Net income		-	-	-	-	2,506,781	2,506,781
Changes in capital surplus of equity method accounted investments		-	11,606	-	-	-	11,606
Acquisition of treasury stock		-	-	(36,831)	-	-	(36,831)
Loss on valuation of available-for-sale securities, net		-	-	-	(372,899)	-	(372,899)
Changes in capital adjustment arising from equity method accounted investments		-	-	-	233,285	-	233,285
<b>Balance as of June 30, 2008</b>	₩	<b>482,403</b>	<b>4,172,391</b>	<b>(2,822,783)</b>	<b>738,155</b>	<b>23,708,456</b>	<b>26,278,622</b>

See accompanying notes to non-consolidated financial statements.

**POSCO**  
**Non-Consolidated Statements of Cash Flows**  
**For the six-month periods ended June 30, 2008 and 2007**  
**(Unaudited)**

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities</b>		
Net income	₩ 2,506,779	2,095,228
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	945,254	813,788
Accrual of severance benefits	93,054	64,177
Gain on valuation of trading securities, net	(9,351)	(7,678)
Gain on disposal of trading securities, net	(26,295)	(27,976)
Loss on disposal of property, plant and equipment, net	17,993	14,604
Loss on derivative transactions, net	-	7,556
Equity in earnings of equity accounted investments, net	(241,657)	(376,342)
(Reversal of) stock compensation expense	(10,780)	65,621
Loss (gain) on foreign currency translation, net	200,247	(32,017)
Loss on disposal of notes receivable	3,515	8,695
Provision for (reversal of) allowance for doubtful accounts	(3,340)	3,120
Gain from disposal of held-for-sale assets	(24,094)	-
Others	3,162	1,945
	<u>947,708</u>	<u>535,493</u>
 Changes in Operating assets and liabilities		
Increase in trade accounts and notes receivable	(525,271)	(142,440)
Increase in other accounts and notes receivable	(50,313)	(3,810)
Increase in accrued income	(12,061)	(373)
Increase in prepaid expenses	(29,389)	(34,059)
Increase in inventories	(1,630,630)	(428,839)
Increase in trade accounts and notes payable	792,441	49,074
Increase (decrease) in other accounts payable	(85,678)	96,341
Increase (decrease) in accrued expenses	29,790	(103,075)
Increase (decrease) in income tax payable	(99,429)	64,553
Payment of severance benefits	(39,001)	(11,548)
changes in deferred income tax assets and liabilities	34,654	(5,838)
Increase in severance benefits trust	(62,130)	(59,456)
Dividends from equity method accounted investment	47,032	65,208
Others, net	37,788	25,356
	<u>(1,592,197)</u>	<u>(488,906)</u>
 Net cash provided by operating activities	₩ <u>1,862,290</u>	<u>2,141,815</u>

*See accompanying notes to non-consolidated financial statements.*

**POSCO**  
**Non-Consolidated Statements of Cash Flows**  
**For the six-month periods ended June 30, 2008 and 2007**  
**(Unaudited)**

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
<b>Cash flows from investing activities</b>		
Disposal of short-term financial instruments	₩ 1,518,323	435,030
Disposal of trading securities	4,109,128	5,240,292
Maturity of available-for-sale securities	119,995	-
Disposal of available-for-sale securities	509	-
Disposal of held-for-sale assets	71,666	20,714
Disposal of property, plant and equipment	6,382	23,513
Disposal of equity method accounted investments	8,606	24,101
Acquisition of short-term financial instruments	(1,726,966)	(847,962)
Acquisition of trading securities	(3,825,000)	(4,585,000)
Acquisition of available-for-sale securities	(11,758)	(882,048)
Acquisition of equity method accounted investments	(295,410)	(138,299)
Acquisition of held-to-maturity securities	(80,000)	-
Acquisition of other non-current assets	(4,338)	(12,651)
Acquisition of property, plant and equipment	(1,079,468)	(1,061,190)
Acquisition of intangible assets	(8,535)	(19,042)
Cost for removal of property, plant and equipment	(10,695)	(11,793)
Others	(1,661)	(126)
	<u>(1,209,222)</u>	<u>(1,814,461)</u>
Net cash used in investing activities		
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	90,660	200,000
Proceeds from issuance of debentures	-	497,952
Proceeds from treasury stock	-	342,434
Acquisition of treasury stock	(36,832)	(988,693)
Repayment of short-term borrowings	(81,293)	-
Repayment of long-term debts	(1,239)	(5,149)
Payment of cash dividends	(566,552)	(465,558)
Others	(8,187)	(5,283)
	<u>(603,443)</u>	<u>(424,297)</u>
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	49,625	(96,943)
<b>Cash and cash equivalents</b>		
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>₩ 740,659</u>	<u>415,478</u>

*See accompanying notes to non-consolidated financial statements.*

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

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**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 six 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 shares issued are 87,186,835 as of June 30, 2008.

As of June 30, 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 six-month period ended June 30, 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 non-consolidated net income or

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

total non-consolidated shareholders' equity of prior periods. The details of reclassification were as followings:

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

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

Cash and cash equivalents, short-term and long-term financial instruments as of June 30, 2008 and December 31, 2007 are summarized as follows:

<i>(in millions of Won)</i>	Annual Interest Rate	2008	2007
<b>Cash and cash equivalents</b>			
Checking accounts	-	₩ 1,545	1,539
Money market deposit accounts	5.10	75,800	103,800
Money market trust	5.16 ~ 5.45	131,400	-
Time deposits	5.35 ~ 5.60	100,000	-
Time deposits in foreign currency	3.00 ~ 3.48	211,914	215,692
Repurchase agreement	5.15 ~ 6.11	220,000	370,000
Others	-	-	3
		₩ 740,659	691,034
<b>Short-term financial instruments</b>			
Ordinary deposits (*1)	0.50	4,037	5,140
Time deposits	5.47 ~ 6.10	710,000	540,000
Specified money in trust	-	58,711	135,231
Certificates of deposit	5.50 ~ 7.06	850,000	747,930
Repurchase Agreement	5.58 ~ 5.71	40,000	15,000
		₩ 1,662,748	1,443,301
<b>Long-term financial instruments</b>			
Guarantee deposits for opening accounts (*2)	-	₩ 40	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 ₩40 million and ₩47 million as of June 30, 2008 and December 31, 2007, respectively, to maintain checking accounts and accordingly, the withdrawal of these deposits is restricted.

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

**4. Accounts and Notes Receivable**

Accounts and notes receivable, and their respective allowance for doubtful accounts as of June 30, 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	₩ 2,420,431	1,896,352
Less: Allowance for doubtful accounts	(1,936)	(1,502)
	<u>₩ 2,418,495</u>	<u>1,894,850</u>
Other accounts and notes receivable	₩ 128,364	77,104
Less: Allowance for doubtful accounts	(32,622)	(28,327)
	<u>₩ 95,742</u>	<u>48,777</u>
Long-term trade accounts and notes receivable	₩ 27,218	31,831
Less: Allowance for doubtful accounts	(3,985)	(12,466)
	<u>₩ 23,233</u>	<u>19,365</u>

**5. Inventories**

Inventories as of June 30, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Finished goods	₩ 626,311	490,817
By-products	4,832	5,377
Semi-finished goods	1,141,108	862,831
Raw materials	1,241,234	770,572
Fuel and materials	448,134	416,608
Materials-in-transit	1,389,610	674,429
Others	681	645
	<u>₩ 4,851,910</u>	<u>3,221,279</u>

**6. Trading Securities**

Trading securities as of June 30, 2008 and December 31, 2007 are summarized as follows:

<i>(in millions of Won)</i>	<u>2008</u>			<u>2007</u>
	Acquisition Cost	Fair Value	Book Value	Book Value
Beneficiary certificates	₩ 980,000	990,807	990,807	1,239,290

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

**7. Investment Securities**

(a) Available-for-sale securities as of June 30, 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	₩ 3,186,231	3,680,054
Non-marketable equity securities	115,019	138,036
Investments in bonds	152	124
Equity investments	500	500
	<u>₩ 3,301,902</u>	<u>3,818,714</u>

(b) Investments in marketable equity securities as of June 30, 2008 and December 31, 2007 are as follows:

<i>(in millions of won)</i>	<u>2008</u>				<u>2007</u>		
Company	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	Fair Value	Book Value	Book Value	Book Value
SK Telecom Co., Ltd.(*1)	4,297,549	5.29	₩ 1,208,677	₩ 827,569	₩ 827,569	₩ 827,569	₩ 1,061,740
Hana Financial Group Inc.	4,663,776	2.20	29,998	187,717	187,717	187,717	235,054
Nippon Steel Corporation	238,352,000	3.50	719,622	1,345,567	1,345,567	1,345,567	1,374,491
Hyundai Heavy Industries	1,477,000	1.94	343,505	478,548	478,548	478,548	653,572
Hanil Iron & Steel Co., Ltd.	206,798	10.14	2,413	7,331	7,331	7,331	5,811
HISteel Co., Ltd.	135,357	9.95	1,609	3,804	3,804	3,804	2,430
Moonbae Steel Co., Ltd.	1,849,380	9.02	3,588	7,379	7,379	7,379	8,230
Dong Yang Steel Pipe Co., Ltd.	1,564,250	2.45	3,911	2,425	2,425	2,425	2,831
Korea Line Corporation	217,373	1.89	8,067	38,258	38,258	38,258	35,867
Shinhan Financial Group Inc.	3,815,676	0.96	219,467	180,481	180,481	180,481	204,139
SeAH Steel Corp.	540,000	10.11	18,792	35,910	35,910	35,910	26,028
Thainox Stainless Public Company Limited	1,200,000,000	15.00	42,301	43,707	43,707	43,707	46,243
Union Steel Co., Ltd.	1,005,000	9.80	40,212	27,535	27,535	27,535	23,618
			<u>₩ 2,642,162</u>	<u>₩ 3,186,231</u>	<u>₩ 3,186,231</u>	<u>₩ 3,186,231</u>	<u>₩ 3,680,054</u>

(\*1) 1,955,978 shares of SK Telecom Co., Ltd., have been pledged as collateral related to exchangeable bonds (note 12).

(c) Held-to-maturity as of June 30, 2008 and December 31, 2007 are as follows:

<i>(in millions of won)</i>	<u>2008</u>	<u>2007</u>
Held-to-maturity	₩ 173,495	223,434
Less: Current portion	(142,000)	(191,995)
	<u>₩ 31,495</u>	<u>31,439</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

(d) Equity method accounted investments as of June 30, 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 Co., Ltd.	27,281,080	89.53	₩ 365,789	₩ 657,107	₩ 94,708	₩ 67,676	₩ 819,491		
	Posteel Co., Ltd.	17,155,000	95.31	113,393	283,509	(7,411)	6,771	282,869		
	POSCON Co., Ltd.	3,098,610	88.04	49,822	46,261	8,870	(2,247)	52,884		
	POSCO Coated & Color Steel Co., Ltd.	3,412,000	56.87	82,017	155,769	(8,764)	(14,648)	132,357		
	POSCO Machinery & Engineering Co., Ltd.	1,700,000	100.00	17,052	27,005	2,947	2,188	32,140		
	POSDATA Co., Ltd.	50,440,720	61.85	52,749	95,191	(6,978)	(722)	87,491		
	POSCO Research Institute	3,800,000	100.00	19,000	23,196	1,016	-	24,212		
	Seung Kwang Co., Ltd.	2,737,000	69.38	28,408	28,916	333	-	29,249		
	POSCO Architects & Consultants Co., Ltd.	230,000	100.00	1,043	9,972	3,196	200	13,368		
	POSCO Specialty Steel Co., Ltd.	26,000,000	100.00	260,000	487,376	56,675	(2,438)	541,613		
	POSCO Machinery Co., Ltd.	1,000,000	100.00	10,000	11,264	1,263	-	12,527		
	POSTECH Venture Capital Corp.	5,700,000	95.00	28,500	36,792	798	(940)	36,650		
	eNtoB Corporation(*4)	560,000	17.50	2,800	4,163	172	7	4,342		
	POSCO Refractories & Environment Co., Ltd. (POSREC)	3,544,200	60.00	41,210	74,627	6,523	(2,590)	78,560		
	POSCO Terminal Co., Ltd.	2,550,000	51.00	12,750	18,172	(2,233)	-	15,939		
	POSMATE Co., Ltd.	214,286	30.00	7,233	9,531	1,312	(407)	10,436		
	Samjung Packing & Aluminum Co., Ltd.(*4)	270,000	9.00	2,714	5,138	1,219	(74)	6,283		
	POSCO Power Corp.	40,000,000	100.00	597,170	618,048	8,325	(4,081)	622,292		
	SNNC Co., Ltd.	18,130,000	49.00	90,650	89,516	(3,464)	-	86,052		
	PNR Corporation	5,467,686	70.00	27,338	-	205	27,338	27,543		
	POSCO America Corporation (formerly " Pohang Steel America Corporation")	354,531	99.45	297,221	86,093	8,190	61,810	156,093		
	POSCO Australia Pty. Ltd. (POSA)	761,775	100.00	37,352	199,968	10,560	2,403	212,931		
	POSCO Asia Co., Ltd.(POA)	9,360,000	100.00	7,425	19,380	2,648	2,981	25,009		
	VSC POSCO Steel Corporation(VPS)(*3)	-	35.00	4,758	4,750	4,901	(367)	9,284		
	Dalian POSCO-CFM Coated Steel Co., Ltd.(*3)	-	30.00	7,189	1,657	1,071	553	3,281		
	POS-Tianjin Coil Center Co., Ltd.(*3,4)	-	10.00	653	926	295	200	1,421		
	Zhangjiagang Pohang Stainless Steel Co., Ltd.(*3)	-	58.60	234,204	338,703	30,328	12,426	381,457		
	Guangdong Pohang Coated Steel Co., Ltd.(*3)	-	83.66	26,297	17,313	10,293	4,157	31,763		
	POSCO Thailand Co., Ltd.	12,721,734	85.62	39,677	9,696	1,636	28,129	39,461		
	Myanmar POSCO Steel Co., Ltd.	13,440	70.00	2,192	2,612	872	337	3,821		
	KOBRASCO	2,010,719,185	50.00	32,950	40,509	15,803	12,332	68,644		
	POSCO Investment Co., Ltd.	5,000,000	100.00	53,189	67,036	688	7,557	75,281		
	Poschrome (Proprietary) Limited	21,675	25.00	4,859	5,056	874	(3,455)	2,475		
	Guangdong Xingpu Steel Center Co., Ltd.(*3,4)	-	10.50	927	1,454	(347)	292	1,399		
	POS-Hyundai Steel Manufacturing India Private Limited(*4)	2,345,558	10.00	1,057	1,363	94	30	1,487		
	POSVINA Co., Ltd. (*3)	-	50.00	1,527	2,096	473	(43)	2,526		
	POSMMIT Steel Centre SDN BHD	6,882,189	38.60	6,666	4,587	1,658	4,815	11,060		
	PT POSMI Steel Indonesia(*4)	1,193	9.47	782	803	57	92	952		
	Qingdao Pohang Stainless Steel Co., Ltd.(*3)	-	70.00	71,462	51,257	1,989	32,104	85,350		
	POSCO (Suzhou) Automotive Processing Center Co., Ltd.(*3)	-	90.00	31,023	30,181	8,037	6,500	44,718		
	POSCO-China Holding Corp.(*3)	-	100.00	165,233	173,158	20,404	38,175	231,737		
	POSCO-Japan Co., Ltd.	90,438	100.00	50,558	45,878	3,364	13,225	62,467		
	POSCO-India Private Ltd.	225,000,000	100.00	52,627	49,386	105	1,065	50,556		

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

(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	
POS-India Steel Processing Centre Pvt. Ltd.	74,787,080	65.00	17,017	12,160	(5,707)	7,653	14,106	
POSCO-Foshan Steel Processing Center Co.,Ltd.(*3)	-	44.67	9,408	8,545	2,353	1,777	12,675	
Nickel Mining Company	3,234,698	49.00	157,585	200,622	(28,406)	38,339	210,555	
POSCO-Vietnam Co., Ltd.(*3)	-	100.00	198,578	146,421	(1,187)	60,558	205,792	
POSCO-Mexico Co., Ltd.	1,062,255,320	81.81	117,950	21,078	(2,736)	108,865	127,207	
POSS Delhi Steel Processing Centre Pvt. Ltd.	42,532,980	76.40	9,089	10,759	(783)	250	10,226	
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.(*3)	-	24.00	6,718	7,128	268	1,340	8,736	
POSCO Vietnam Processing Center Co.,Ltd.(*3)	-	80.00	8,192	7,893	(595)	446	7,744	
BX STEEL POSCO Cold Rolled Sheet Co.,Ltd.(*3)	-	25.00	61,961	63,238	2,374	9,686	75,298	
POSCO Malaysia SDN. BHD.(*6)	16,200,000	60.00	16,202	-	(4,949)	15,406	10,457	
POSCO-SK Steel (Pinghu) Processing Center Co., Ltd.(*3,5)	-	20.00	1,869	-	31	2,209	2,240	
POSCO Poland Wroclaw Steel Processing Center Co., Ltd.(*5)	30,000	30.00	3,803	-	(744)	4,839	4,095	
POSCO Chongqing Automotive Processing Center Co.,Ltd.(*3,5)	-	90.00	6,201	-	(577)	6,866	6,289	
POSCO-SAMSUNG Slovakia Steel Processing Center Co., Ltd.(*3,5)	-	30.00	1,794	-	(390)	2,332	1,942	
POSCO-Wuhu Processing Center Co., Ltd.(*3)	-	68.57	10,026	-	-	10,026	10,026	
			<u>₩ 3,565,859</u>	<u>₩ 4,313,259</u>	<u>₩ 241,657</u>	<u>₩ 571,943</u>	<u>₩ 5,126,859</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) 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 June 30, 2008.

(\*6) Acquisition cost of this investee consist of ₩1,749 million of common stock and ₩14,453 of preferred stock. The carrying amount of common stock was reduced to zero due to the equity in loss of the investee. The remaining equity in loss in the amount of ₩3,996 was applied to reduce the carrying amount of preferred stock.

For the six-month periods ended June 30, 2008 and 2007, amortization of goodwill amounted to ₩13,346 million and ₩13,196 million, respectively, and the elimination of the unrealized profit from intercompany transactions less realized profit amounted to ₩60,525 million.

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

**8. Property, Plant and Equipment**

(a) Changes in property, plant and equipment for the six-month period ended June 30, 2008 are as summarized follows:

<i>(in millions of Won)</i>	<b>Beginning</b>		<b>Acquisition</b>		<b>Disposal</b>		<b>Others (*1)</b>		<b>Depreciation (*2)</b>		<b>Ending Balance</b>	
	<b>Balance</b>											
Land	₩	860,350	₩	-	₩	(111)	₩	21,660	₩	-	₩	881,899
Buildings		2,019,902		-		(2,362)		61,878		(83,359)		1,996,059
Structures		1,473,696		-		(542)		33,092		(57,984)		1,448,262
Machinery and equipment		7,508,093		-		(10,515)		534,397		(747,005)		7,284,970
Vehicles		28,729		-		(33)		845		(5,581)		23,960
Tools		19,790		-		(14)		4,943		(6,159)		18,560
Furniture and fixtures		38,119		-		(60)		12,931		(7,667)		43,323
Finance lease assets		10,829		-		-		-		(319)		10,510
Construction-in-progress		1,242,141		1,079,468		-		(671,448)		-		1,650,161
	₩	<u>13,201,649</u>	₩	<u>1,079,468</u>	₩	<u>(13,637)</u>	₩	<u>(1,702)</u>	₩	<u>(908,074)</u>	₩	<u>13,357,704</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 ₩1,079,468 million for the six-month period ended June 30, 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. In June 2006, the Company entered into an initial contract with Al-Tuwairqi Trading & Contracting Establishment in Saudi Arabia to sell the No. 2 Minimill equipment for an estimate of US\$ 96 million. As of June 30, 2008, property, plant and equipment including the remaining Gwangyang No. 2 Minimill equipment reclassified to held-for-sale assets amounted to ₩25,898 million.

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

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**9. Intangible Assets**

Intangible assets, net of amortization, as of June 30, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Intellectual property rights	₩ 2,052	1,514
Port facilities usage rights	121,804	130,596
Other intangible assets(*1)	60,223	79,865
	<u>₩ 184,079</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 June 30, 2008, held-to-maturity securities amounting to ₩31,495 million was provided as collateral to the Gyung-sangbuk-do office as guarantee for environmental remediation of POSCO No. 4 disposal site.

1,955,978 shares, equivalent to 17,603,801 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 June 30, 2008 and December 31, 2007 were as follows:

<i>(in millions of Won)</i>	<u>2008</u>				<u>2007</u>			
Korea Development Bank	EUR	4,918,766	₩	8,101	EUR	5,236,941	₩	7,234

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

**11. Other Assets**

Other current and non-current assets as of June 30, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
<b>Other current assets</b>		
Short-term loans receivable	₩ 14	14
Accrued income	42,803	30,743
Prepaid expenses	35,384	5,995
Advanced payments	2,350	248
Others	152	368
	<u>80,703</u>	<u>37,368</u>
<b>Other long-term assets</b>		
Guarantee deposits	1,265	975
Held-for-sale assets (Note 8)	25,898	69,633
Other investment assets	60,199	57,877
	<u>87,362</u>	<u>128,485</u>
Less: Allowance for doubtful accounts	(31)	(30)
	<u>₩ 87,331</u>	<u>128,455</u>

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

Short-term borrowings as of June 30, 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>
<b>Short-term borrowings</b>			
Foreign currency borrowings	3.29~4.31	₩ 98,648	81,293

Current portion of long-term debt as of June 30, 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>
<b>Current portion of long-term debt</b>			
Exchangeable bonds (*1)	-	₩ 506,820	430,182
Foreign currency borrowings in won equivalent	4.60	1,885	1,600
Loans from foreign financial institutions	2.00	1,048	879
		<u>509,753</u>	<u>432,661</u>
Less: Discount on debentures issued		(157)	(527)
		<u>₩ 509,596</u>	<u>432,134</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

(\*1) Details of exchangeable bonds as of June 30, 2008 are as follows:

Issuance date:	August 20, 2003
Maturity date:	August 20, 2008
Rate:	Interest rate of zero percent
Face value:	JPY 51,622,000,000
Issuance price:	JPY 51,880,110,000
Exchangeable price:	JPY 2,932.44/ADR
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 payment date

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 bondholders 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 generally accepted accounting principles in the Republic of Korea. From 2004 to 2008, 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 2,335,964 ADRs which brought down the exchangeable bond price to JPY 2,932.44/ADR.

### 13. Long-Term Debt

(a) Debentures as of June 30, 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		490,895	416,665
Euro Bonds	8/10/2006	8/10/2016	5.88		313,020	281,460
Exchangeable bonds(*1)	8/20/2003	8/20/2008	-		506,820	430,182
					<u>2,810,735</u>	<u>2,628,307</u>
Less: Current portion					(506,820)	(430,182)
Discount on debentures issued					(10,424)	(11,258)
				₩	<u>2,293,491</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).

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

(b) Long-term domestic borrowing as of June 30, 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) Indexed to the average yield of 3-year government bond which is rounded off to the nearest 0.25%.

(c) Long-term foreign currency borrowing as of June 30, 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 National Oil Corporation(*1)	Representative-Borrowing Rate -2.25%	₩	1,064	957
Development Bank of Japan	4.60		2,827	3,200
			3,891	4,157
Less: Current portion			(1,885)	(1,600)
		₩	<u>2,006</u>	<u>2,557</u>

(\*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 June 30, 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>
NATIXIS	2.00	₩	8,101	7,234
Less : Current portion			(1,048)	(879)
		₩	<u>7,053</u>	<u>6,355</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

(e) Aggregate maturities of long-term debt as of June 30, 2008 are as follows:

*(in millions of Won)*

June 30,	<b>Debtentures</b>	<b>Domestic Borrowings</b>	<b>Foreign Currency Borrowings</b>	<b>Loans from Foreign Financial Institutions</b>	<b>Total</b>
2008	₩ 506,820	₩ -	₩ 1,885	₩ 1,048	₩ 509,753
2009	200,000	-	942	1,048	201,990
2010	800,000	-	-	1,048	801,048
2011	500,000	3,005	-	1,048	504,053
Thereafter	803,915	42,095	1,064	3,909	850,983
	<u>₩ 2,810,735</u>	<u>₩ 45,100</u>	<u>₩ 3,891</u>	<u>₩ 8,101</u>	<u>₩ 2,867,827</u>

**14. Severance Benefits**

Changes in the retirement and severance benefits for the six-month period ended June 30, 2008 and the year ended December 31, 2007 are as follows:

*(in millions of Won)*

	<b>2008</b>	<b>2007</b>
<b>Estimated severance benefits at beginning of period</b>	₩ 682,686	572,445
Provision for severance benefits	93,054	134,632
Payment	(39,001)	(24,391)
<b>Estimated severance benefits at end of period</b>	<u>₩ 736,739</u>	<u>682,686</u>
Transfer to National Pension Fund	(84)	(89)
Deposit for severance benefits trust	(519,322)	(457,192)
<b>Net balance at end of period</b>	<u>₩ 217,333</u>	<u>225,405</u>

**15. Other Current Liabilities**

Other current liabilities as of June 30, 2008 and December 31, 2007 are as follows:

*(in millions of Won)*

	<b>2008</b>	<b>2007</b>
Advances received	₩ 38,574	24,754
Unearned revenue	2,750	1,579
Dividend payable	4,051	4,120
Others	20,595	5,357
	<u>65,970</u>	<u>35,810</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

**16. Commitments and Contingencies**

- (a) As of June 30, 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>Financila Institution</u>	<u>Guaranteed Facility amount</u>		<u>Won Equivalent (in millions)</u>	
POSINVEST	Bank of Tokyo-Mitsubishi	US\$	42,000,000	₩	114,620
		MYR	180,000,000		
		CNY	87,000,000		
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Bank of China and others	US\$	199,925,000		208,602
					323,222
<b>Others</b>					
DC Chemical Co., Ltd.	E1 Co., Ltd.	₩	640		640
The Siam United Steel Co. Ltd.	Japan Bank for International	US\$	2,559,960		2,671
Zeus (Cayman)	Related creditors	JPY	51,622,000,000		506,820
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Bank of China and others	US\$	16,420,000		
		CNY	293,070,000		61,697
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.	Industrial & Commercial Bank of China Bank of China	US\$	10,200,000		
		CNY	81,600,000		23,051
					594,879
				₩	918,101

- (b) As of June 30, 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 June 30, 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 ₩2,696 million and ₩2,528 million for the six-month periods ended June 30, 2008 and 2007, respectively. Future lease payments under these lease agreements are as follows:

*(in millions of Korean won)*

<u>Period</u>	<u>Amount</u>	
2008	₩	2,594
2009		3,453
2010		1,301
	₩	7,348

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

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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.
- (e) The Company is involved in various lawsuits and claims for alleged damages aggregating to ₩2,474 million as of June 30, 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 the above lawsuits and claims as of June 30, 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 June 30, 2008, 386 million tons of iron ore and 76 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 August 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 June 30, 2008. In addition, the Company entered into a credit purchase loan agreement for credit lines of up to ₩200,000 million and ₩75,000 million in short-term borrowings.
- (i) As of June 30, 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\$920 million and US\$130 million in foreign short-term borrowings.
- (j) The outstanding balance of accounts receivable in foreign currency sold to financial institutions as of June 30, 2008 amounted to US\$104 million for which the Company is contingently liable upon default.
- (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 fields 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.

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

**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:

	<u>1<sup>st</sup> Grant</u>	<u>2<sup>nd</sup> Grant</u>	<u>3<sup>rd</sup> Grant</u>	<u>4<sup>th</sup> Grant</u>	<u>5<sup>th</sup> Grant</u>	<u>6<sup>th</sup> Grant</u>	<u>Total</u>
<b>Before the modifications(*)</b>							
Number of shares	498,000 shares	60,000 shares	22,000 shares	141,500 shares	218,600 shares	90,000 shares	1,030,100 shares
Exercise price	₩ 98,400 per share	₩ 135,800 per share	₩ 115,600 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
<b>After the modifications(*)</b>							
Grant date	July 23, 2001	April 27, 2002	September 18, 2002	April 26, 2003	July 23, 2004	April 28, 2005	
Exercise price	₩ 98,900 per share	₩ 136,400 per share	₩ 116,100 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
Number of shares granted	453,576 shares	55,896 shares	20,495 shares	135,897 shares	214,228 shares	90,000 shares	970,092 shares
Number of shares cancelled	19,409 shares	-	-	-	-	-	19,409 shares
Number of shares exercised	428,590 shares	42,126 shares	6,931 shares	112,307 shares	55,284 shares	52,000 shares	697,238 shares
Number of shares outstanding	5,577 shares	13,770 shares	13,564 shares	23,590 shares	158,944 shares	38,000 shares	253,445 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.

Expense related to stock appreciation rights granted to executives incurred for the six-month period ended June 30, 2008 are as follows:

<i>(in millions of Won)</i>	<u>1<sup>st</sup> Grant</u>	<u>2<sup>nd</sup> Grant</u>	<u>3<sup>rd</sup> Grant</u>	<u>4<sup>th</sup> Grant</u>	<u>5<sup>th</sup> Grant</u>	<u>6<sup>th</sup> Grant</u>	<u>Total</u>
Cumulative expense in prior periods	₩ 60,825	14,050	7,837	35,145	88,823	34,000	₩ 240,680
Current period expense	<u>(872)</u>	<u>(510)</u>	<u>(502)</u>	<u>(1,609)</u>	<u>(5,881)</u>	<u>(1,406)</u>	<u>(10,780)</u>
	<u>₩ 59,953</u>	<u>13,540</u>	<u>7,335</u>	<u>33,536</u>	<u>82,942</u>	<u>32,594</u>	<u>₩ 229,900</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

**18. Selling, General and Administration Expenses**

Details of selling, general and administrative expenses for the three-month and six-month periods ended June 30, 2008 and 2007 were as follows:

<i>(in millions of Won)</i>	<b>For the three-month period ended June 30</b>		<b>For the six-month period ended June 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Selling expenses	₩ 192,041	151,427	369,883	292,662
Fees and charges	32,743	32,865	64,039	61,177
Salaries and wages	21,922	20,697	44,528	41,406
Advertising	24,194	21,833	40,397	42,186
Research and development	18,328	5,088	24,659	18,920
Depreciation (notes 8 and 22)	3,901	4,302	7,877	8,657
Amortization (notes 9 and 22)	4,209	4,757	7,185	8,310
Rent	5,463	5,477	10,588	11,183
Other employee benefit	19,513	16,431	37,197	33,230
Provision for severance benefits	4,917	3,723	13,339	11,406
Supplies	410	404	2,952	3,069
Travel	4,139	3,636	6,895	6,504
Training	5,042	5,735	8,791	8,938
Repairs	2,366	2,101	4,475	4,222
Communications	1,923	1,620	3,945	3,178
Vehicle maintenance	1,261	1,278	2,529	2,551
Taxes and dues	1,253	951	2,395	1,924
Entertainment	1,441	1,175	2,549	1,947
Subscriptions and printing	414	638	969	1,256
Utilities	226	229	462	429
Insurance	1,947	1,215	3,620	2,236
Stock compensation expense (note 17)	18,265	32,207	(10,780)	65,621
Miscellaneous	5,285	5,105	9,536	10,084
	₩ <u>371,203</u>	<u>322,894</u>	<u>658,030</u>	<u>641,096</u>

**19. Income Taxes**

(a) The components of income tax expense for the six-month periods ended June 30, 2008 and 2007 are summarized as follows:

<i>(in millions of Won)</i>	<b>2008</b>	<b>2007</b>
Current income taxes	₩ 737,720	683,581
Deferred income taxes	(29,314)	114,734
Items charged directly to shareholders' equity	64,351	(147,141)
	₩ <u>772,757</u>	<u>651,174</u>

(b) The effective tax rate, after adjustments for certain differences between amounts reported for financial accounting and income tax purposes, was approximately 23.56% and 23.71% for the six-month periods ended June 30, 2008 and 2007, respectively.

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

(c) Changes in temporary differences and deferred income taxes for the six-month period ended June 30, 2008 are as follows:

<i>(in millions of Won)</i>	Accumulated temporary differences				Deferred income tax		
	Dec. 31, 2007	Adjustments (*1)	Inc. (dec.)	June 30, 2008	Dec. 31, 2007 (*1)	Inc. (dec.)	June 30, 2008
Reserve for special repairs	₩ (301,751)	₩ -	₩ 9,174	₩ (292,577)	₩ (82,982)	₩ 2,523	₩ (80,459)
Allowance for doubtful accounts	19,484	(330)	(9,057)	10,097	5,267	(2,491)	2,776
Reserve for technology developments	(1,071,667)	-	175,833	(895,834)	(294,708)	48,354	(246,354)
Dividend income from related companies	366,233	-	47,032	413,265	100,714	12,933	113,647
Depreciation expense	(151,035)	2,423	(60,802)	(209,414)	(40,868)	(16,721)	(57,589)
Valuation of equity method investments(*2)	(1,423,440)	12,284	(516,079)	(1,927,235)	(305,807)	(107,557)	(413,364)
Prepaid expenses	34,422	-	31,350	65,772	9,466	8,621	18,087
Impairment loss on property, plant, equipment	374,053	-	(351,673)	22,380	102,865	(96,710)	6,155
Gain on foreign currency translation	-	-	198,905	198,905	-	54,699	54,699
Gain on valuation of available-for-sale securities	(1,228,045)	-	244,558	(983,487)	(337,712)	67,254	(270,458)
Loss on valuation of available-for-sale securities	278,548	-	269,785	548,333	76,601	74,191	150,792
Others	443,132	(331)	(57,390)	385,411	116,606	(15,782)	100,824
	<u>₩ (2,660,066)</u>	<u>₩ 14,046</u>	<u>₩ (18,364)</u>	<u>₩ (2,664,384)</u>	<u>₩ (650,558)</u>	<u>₩ 29,314</u>	<u>₩ (621,244)</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.

(\*2) As the Company is unlikely to dispose of its investee shares or receive dividend within five years, the income tax effect of ₩150,532 million in 2008 is not recognized as it is more likely that the deferred tax asset will not be realized.

(d) The gross balances of deferred tax assets and liabilities as of June 30, 2008 are as follows:

<i>(in millions of Won)</i>	Current	Non-current
Deferred tax assets	₩ 46,883	592,008
Deferred tax liabilities	(227,376)	(1,032,759)
Total	<u>₩ (180,493)</u>	<u>(440,751)</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

**20. Earnings Per Share**

(a) Basic earnings per share for the six-month periods ended June 30, 2008 and 2007 were as follows:

*(in millions of Won except per share information)*

	<u>2008</u>	<u>2007</u>
Net income	₩ 2,506,779	2,095,228
Weighted-average number of common shares outstanding(*)	<u>75,407,696</u>	<u>76,293,098</u>
Basic ordinary income and earnings per share	<u>₩ 33,243</u>	<u>27,463</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 six-month periods ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Total number of common shares issued	₩ 87,186,835	87,186,835
Weighted-average number of treasury shares	<u>11,779,139</u>	<u>10,893,737</u>
Weighted-average number of common shares outstanding	<u>₩ 75,407,696</u>	<u>76,293,098</u>

(b) Basic earnings per share for the three-month periods ended June 30, 2008 and 2007 were as follows:

*(in millions of Won except per share information)*

	<u>2008</u>	<u>2007</u>
Net income	₩ 1,475,566	1,112,924
Weighted-average number of common shares outstanding	<u>75,394,201</u>	<u>75,601,763</u>
Basic ordinary income and earnings per share	<u>₩ 19,571</u>	<u>14,721</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 June 30, 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	<u>11,792,634</u>	<u>11,585,072</u>
	<u>₩ 75,394,201</u>	<u>75,601,763</u>

(c) Basic earnings per share for the three-month period ended March 31, 2008 and the year ended December 31, 2007 amounted to ₩13,673 and ₩48,444, respectively.

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

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**21. Related Party Transactions**

As of June 30, 2008, the subsidiaries of the Company are as follows:

**Domestic (24)** POSCO E&C Co., Ltd., Posteel Co., Ltd., POSCON Co., Ltd., POSCO Coated & Color Steel Co., Ltd., POSCO Machinery & Engineering Co., Ltd., POSDATA Co., Ltd., POSCO Research Institute, Seung Kwang Co.,Ltd., 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.

**Foreign (48)** POSCO America Corporation(POSAM), POSCO Australia Pty. Ltd.(POSA), POSCO Canada Ltd.(POSCAN), POSCAN Elkview Coal Ltd., POSCO Asia Co., Ltd.(POA), VSC POSCO Steel Corporation(VPS), Dalian POSCO-CFM Coated Steel Co., Ltd., POS-Tianjin Coil Center Co., Ltd., POSMETAL Co., Ltd., Shanghai Real Estate Development Co., Ltd., International Business Center Corporation(IBC), 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-India Steel Processing Centre Pvt. Ltd., 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., Lt

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

Significant transactions, which occurred in the ordinary course of business, with related companies for the six-month periods ended June 30, 2008 and 2007, and the related account balances as of June 30, 2008 and December 31, 2007 are as follows:

(in millions of Won)	Sales and others (*1)		Purchase and others (*1)		Receivables (*2)		Payables (*2)	
	2008	2007	2008	2007	2008	2007	2008	2007
POSCO E&C Co., Ltd.	₩ 8,399	₩ 12,845	₩ 446,595	₩ 418,690	₩ 249	₩ 186	₩ 68,977	₩ 105,178
Possteel Co., Ltd.	618,027	534,360	118,142	96,261	121,934	104,624	3,062	12,386
POSCON Co., Ltd.	47	45	75,611	110,788	4	7	14,892	24,842
POSCO Coated & Color Steel Co., Ltd.	269,742	208,276	873	600	66,897	40,431	211	119
POSCO Machinery & Engineering Co., Ltd.	32	25	63,503	70,370	6	6	17,992	20,431
POSDATA Co., Ltd.	1,083	2,217	89,525	79,034	7	10	28,557	31,614
POSCO Reaearch Institute	-	-	9,584	6,683	217	1	1,448	6,394
Seung Kwang Co., Ltd.	-	-	41	9	-	-	-	-
POSCO Architects & Consultants Co., Ltd.	383	488	12,275	12,074	4	1	5,515	2,001
POSCO Specialty Steel Co., Ltd.	2,013	1,622	18,335	50,446	-	40	66	8,067
POSCO Machinery Co., Ltd.	4,128	2,594	38,538	61,822	845	50	6,762	10,445
POSTECH Venture Capital Corp.	41	80	-	-	-	-	411	66
POSCO Refractories & Environment Co., Ltd. (POSREC)	15,485	87	138,575	103,593	12	9	36,275	24,265
POSCO Terminal Co., Ltd.	5,222	5,187	118	230	1,213	1,001	51	61
POSMATE Co., Ltd.	869	1,198	17,799	17,382	2	63	4,634	5,038
Samjung Packing & Aluminum Co., Ltd.	9,834	8,214	119,626	116,345	2,073	1,355	24,022	20,612
PNR Corporation	2	-	-	-	-	-	-	-
POSCO America Corporation(POSAM)	68,501	74,679	-	-	4,991	4,447	-	-
POSCO Australia Pty. Ltd.(POSA)	13,378	7,805	-	-	1,894	40	-	-
POSCO Canada Ltd. (POSCAN)	20	19	105,330	27,550	20	21	28,122	9,635
POSCO Asia Co., VSC POSCO Steel Corporation(VPS)	464,567	269,951	98,237	60,906	44,456	24,323	1,034	1,922
POS-Tianjin Coil Center Co., Ltd.	-	-	-	-	720	-	-	-
POS-Tianjin Coil Center Co., Ltd.	161	-	-	-	-	-	-	-
POSMETAL Co., Ltd.	11,542	-	-	-	-	-	-	-
International Business Center Corporation(IBC)	-	-	-	4	-	-	-	-
Zhangjiagang Pohang Stainless Steel Co., Ltd.	3,711	12,476	-	-	14,235	-	-	-
POSCO Thailand Co.,Ltd.	26,310	-	29	-	-	-	-	-
POSMMIT Steel Centre SDN BHD	5,561	2,049	-	-	-	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	35,900	30,199	-	-	4,052	5,153	-	-
POS Qingdao Coil Center Co., Ltd.	1,748	2,738	-	-	-	1,862	-	-
POSCO-China Holding	-	-	496	465	-	-	-	-
POSCO-Japan Co., Ltd.	439,989	456,528	7,044	43,035	22,868	30,952	139	6
POS-India Steel Processing Centre Pvt. Ltd.	33,773	28,912	-	-	6,253	-	-	-
POSS Delhi Steel Processing Centre Pvt. Ltd.	2,124	-	99	-	1,436	-	-	-

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

<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
POSCO Vietnam Processing Center Co., Ltd	8,649	-	-	-	-	-	-	-
POSCORE Co., Ltd.	53,695	-	-	-	9,767	9,500	-	-
POSCO Malaysia SDN BHD	15,483	-	-	-	-	-	-	-
Daewoo Engineering Company	-	-	1,277	-	-	-	-	-
eNtoB Corporation	-	-	120,345	100,353	-	-	4,875	2,999
SNNC Co., Ltd.	1,666	149	-	-	-	1	6	-
KOBRASCO	-	-	60,883	36,839	-	-	-	4,048
Poschrome (Proprietary) Limited	3,275	-	52,586	20,579	3,275	-	-	-
POSVINA Co., Ltd.	6,354	1,650	-	-	-	-	-	-
USS-POSCO Industries	190,611	138,000	-	-	8	8	-	-
Guangdong Xingpu Steel Center Co., Ltd.	894	8,277	-	-	-	4,276	-	-
	<u>₩ 2,323,219</u>	<u>₩ 1,810,670</u>	<u>₩ 1,595,466</u>	<u>₩ 1,434,058</u>	<u>₩ 307,438</u>	<u>₩ 228,367</u>	<u>₩ 247,051</u>	<u>₩ 290,129</u>

(\*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 and notes receivable; payables include trade accounts and notes payable and other accounts payable.

Details of compensation to key management officers for the six-month periods ended June 30, 2008 and 2007 are as follows:

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Salaries	₩ 5,387	5,028
Severance benefits	2,459	4,736
Management achievement awards	6,885	6,748
Stock compensation expense	(10,780)	65,621
Total	<u>₩ 3,951</u>	<u>82,133</u>

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

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

**22. Segment Information**

The Company has a plant in Pohang and in Gwangyang in the Republic of Korea. General information of the plants as of June 30, 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, 1~2 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
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

Operating results and long-lived assets as of and for the six-month periods ended June 30, 2008 and 2007 are as follows:

<i>(in millions of Won)</i>	<b>2008</b>			
	<b>Pohang</b>	<b>Gwangyang</b>	<b>Others</b>	<b>Total</b>
Sales (*1)				
Domestic	₩ 5,711,803	3,590,916	24,022	₩ 9,326,741
Export	1,847,362	2,350,038	-	4,197,400
Total	<u>₩ 7,559,165</u>	<u>5,940,954</u>	<u>24,022</u>	<u>₩ 13,524,141</u>
Property, plant and equipment (*2)	₩ 7,795,274	5,562,430	-	₩ 13,357,704
Intangible assets (*2)	131,962	52,117	-	184,079
	<u>₩ 7,927,236</u>	<u>5,614,547</u>	<u>-</u>	<u>₩ 13,541,783</u>
Depreciation and amortization (*3)	₩ 563,732	381,522	-	₩ 945,254
	<u>₩ 563,732</u>	<u>381,522</u>	<u>-</u>	<u>₩ 945,254</u>

<i>(in millions of Won)</i>	<b>2007</b>			
	<b>Pohang</b>	<b>Gwangyang</b>	<b>Others</b>	<b>Total</b>
Sales (*1)				
Domestic	₩ 5,081,119	2,875,843	25,205	₩ 7,982,167
Export	1,754,879	1,778,578	-	3,533,457
Total	<u>₩ 6,835,998</u>	<u>4,654,421</u>	<u>25,205</u>	<u>₩ 11,515,624</u>
Property, plant and equipment (*2)	₩ 7,746,173	4,963,766	-	₩ 12,709,939
Intangible assets (*2)	140,501	73,523	-	214,024
	<u>₩ 7,886,674</u>	<u>5,037,289</u>	<u>-</u>	<u>₩ 12,923,963</u>
Depreciation and amortization (*3)	₩ 463,251	350,537	-	₩ 813,788
	<u>₩ 463,251</u>	<u>350,537</u>	<u>-</u>	<u>₩ 813,788</u>

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

(\*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 six-month periods ended June 30, 2008 and 2007, comprehensive income are as follows:

<i>(in millions of Won)</i>	<b>For the three-month period ended June 30</b>		<b>For the six-month period ended June 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Net income	₩ 1,475,566	1,112,924	₩ 2,506,779	2,095,228
Other comprehensive income	177,298	194,340	(139,613)	364,168
Cumulative effect of changes in accounting policy	-	-	-	2,468
Gain(loss) on valuation of available-for-sale securities,	74,072	268,546	(514,343)	430,327
Less: tax effect	(20,369)	(73,850)	141,445	(118,340)
Changes in capital adjustment arising from equity method accounted investments	168,009	(23,350)	305,369	39,858
Less: tax effect	(44,414)	22,994	(72,084)	9,855
Comprehensive income	₩ 1,652,864	1,307,264	₩ 2,367,166	2,459,396

**24. Cost of goods sold**

Details of cost of goods sold for the six-month periods ended June 30, 2008 and 2007 are as follows:

<i>(in millions of Won)</i>	<b>For the three-month period ended June 30</b>		<b>For the six-month period ended June 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Finished goods, semi-product and by-product				
Beginning balance of inventories	₩ 1,348,328	1,140,553	₩ 1,359,025	1,184,913
Cost of goods manufactured	5,641,004	4,295,994	10,083,264	8,487,080
Overhead variance	(20,778)	(15,681)	28,108	18,266
Refund of customs	(2,776)	(7,619)	(5,544)	(13,999)
Ending balance of inventories	(1,772,251)	(1,177,150)	(1,772,251)	(1,177,150)
	5,193,527	4,236,097	9,692,602	8,499,110
Others	8,407	8,168	15,038	15,309
Total	₩ 5,201,934	4,244,265	₩ 9,707,640	8,514,419

**POSCO**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008**  
**(Unaudited)**

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**25. Subsequent Event**

The Company declared interim dividends in accordance with the resolution of Board of Directors dated July 18, 2008. Details of interim dividends declared related to the six-month period ended June 30, 2008, is as follows:

**Interim Cash Dividends**

*(in millions of Won)*

	<b>2008</b>	
	<u>Dividend Ratio</u>	<u>Dividend Amount</u>
Common shares	<u>50%</u>	<u>₩ 188,486</u>

Details of the dividend payout ratio and dividend yield ratio are as follows:

**Number of outstanding shares**

	<u>2008</u>
Number of shares	87,186,835
Number of treasury stock	11,792,634
Number of outstanding shares	<u>75,394,201</u>

**Dividend Payout Ratio**

*(in millions of Won)*

	<u>2008</u>	
Interim dividends	₩	188,486
Net income		2,506,779
Dividend payout ratio		7.52%

**Dividend Yield Ratio**

*(in Won)*

	<u>2008</u>	
Interim dividends	₩	2,500
Market price as of balance sheet date		544,000
Dividend yield ratio		0.46%