

POSCO

**Non-Consolidated Financial Statements
September 30, 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 September 30, 2008, and the related non-consolidated statements of income for the three-month and nine-month periods ended September 30, 2008, and changes in shareholders' equity and cash flows for the nine-month period ended September 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 nine-month periods ended September 30, 2007, changes in shareholders' equity and cash flows for the nine-month period ended September 30, 2007, were reviewed by Samil PricewaterhouseCoopers whose report thereon dated October 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
October 24, 2008

This report is effective as of October 24, 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.

POSCO
Non-Consolidated Balance Sheets
As of September 30, 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)	₩ 977,944	₩ 691,034
Short-term financial instruments (note 3)	2,323,494	1,443,301
Trading securities (note 6)	940,750	1,239,290
Current portion of held-to-maturity securities (note 7)	22,000	191,995
Trade accounts and notes receivable, net of allowance for doubtful accounts (notes 4 and 21)	3,189,696	1,894,850
Inventories (note 5)	5,323,020	3,221,279
Other accounts and notes receivable, net of allowance for doubtful accounts (notes 4 and 21)	104,239	48,777
Other current assets, net of allowance for doubtful accounts (note 11)	94,740	37,368
Total current assets	12,975,883	8,767,894
Property, plant and equipment at cost (notes 8 and 22)	35,513,035	33,881,421
Less accumulated depreciation	(21,817,838)	(20,679,772)
Property, plant and equipment, net	13,695,197	13,201,649
Investment securities, net (notes 7 and 10)	8,416,279	8,163,412
Intangible assets, net (notes 9 and 22)	172,568	211,975
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts (note 4)	16,611	19,365
Long-term financial instruments (note 3)	40	47
Other long-term assets, net of allowance for doubtful accounts (note 11)	88,673	128,456
Total non-current assets	22,389,368	21,724,904
Total assets	₩ 35,365,251	₩ 30,492,798

See accompanying notes to non-consolidated financial statements.

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

<i>(in millions of Won)</i>	2008	2007
Liabilities		
Trade accounts and notes payable (note 21)	₩ 1,245,343	₩ 632,047
Short-term borrowings (note 12)	542,827	81,293
Current portion of long-term debt, net of discount on debentures issued (notes 12 and 13)	203,063	432,134
Accrued expenses	181,129	87,949
Other accounts payable (note 21)	565,074	595,046
Withholdings	39,961	27,131
Income tax payable	1,257,815	823,723
Deferred income tax liabilities (note 19)	132,012	96,673
Other current liabilities (note 15)	85,674	35,810
Total current liabilities	4,252,898	2,811,806
Long-term debt, net of current portion and discount on debentures issued (note 13)	3,339,275	2,240,879
Accrued severance benefits, net (note 14)	269,704	225,405
Deferred income tax liabilities (note 19)	326,365	557,749
Other long-term liabilities	110,232	153,727
Total non-current liabilities	4,045,576	3,177,760
Total liabilities	8,298,474	5,989,566
Shareholders' Equity		
Capital stock	482,403	482,403
Capital surplus	4,170,301	4,160,785
Capital adjustments	(2,822,783)	(2,785,951)
Accumulated other comprehensive income	498,170	877,768
Retained earnings	24,738,686	21,768,227
Total shareholders' equity	27,066,777	24,503,232
Total liabilities and shareholders' equity	₩ 35,365,251	₩ 30,492,798

See accompanying notes to non-consolidated financial statements.

POSCO

Non-Consolidated Statements of Income

For the three-month and nine-month periods ended September 30, 2008 and 2007 (Unaudited)

	For the three-month period		For the nine-month period	
	ended September 30		ended September 30	
	2008	2007	2008	2007
<i>(in millions of Won, except per share amounts)</i>				
Sales (notes 21 and 22)	₩ 8,812,977	₩ 5,257,027	₩ 22,337,118	₩ 16,772,651
Cost of goods sold (notes 21 and 24)	6,450,476	3,831,252	16,158,116	12,345,671
Gross profit	2,362,501	1,425,775	6,179,002	4,426,980
Selling and administrative expenses (note 18)	379,172	352,914	1,036,548	994,010
Operating profit	1,983,329	1,072,861	5,142,454	3,432,970
Non-operating income				
Interest income	49,717	33,236	132,244	82,157
Dividend income	7,388	6,567	76,637	49,614
Gain on valuation of trading securities	1,186	-	10,537	5,189
Gain on disposal of trading securities	10,789	16,688	37,083	44,664
Gain on disposal of property, plant and equipment	3,538	838	7,900	7,408
Gain on valuation of derivatives	14,196	10,609	14,196	3,054
Gain on foreign currency transactions	173,483	22,836	285,668	55,532
Gain on foreign currency translation	38,861	-	43,957	7,940
Equity in earnings of equity method accounted investments (note 7)	30,328	102,443	347,257	507,084
Reversal of allowance for doubtful accounts	654	-	3,306	-
Gain on disposal of other long-term assets	4,250	3,427	28,344	7,578
Reversal of stock compensation expense (note 17)	34,372	-	34,372	-
Others	25,747	18,939	73,876	62,157
	394,509	215,583	1,095,377	832,377
Non-operating expenses				
Interest expense	39,907	28,588	96,801	75,132
Other bad debt expense	622	975	588	4,094
Loss on valuation of trading securities	-	2,490	-	-
Loss on foreign currency transactions	268,156	25,117	391,780	61,416
Loss on foreign currency translation	193,635	44,076	397,635	20,235
Donations	11,702	10,423	84,704	99,706
Loss on disposal of property, plant and equipment	11,588	11,008	33,944	32,181
Equity in losses of equity method accounted investments (note 7)	54,893	23,410	130,166	51,708
Loss on impairment of trading securities (note 7)	96,785	-	96,785	-
Others	21,569	6,018	46,910	38,133
	698,857	152,105	1,279,313	382,605
Income before income taxes	1,678,981	1,136,339	4,958,518	3,882,742
Income tax expense (note 19)	460,264	265,127	1,233,022	916,301
Net income (note 23)	₩ 1,218,717	₩ 871,212	₩ 3,725,496	₩ 2,966,441
Basic earnings per share (note 20)	₩ 16,165	₩ 11,515	₩ 49,408	₩ 38,991

See accompanying notes to non-consolidated financial statements.

POSCO

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

<i>(in millions of Won)</i>	<u>Capital Stock</u>	<u>Capital Surplus</u>	<u>Capital Adjustments</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance as of January 1, 2007	₩ 482,403	₩ 3,934,588	₩ (1,670,690)	₩ 301,463	₩ 18,743,894	₩ 21,791,658
Cumulative effect of changes in accounting policy (note 2)	-	67,519	(69,987)	2,468	-	-
Year-end dividends	-	-	-	-	(465,558)	(465,558)
Net income	-	-	-	-	2,966,441	2,966,441
Interim dividends	-	-	-	-	(189,541)	(189,541)
Changes in capital surplus of equity method accounted investments	-	(5,422)	-	-	-	(5,422)
Acquisition of treasury stock	-	-	(1,130,814)	-	-	(1,130,814)
Disposal of treasury stock	-	101,912	201,866	-	-	303,778
Gain on valuation of available-for-sale securities, net	-	-	-	453,206	-	453,206
Changes in capital adjustment arising from equity method accounted investments	-	-	-	137,475	-	137,475
Balance as of September 30, 2007	<u>₩ 482,403</u>	<u>₩ 4,098,597</u>	<u>₩ (2,669,625)</u>	<u>₩ 894,612</u>	<u>₩ 21,055,236</u>	<u>₩ 23,861,223</u>
<i>(in millions of Won)</i>	<u>Capital Stock</u>	<u>Capital Surplus</u>	<u>Capital Adjustments</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance as of January 1, 2008	₩ 482,403	₩ 4,160,785	₩ (2,785,951)	₩ 877,768	₩ 21,768,227	₩ 24,503,232
Year-end dividends	-	-	-	-	(566,552)	(566,552)
Net income	-	-	-	-	3,725,496	3,725,496
Interim dividends	-	-	-	-	(188,485)	(188,485)
Changes in capital surplus of equity method accounted investments	-	9,516	-	-	-	9,516
Acquisition of treasury stock	-	-	(36,832)	-	-	(36,832)
Loss on valuation of available-for-sale securities, net	-	-	-	(759,156)	-	(759,156)
Changes in capital adjustment arising from equity method accounted investments	-	-	-	379,558	-	379,558
Balance as of September 30, 2008	<u>₩ 482,403</u>	<u>₩ 4,170,301</u>	<u>₩ (2,822,783)</u>	<u>₩ 498,170</u>	<u>₩ 24,738,686</u>	<u>₩ 27,066,777</u>

See accompanying notes to non-consolidated financial statements.

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

(in millions of Won)

	2008	2007
Cash flows from operating activities		
Net income	₩ 3,725,496	₩ 2,966,441
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,419,822	1,256,643
Accrual of severance benefits	158,153	95,043
Gain on valuation of trading securities	(10,537)	(5,189)
Gain on disposal of trading securities	(37,083)	(44,696)
Gain on disposal of investments, net	(29,875)	-
Loss on disposal of property, plant and equipment, net	26,044	24,773
Gain on derivative transactions, net	(14,196)	(3,007)
Equity in earnings of equity accounted investments, net	(217,091)	(455,376)
(Reversal of) stock compensation expense	(34,372)	129,357
Loss on foreign currency translation, net	373,552	9,956
Loss on disposal of notes receivable	5,961	9,600
Provision for (reversal of) allowance for doubtful accounts	(2,718)	13,020
Loss on impairment of trading securities	96,785	-
Other employee benefit	5,434	3,603
Interest expense	3,781	2,253
Interest income	(1,822)	(32,127)
Loss on valuation of inventories	-	15,419
Others, net	2,340	(700)
	<u>1,744,178</u>	<u>1,018,572</u>
Changes in operating assets and liabilities		
Trade accounts and notes receivable	(1,282,732)	(115,502)
Other accounts and notes receivable	(57,289)	(25,977)
Accrued income	(11,626)	(2,182)
Prepaid expenses	(41,971)	(40,242)
Inventories	(2,105,203)	(463,446)
Trade accounts and notes payable	581,112	2,654
Other accounts payable	(31,627)	286,607
Accrued expenses	92,346	(119,660)
Income tax payable	434,091	68,371
Advances received	21,887	8,593
Payment of severance benefits	(53,248)	(17,107)
Deferred income tax assets and liabilities	(24,125)	(27,322)
Retirement insurance deposits	(60,610)	(60,190)
Other current liabilities	26,678	26,162
Dividends from equity method accounted investments	47,032	66,354
Others, net	15,582	(16,195)
	<u>(2,449,703)</u>	<u>(429,082)</u>
Net cash provided by operating activities	<u>3,019,971</u>	<u>3,555,931</u>

See accompanying notes to non-consolidated financial statements.

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

(in millions of Won)

	<u>2008</u>	<u>2007</u>
Cash flows from investing activities		
Disposal of short-term financial instruments	₩ 2,637,105	₩ 1,072,581
Disposal of trading securities	5,651,153	7,382,153
Redemption of held-to-maturity securities	346,412	-
Disposal of available-for-sale securities	782	5,883
Disposal of other long-term assets	82,369	28,793
Disposal of property, plant and equipment	30,115	26,622
Disposal of equity method accounted investments	8,606	24,101
Acquisition of short-term financial instruments	(3,506,494)	(1,857,616)
Acquisition of trading securities	(5,304,993)	(6,485,000)
Acquisition of available-for-sale securities	(433,598)	(892,558)
Acquisition of equity method accounted investments	(295,410)	(251,789)
Acquisition of held-to-maturity securities	(186,417)	-
Acquisition of other long-term assets	(8,900)	(13,952)
Acquisition of property, plant and equipment	(1,899,809)	(1,657,999)
Cost of removal of property, plant and equipment	(18,914)	(18,624)
Acquisition of intangible assets	(14,289)	(15,454)
Others, net	(5,499)	(2,727)
	<u>(2,917,781)</u>	<u>(2,655,586)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	435,940	53,711
Proceeds from issuance of debentures	967,674	497,952
Proceeds from treasury stock	-	303,778
Increase in other long-term liabilities	25,824	9,837
Acquisition of treasury stock	(36,832)	(1,130,814)
Repayment of long-term debts	(431,637)	(5,340)
Payment of cash dividends	(755,037)	(655,099)
Decrease in other long-term liabilities	(20,637)	(33,747)
Others, net	(575)	(365)
	<u>184,720</u>	<u>(960,087)</u>
Net cash provided by (used in) financing activities	<u>184,720</u>	<u>(960,087)</u>
Net increase (decrease) in cash and cash equivalents	286,910	(59,742)
Cash and cash equivalents		
Cash and cash equivalents at beginning of year	691,034	512,421
Cash and cash equivalents at September 30 (note 3)	<u>₩ 977,944</u>	<u>₩ 452,679</u>

See accompanying notes to non-consolidated financial statements.

POSCO
Notes to Non-Consolidated Financial Statements
September 30, 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. 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 its overseas affiliates.

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 September 30, 2008.

As of September 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 nine-month period ended September 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

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Notes to Non-Consolidated Financial Statements
September 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 September 30, 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	-	₩ 1,255	1,539
Money market deposit accounts	-	-	103,800
Money market trust	5.35	38,400	-
Time deposits	5.68 ~ 6.14	370,000	-
Time deposits in foreign currency	3.02 ~ 7.93	528,289	215,692
Certificates of deposit	6.85	20,000	-
Repurchase agreement	5.83	20,000	370,000
Others	-	-	3
		₩ 977,944	691,034
Short-term financial instruments			
Ordinary deposits (*1)	0.50	₩ 4,783	5,140
Time deposits	5.65 ~ 6.50	1,230,000	540,000
Specified money in trust	-	58,711	135,231
Certificates of deposit	5.65 ~ 7.06	920,000	747,930
Repurchase Agreement	5.68 ~ 6.00	110,000	15,000
		₩ 2,323,494	1,443,301
Long-term financial instruments			
Guarantee deposits for opening accounts (*2)	-	₩ 40	47

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

(*2) The Company is required to provide deposits amounting to ₩ 40 million and ₩ 47 million as of September 30, 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
September 30, 2008
(Unaudited)

4. Accounts and Notes Receivable

Accounts and notes receivable, and their respective allowance for doubtful accounts as of September 30, 2008 and December 31, 2007 are summarized as follows:

<i>(in millions of Won)</i>		2008	2007
Trade accounts and notes receivable	₩	3,192,370	1,896,352
Less: Allowance for doubtful accounts		(2,674)	(1,502)
	₩	<u>3,189,696</u>	<u>1,894,850</u>
Other accounts and notes receivable	₩	116,019	77,104
Less: Allowance for doubtful accounts		(11,780)	(28,327)
	₩	<u>104,239</u>	<u>48,777</u>
Long-term trade accounts and notes receivable	₩	18,492	31,831
Less: Allowance for doubtful accounts		(1,881)	(12,466)
	₩	<u>16,611</u>	<u>19,365</u>

5. Inventories

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

<i>(in millions of Won)</i>		2008	2007
Finished goods	₩	857,508	490,817
By-products		6,202	5,377
Semi-finished goods		1,254,967	862,831
Raw materials		1,326,923	770,572
Fuel and materials		404,515	416,608
Materials-in-transit		1,472,282	674,429
Others		623	645
	₩	<u>5,323,020</u>	<u>3,221,279</u>

6. Trading Securities

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

<i>(in millions of Won)</i>		2008		2007
		Acquisition Cost	Fair Value	Book Value
Beneficiary certificates	₩	<u>930,000</u>	<u>940,750</u>	<u>940,750</u>
				<u>1,239,290</u>

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Notes to Non-Consolidated Financial Statements
September 30, 2008
(Unaudited)

7. Investment Securities

- (a) Available-for-sale securities as of September 30, 2008 and December 31, 2007 are summarized as follows:

(in millions of Won)

	<u>2008</u>	<u>2007</u>
Available-for-sale securities		
Marketable equity securities	₩ 2,981,641	3,680,054
Non-marketable equity securities	112,833	138,036
Investments in bonds	882	124
Equity investments	500	500
	<u>₩ 3,095,856</u>	<u>3,818,714</u>

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

(in millions of Won)

Company	<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)	4,297,549	5.29	₩ 1,208,677	₩ 874,682	₩ 874,682	₩ 1,061,740
Hana Financial Group Inc.	4,663,776	2.20	29,998	128,487	128,487	235,054
Nippon Steel Corporation	238,352,000	3.50	719,622	1,055,454	1,055,454	1,374,491
Hyundai Heavy Industries	1,477,000	1.94	343,505	397,313	397,313	653,572
Hanil Iron & Steel Co., Ltd.	206,798	10.14	2,413	4,870	4,870	5,811
HISteel Co., Ltd.	135,357	9.95	1,609	3,357	3,357	2,430
Moonbae Steel Co., Ltd.	1,849,380	9.02	3,588	4,744	4,744	8,230
Dong Yang Steel Pipe Co., Ltd.	1,564,250	2.45	3,911	1,877	1,877	2,831
Korea Line Corporation	217,373	1.89	8,067	32,715	32,715	35,867
Shinhan Financial Group Inc.	3,815,676	0.96	219,467	159,877	159,877	204,139
SeAH Steel Corp.	540,000	10.11	18,792	32,670	32,670	26,028
Thainox Stainless Public Company Limited	1,200,000,000	15.00	42,301	42,705	42,705	46,243
Union Steel Co., Ltd.	1,005,000	9.80	40,212	27,939	27,939	23,618
MacArthur Coal Limited (*2)	21,215,700	10.00	420,805	213,105	213,105	-
Hanjin Shipping Co., Ltd.	68,260	0.08	2,652	1,846	1,846	-
			<u>₩ 3,065,619</u>	<u>₩ 2,981,641</u>	<u>₩ 2,981,641</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 (see note 13).

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

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

(in millions of Won)

	<u>2008</u>	<u>2007</u>
Held-to-maturity	₩ 53,524	223,434
Less: Current portion	(22,000)	(191,995)
	<u>₩ 31,524</u>	<u>31,439</u>

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(d) Equity method accounted investments as of September 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	₩ 74,596	₩ 64,399	₩ 796,102		
	Posteel Co., Ltd.	17,155,000	95.31	113,393	283,509	17,907	25,784	327,200		
	POSCON Co., Ltd.	3,098,610	88.04	49,822	46,261	11,835	(2,250)	55,846		
	POSCO Coated & Color Steel Co., Ltd.	3,412,000	56.87	82,017	155,769	(26,307)	(14,648)	114,814		
	POSCO Machinery & Engineering Co., Ltd.	1,700,000	100.00	17,052	27,005	(786)	4,038	30,257		
	POSDATA Co., Ltd.	50,440,720	61.85	52,749	95,191	(18,601)	(670)	75,920		
	POSCO Research Institute	3,800,000	100.00	19,000	23,196	1,226	-	24,422		
	Seung Kwang Co., Ltd.	2,737,000	69.38	28,408	28,916	490	-	29,406		
	POSCO Architects & Consultants Co., Ltd.	230,000	100.00	1,043	9,972	5,033	165	15,170		
	POSCO Specialty Steel Co., Ltd.	26,000,000	100.00	260,000	487,376	78,085	(2,494)	562,967		
	POSCO Machinery Co., Ltd.	1,000,000	100.00	10,000	11,264	(328)	-	10,936		
	POSTECH Venture Capital Corp.	5,700,000	95.00	28,500	36,792	768	(2,681)	34,879		
	eNtoB Corporation(*4)	560,000	17.50	2,800	4,163	66	6	4,235		
	POSCO Refractories & Environment Co., Ltd.	3,544,200	60.00	41,210	74,627	3,500	(2,349)	75,778		
	POSCO Terminal Co., Ltd.	2,550,000	51.00	12,750	18,172	(570)	-	17,602		
	POSMATE Co., Ltd.	214,286	30.00	7,233	9,531	2,160	(340)	11,351		
	Samjung Packing & Aluminum Co., Ltd.(*4)	270,000	9.00	2,714	5,138	599	43	5,780		
	POSCO Power Corp.	40,000,000	100.00	597,170	618,048	15,079	(5,387)	627,740		
	SNNC Co., Ltd.	18,130,000	49.00	90,650	89,516	(9,399)	-	80,117		
	PNR Corporation	5,467,686	70.00	27,338	-	182	27,338	27,520		
	POSCO America Corporation	354,531	99.45	297,221	86,093	739	85,275	172,107		
	POSCO Australia Pty. Ltd.	761,775	100.00	37,352	199,968	39,872	(63,958)	175,882		
	POSCO Asia Co., Ltd.	9,360,000	100.00	7,425	19,380	3,602	7,066	30,048		
	VSC POSCO Steel Corporation(*3)	-	35.00	4,758	4,750	5,440	1,146	11,336		
	Dalian POSCO-CFM Coated Steel Co., Ltd.(*3)	-	30.00	7,189	1,657	1,224	1,193	4,074		
	POSCO-CTPC(*3,4)	-	10.00	653	926	175	417	1,518		
	Zhangjiagang Pohang Stainless Steel Co., Ltd.(*3)	-	58.60	234,204	338,703	8,825	56,177	403,705		
	Guangdong Pohang Coated Steel Co., Ltd.(*3)	-	83.66	26,297	17,313	3,602	8,589	29,504		
	POSCO THAILAND BANGKOK PROCESSING CENTER CO., LTD.	12,721,734	85.62	39,677	9,696	377	33,311	43,384		
	Myanmar POSCO Steel Co., Ltd.	13,440	70.00	2,192	2,612	1,032	851	4,495		
	KOBRASCO	2,010,719,185	50.00	32,950	40,509	32,135	6,197	78,841		
	POSCO Investment Co., Ltd.	5,000,000	100.00	53,189	67,036	3,645	18,040	88,721		
	Poschrome (Proprietary) Limited	21,675	25.00	4,859	5,056	4,886	(2,635)	7,307		
	Guangdong Xingpu Steel Center Co., Ltd.(*3,4)	-	10.50	927	1,454	463	673	2,590		
	POS-Hyundai Steel Manufacturing India Private Limited(*4)	2,345,558	10.00	1,057	1,363	133	103	1,599		
	POSVINA Co., Ltd.(*3)	-	50.00	1,527	2,096	(548)	473	2,021		
	POSCO-MKPC SDN BHD	6,882,189	38.60	6,666	4,587	1,817	5,806	12,210		
	PT POSMI Steel Indonesia(*4)	1,193	9.47	782	803	200	85	1,088		
	Qingdao Pohang Stainless Steel Co., Ltd.(*3)	-	70.00	71,462	51,257	(360)	43,891	94,788		
	POSCO(Suzhou) Automotive Processing Center Co., Ltd.(*3)	-	90.00	31,023	30,181	6,040	12,770	48,991		
	POSCO-China Holding Corp.(*3)	-	100.00	165,233	173,158	11,541	82,810	267,509		
	POSCO-Japan Co., Ltd.	90,438	100.00	50,558	45,878	(7,038)	24,398	63,238		

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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-India Private Ltd.	225,000,000	100.00	52,627	49,386	105	3,675	53,166	
POSCO-India Pune Processing Center Private Limited	74,787,080	65.00	17,017	12,160	(7,032)	8,670	13,798	
POSCO-CFPC CO.,LTD.(*3)	-	44.67	9,408	8,545	2,502	3,597	14,644	
Nickel Mining Company	3,234,698	49.00	157,585	200,622	(33,167)	46,449	213,904	
POSCO-Vietnam Co., Ltd.(*3)	-	100.00	198,578	146,421	(2,596)	94,782	238,607	
POSCO-Mexico Co., Ltd.	1,304,955,170	84.67	117,950	21,078	(4,198)	117,414	134,294	
POSCO INDIA DELHI STEEL PROCESSING CENTRE PRIVATE LIMITED	42,532,980	76.40	9,089	10,759	(7,428)	767	4,098	
Zhongyue POSCO(Qinhuangdao) Tinplate Industrial Co., Ltd.(*3)	-	24.00	6,718	7,128	108	2,546	9,782	
POSCO-VIETNAM PROCESSING CENTER CO., LTD.(*3)	-	80.00	8,192	7,893	(1,304)	1,919	8,508	
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.(*3)	-	25.00	61,961	63,238	6,404	19,561	89,203	
POSCO Malaysia SDN. BHD.(*6)	16,200,000	60.00	16,202	-	(8,989)	15,112	6,123	
POSCO-SK Steel (Pinghu) Processing Center Co., Ltd.(*3,5)	-	20.00	1,869	-	534	2,826	3,360	
POSCO-PWPC SP.ZO.O(*5)	30,000	30.00	3,803	-	(216)	4,988	4,772	
POSCO (Chongqing) Automotive Processing Center Co.,Ltd.(*3,5)	-	90.00	6,201	-	(1,013)	8,527	7,514	
POSCO-SAMSUNG Slovakia Steel Processing Center Co., Ltd.(*3,5)	-	30.00	1,794	-	329	2,545	2,874	
POSCO (Wuhu) Automotive Processing Center. Co., Ltd.(*3)	-	68.57	10,026	-	(285)	11,539	11,254	
			<u>₩ 3,565,859</u>	<u>₩ 4,313,259</u>	<u>₩ 217,091</u>	<u>₩ 758,549</u>	<u>₩ 5,288,899</u>	

(*1) The Company used the unaudited or unreviewed financial statements of 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 December 31, 2007.

(*6) Acquisition cost of this investee consist of ₩ 1,749 million of common stock and ₩ 14,453 million 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 ₩ 8,329 million was applied to reduce the carrying amount of preferred stock.

For the nine-month period ended September 30, 2008 and 2007, amortization of goodwill amounted to ₩ 19,406 million and ₩ 15,978 million, respectively, and the elimination of the unrealized profit from intercompany transactions less realized profit amounted to ₩ 147,676 million.

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8. Property, Plant and Equipment

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

<i>(in millions of Won)</i>	<u>Beginning Balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Others (*1)</u>	<u>Depreciation (*2)</u>	<u>Ending Balance</u>
Land	₩ 860,350	₩ -	₩ (19,368)	₩ 68,950	₩ -	₩ 909,932
Buildings	2,019,902	-	(4,664)	112,996	(125,630)	2,002,604
Structures	1,473,696	-	(1,096)	87,808	(88,218)	1,472,190
Machinery and equipment	7,508,093	-	(11,951)	836,892	(1,120,653)	7,212,381
Vehicles	28,729	-	(33)	1,322	(7,967)	22,051
Tools	19,790	-	(30)	6,443	(9,165)	17,038
Furniture and fixtures	38,119	-	(60)	20,758	(12,026)	46,791
Finance Lease Assets	10,829	-	-	-	(478)	10,351
Construction-in-progress	1,242,141	1,899,809	-	(1,140,091)	-	2,001,859
	<u>₩ 13,201,649</u>	<u>₩ 1,899,809</u>	<u>₩ (37,202)</u>	<u>₩ (4,922)</u>	<u>₩ (1,364,137)</u>	<u>₩ 13,695,197</u>

(*1) Represents assets transferred from construction-in-progress to intangible assets and property, plant and equipment.

(*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 reinforcement of Gwangyang plate production capacity amounted to ₩ 1,899,809 million for the nine-month period ended September 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. 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. Disposal of No. 2 Minimill equipment have been substantially completed by making seventeen shipments.

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9. Intangible Assets

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

<i>(in millions of Won)</i>	<u>2008</u>		<u>2007</u>	
Intellectual property rights	₩	2,368	₩	1,514
Port facilities usage rights		116,381		130,596
Other intangible assets (*1)		53,819		79,865
	<u>₩</u>	<u>172,568</u>	<u>₩</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

- (a) As of September 30, 2008, held-to-maturity securities amounting to ₩ 31,524 million was provided as collateral to the Gyung-sangbuk-do Province Office as guarantee for environmental remediation of POSCO No. 4 disposal site.
- (b) As of September 30, 2008, 1,955,978 shares, equivalent to 17,603,801 American depository receipts (“ADRs”) of SK Telecom Co., Ltd. have been pledged as collateral for the exchangeable bonds issued (see note 13). In addition, 2,341,569 shares of SK Telecom Co., Ltd. and 410,000 shares of Hyundai Heavy Industries Co., Ltd. have been pledged as collateral for the indulgence of income tax prepayment.
- (c) Guarantees provided by third parties on behalf of the Company as of September 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	4,762,267	₩	8,130	EUR	5,236,941	₩	7,234

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11. Other Assets

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

<i>(in millions of Won)</i>		2008	2007
Other current assets			
Short-term loans receivable	₩	14	14
Accrued income		42,369	30,743
Prepaid expenses		47,966	5,995
Advanced payments		3,142	248
Others		1,249	368
	₩	<u>94,740</u>	<u>37,368</u>
Other long-term assets			
Long-term loans receivable	₩	5,178	1,856
Guarantee deposits		1,215	975
Other investment assets		82,313	125,655
		<u>88,706</u>	<u>128,486</u>
Less: Allowance for doubtful accounts		(33)	(30)
	₩	<u>88,673</u>	<u>128,456</u>

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

Short-term borrowings as of September 30, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	Annual Interest Rate (%)	2008	2007
Domestic borrowings	5.63	₩ 300,000	-
Foreign currency borrowings	3.88 ~ 4.08	242,827	81,293
		<u>₩ 542,827</u>	<u>81,293</u>

Current portion of long-term debt as of September 30, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	Annual Interest Rate (%)	2008	2007
Exchangeable bonds	-	₩ -	430,182
Public bonds	4.66	200,000	-
Foreign currency borrowings in won equivalent	4.60	2,197	1,600
Loans from foreign financial institutions	2.00	1,086	879
		<u>203,283</u>	<u>432,661</u>
Less: Discount on debentures issued		(220)	(527)
		<u>₩ 203,063</u>	<u>432,134</u>

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13. Long-Term Debt

(a) Debentures as of September 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	Mar. 28, 2006~ May 11, 2007	Mar. 28, 2011~ May 11, 2012	4.66 ~ 6.52	₩	2,000,000	1,500,000
Samurai Bonds	Jun. 28, 2006	Jun. 28, 2013	2.05		572,110	416,665
Euro Bonds	Aug. 10, 2006	Aug. 10, 2016	5.88		356,310	281,460
Exchangeable bonds	Aug. 20, 2003	Aug. 20, 2008	-		-	430,182
Exchangeable bonds(*1)	Aug. 19, 2008	Aug. 19, 2013	-		604,091	-
					<u>3,532,511</u>	<u>2,628,307</u>
Add: Premium on bond redemption					9,122	-
Less: Current portion					(200,000)	(430,182)
Discount on debentures issued					(56,811)	(11,258)
				₩	<u>3,284,822</u>	<u>2,186,867</u>

(*1) The Company issued exchangeable bonds, which is exchangeable with 17,603,801 SK Telecom Co., Ltd. ADRs, on August 19, 2008. Details of exchangeable bonds are as follows:

Issuance date:	August 19, 2008
Maturity date:	August 19, 2013
Rate:	Interest rate of zero percent
Face value:	JPY 52,795,000,000
Issuance price:	JPY 52,424,229,136
Premium on bond redemption :	JPY 797,204,500 (redeemed on put date or maturity date)
Exchangeable price:	JPY 2,999.11/ADR
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 bondholders:	Exactly three years following the payment date

The underlying assets of above exchangeable bonds are SK Telecom Co., Ltd. ADRs which were pledged as collateral for the exchangeable bonds previously redeemed on August 20, 2008. The transaction between the Company and Zeus (Cayman) Ltd. is deemed to be a borrowing transaction under generally accepted accounting principles in the Republic of Korea.

(b) Long-term domestic borrowing as of September 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	Representitive 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%.

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- (c) Long-term foreign currency borrowing as of September 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	₩ 1,211	957
Development Bank of Japan	4.60	3,295	3,200
		4,506	4,157
Less: Current portion		(2,197)	(1,600)
		<u>₩ 2,309</u>	<u>2,557</u>

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

- (d) Loans from foreign financial institutions as of September 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	₩ 8,130	7,234
Less : Current portion		(1,086)	(879)
		<u>₩ 7,044</u>	<u>6,355</u>

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

<i>(in millions of Won)</i>								
September 30,	<u>Debentures(*1)</u>	<u>Borrowings</u>	<u>Foreign Currency Borrowings</u>	<u>Loans from foreign financial institutions</u>			<u>Total</u>	
2009	₩ 200,000	₩ -	₩ 2,197	₩ 1,086	₩	203,283		
2010	-	-	1,098	1,086	-	2,184		
2011	800,000	-	-	1,086	-	801,086		
2012	500,000	4,133	-	1,086	-	505,219		
Thereafter	2,041,633	40,967	1,211	3,786	-	2,087,597		
	<u>₩ 3,541,633</u>	<u>₩ 45,100</u>	<u>₩ 4,506</u>	<u>₩ 8,130</u>	<u>₩</u>	<u>3,599,369</u>		

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

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14. Severance Benefits

Changes in the retirement and severance benefits for the nine-month period ended September 30, 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	158,153	134,632
Payment	<u>(53,248)</u>	<u>(24,391)</u>
Estimated severance benefits at end of period	<u>₩ 787,591</u>	<u>682,686</u>
Transfer to National Pension Fund	(84)	(89)
Deposit for severance benefits trust	<u>(517,803)</u>	<u>(457,192)</u>
Net balance at end of period	<u>₩ 269,704</u>	<u>225,405</u>

15. Other Current Liabilities

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

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Advances received	₩ 46,643	24,754
Unearned revenue	2,748	1,579
Dividend payable	4,028	4,120
Accrued employee benefit	31,458	4,585
Others	<u>797</u>	<u>772</u>
	<u>₩ 85,674</u>	<u>35,810</u>

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16. Commitments and Contingencies

- (a) As of September 30, 2008, contingent liabilities for outstanding guarantees provided by the Company for the repayment of loans of related companies and others are as follows:

Company	Financial Institution	Guaranteed Facility amount		Won Equivalent (in millions)	
Related companies					
POSINVEST	Bank of Tokyo-Mitsubish	USD	97,000,000	₩	192,314
	Tokyo-Mitsubishi	CNY	87,000,000		
Zhangjiagang Pohang Stainless Steel Co., Ltd.	HSBC	MYR	180,000,000		237,451
	Bank of China and others	USD	199,925,000		
POSCO-Vietnam Co., Ltd.	The Export-Import Bank of Korea	USD	125,000,000		148,463
					578,228
Others					
DC Chemical Co., Ltd.	EI Co., Ltd.	₩	640		640
The Siam United Steel Co. Ltd.	Japan Bank for International	USD	2,559,960		3,040
Zeus (Cayman) Ltd.	Related creditors	JPY	53,592,204,500		613,213
BX STEEL POSCO Cold Rolled Sheet Co., Ltd.	Bank of China and others	USD	15,840,000		77,969
		CNY	340,940,000		
Zhongyue POSCO(Qinhuangdao)	Industrial & Commercial	USD	700,000		3,191
Tinplate Industrial Co., Ltd	Bank of China				
	Bank of China	CNY	13,600,000		
					698,053
					₩ 1,276,281

- (b) As of September 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 September 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 ₩ 4,030 million for the nine-month period ended September 30, 2008. Future lease payments under these lease agreements are as follows:

(in millions of Won)

Period	Amount	
2008	₩	1,353
2009		3,992
2010		1,769
		₩ 7,114

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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 ₩ 1,953 million and US\$ 11,583 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 ₩ 1,974 million as of September 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 September 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 September 30, 2008, 388 million tons of iron ore and 59 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 ₩ 310,000 million as of September 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 September 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\$ 1,200 million and US\$ 250 million in foreign short-term borrowings.
- (j) The outstanding balance of accounts receivable in foreign currency sold to financial institutions as of September 30, 2008 amounted to US\$ 116 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 a portion of the repayment obligation. If it succeeds, a portion of the project income is payable to KNOC.

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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>1st Grant</u>	<u>2nd Grant</u>	<u>3rd Grant</u>	<u>4th Grant</u>	<u>5th Grant</u>	<u>6th Grant</u>	<u>Total</u>
Before the modifications(*)							
Number of shares	498,000 shares	60,000 shares	22,000 shares	141,500 shares	218,600 shares	90,000 shares	1,030,100 shares
Exercise price	₩ 98,400 per share	₩ 135,800 per share	₩ 115,600 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
After the modifications(*)							
Grant date	July 23, 2001	April 27, 2002	September 18, 2002	April 26, 2003	July 23, 2004	April 28, 2005	
Exercise price	₩ 98,900 per share	₩ 136,400 per share	₩ 116,100 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
Number of shares granted	453,576 shares	55,896 shares	20,495 shares	135,897 shares	214,228 shares	90,000 shares	970,092 shares
Number of shares cancelled	19,409 shares	-	-	-	-	-	19,409 shares
Number of shares exercised	434,167 shares	42,126 shares	6,931 shares	116,451 shares	61,384 shares	52,000 shares	713,059 shares
Number of shares outstanding	-	13,770 shares	13,564 shares	19,446 shares	152,844 shares	38,000 shares	237,624 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 nine-month period ended September 30, 2008 are as follows:

<i>(in millions of Won)</i>	<u>1st Grant</u>	<u>2nd Grant</u>	<u>3rd Grant</u>	<u>4th Grant</u>	<u>5th Grant</u>	<u>6th 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	(880)	(1,839)	(1,811)	(3,609)	(21,160)	(5,073)	(34,372)
	<u>₩ 59,945</u>	<u>12,211</u>	<u>6,026</u>	<u>31,536</u>	<u>67,663</u>	<u>28,927</u>	<u>₩ 206,308</u>

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18. Selling, General and Administration Expenses

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

<i>(in millions of Won)</i>	For the three-month period ended September 30		For the nine-month period ended September 30	
	2008	2007	2008	2007
Selling expenses	₩ 199,247	₩ 154,766	₩ 568,478	₩ 447,429
Fees and charges	34,305	32,498	98,344	93,675
Salaries and wages	22,114	21,710	66,642	63,116
Advertising	19,163	17,283	59,559	59,470
Research and development	12,459	8,695	37,118	27,616
Depreciation (notes 8 and 22)	3,876	3,790	11,753	12,448
Amortization (notes 9 and 22)	3,702	3,209	10,886	11,519
Rent	5,743	5,571	16,331	16,754
Other employ benefit	35,306	15,776	72,503	49,006
Provision for severance benefits	7,802	4,248	21,141	15,654
Supplies	807	587	3,760	3,656
Travel	3,908	3,261	10,803	9,765
Training	4,416	4,288	13,207	13,227
Repairs	2,694	2,332	7,169	6,554
Communications	1,995	1,981	5,940	5,159
Vehicle maintenance	1,514	1,342	4,042	3,893
Taxes and dues	1,270	1,101	3,665	3,026
Entertainment	1,113	771	3,663	2,718
Subscriptions and printing	590	545	1,559	1,801
Utilities	261	264	724	692
Insurance	2,393	1,563	6,013	3,798
Stock compensation expense (note 17)	10,780	63,737	-	129,357
Others	3,714	3,596	13,248	13,677
	<u>₩ 379,172</u>	<u>₩ 352,914</u>	<u>₩ 1,036,548</u>	<u>₩ 994,010</u>

19. Income Taxes

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

<i>(in millions of Won)</i>	2008	2007
Current income taxes	₩ 1,288,515	970,193
Deferred income taxes	(223,932)	182,567
Items charged directly to shareholders' equity	168,439	(236,459)
	<u>₩ 1,233,022</u>	<u>916,301</u>

(b) The effective tax rate, after adjustments for certain differences between amounts reported for financial accounting and income tax purposes, was 24.9% and 23.6% for the nine-month periods ended September 30, 2008 and 2007, respectively.

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

<i>(in millions of Won)</i>	Accumulated temporary differences				Deferred income tax		
	Dec. 31, 2007	Adjustments(*1)	Inc. (dec.)	Sep. 30, 2008	Dec. 31, 2007(*1)	Inc. (dec.)	Sep. 30, 2008
Reserve for special repairs	₩ (301,751)	₩ -	₩ 14,976	₩ (286,775)	₩ (82,982)	₩ 4,118	₩ (78,864)
Allowance for doubtful accounts	19,484	(330)	(19,154)	-	5,267	(5,267)	-
Reserve for technology developments	(1,071,667)	-	263,750	(807,917)	(294,708)	72,531	(222,177)
Dividend income from related companies	366,233	-	47,032	413,265	100,714	12,934	113,648
Depreciation expense	(151,035)	2,423	(86,241)	(234,853)	(40,868)	(23,716)	(64,584)
Valuation of equity method accounted investments(*2)	(1,423,440)	12,284	(645,779)	(2,056,935)	(305,807)	(167,020)	(472,827)
Prepaid expenses	34,422	-	43,875	78,297	9,466	12,065	21,531
Impairment loss on property, plant and equipment	374,053	-	(372,308)	1,745	102,865	(102,385)	480
Gain on foreign currency translation	-	-	353,679	353,679	-	97,261	97,261
Gain on valuation of available-for-sale securities	(1,228,045)	-	654,141	(573,904)	(337,712)	179,889	(157,823)
Loss on valuation of available-for-sale securities	278,548	-	392,971	671,519	76,601	108,067	184,668
Exchangeable bonds(*3)	-	(115,460)	53,845	(61,615)	(31,751)	14,807	(16,944)
Others	443,132	(330)	75,083	517,885	116,606	20,648	137,254
	<u>₩ (2,660,066)</u>	<u>₩ (101,413)</u>	<u>₩ 775,870</u>	<u>₩ (1,985,609)</u>	<u>₩ (682,309)</u>	<u>₩ 223,932</u>	<u>₩ (458,377)</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 have been adjusted.

(*2) As the Company is unlikely to dispose of its investee shares in the foreseeable future, the income tax effect of ₩ 142,849 million in 2008 is not recognized as it is more likely than not that the deferred tax asset will not be realized.

(*3) The Company amended the declaration of income tax as the offer of underlying assets related to exchangeable bonds issued at 2003 was determined to be recognized as disposal transaction.

(d) A summary of deferred tax assets and liabilities as of September 30, 2008 are as follows:

<i>(in millions of Won)</i>	Current	Non-current
Deferred tax assets	₩ 73,352	739,514
Deferred tax liabilities	(205,364)	(1,065,879)
Net deferred tax liabilities	<u>₩ (132,012)</u>	<u>(326,365)</u>

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20. Earnings Per Share

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

<i>(in millions of Won except per share information)</i>	<u>2008</u>	<u>2007</u>
Net income	₩ 3,725,496	₩ 2,966,441
Weighted-average number of common shares outstanding(*)	<u>75,403,165</u>	<u>76,080,086</u>
Basic ordinary income and earnings per share	<u>₩ 49,408</u>	<u>₩ 38,991</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 nine-month periods ended September 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>11,783,670</u>	<u>11,106,749</u>
Weighted-average number of common shares outstanding	<u>75,403,165</u>	<u>76,080,086</u>

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

<i>(in millions of Won except per share information)</i>	<u>2008</u>	<u>2007</u>
Net income	₩ 1,218,717	₩ 871,212
Weighted-average number of common shares outstanding(*)	<u>75,394,201</u>	<u>75,661,010</u>
Basic ordinary income and earnings per share	<u>₩ 16,165</u>	<u>₩ 11,515</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 September 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>11,792,634</u>	<u>11,525,825</u>
Weighted-average number of common shares outstanding	<u>₩ 75,394,201</u>	<u>₩ 75,661,010</u>

- (c) Basic earnings per share for the three-month period ended March 31, 2008 and the six-month period ended June 30, 2008 amounted to ₩ 13,673 and ₩ 33,243, respectively. Basic earnings per share for the year ended December 31, 2007 amounted to ₩ 48,444.

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21. Related Party Transactions

As of September 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., POSCO-CTPC, POSMETAL Co., Ltd(POSCO-JKPC), Shanghai POSCO E&C Real Estate Development Co., Ltd., International Business Center Corporation(IBC), POSLILAMA E&C Co., Ltd., Zhangjiagang Pohang Stainless Steel Co., Ltd., POSCO(Guangdong) Coated Steel Co., Ltd., POSCO THAILAND BANGKOK PROCESSING CENTER CO., LTD.(POSCO-TBPC), Myanmar-POSCO Steel Co., Ltd., Zhangjiagang Posha Steel Port Co., Ltd., POSCO Osaka Processing Center Co., Ltd (POSCO-JOPC), POSCO INVESTMENT Co., Ltd.(POSINVEST), POSCO-MKPC SDN BHD, Qingdao Pohang Stainless Steel Co., Ltd., POSCO(Suzhou) Automotive Processing Center Co., Ltd.(POSCO-CSPC), POSEC-Hawaii Inc., POS-Qingdao Coil Center Co., Ltd.(POSCO-CQPC), POS-ORE Pty. Ltd., POSCO-China Holding Corp., POSCO-Japan Co., Ltd., POSCO E&C(Zhangjiagang) E&C Co., Ltd, POS-CD Pty. Ltd., POS-GC Pty. Ltd., POSCO-India Pvt. Ltd., POSCO-India Pune Processing Center Private Limited(POSCO-IPPC), POS-NPC Corporation(POSCO-INPC), POSCO-CFPC CO., LTD., POSCO E&C(Beijing) Co., Ltd., POSCO MPC S.A. de C.V.(POSCO-MPPC), Zhanjiagang Pohang Port Co., Ltd., POSCO Vietnam Co., Ltd., POSCO Mexico S.A. de C.V., POSCO INDIA DELHI STEEL PROCESSING CENTRE PRIVATE LIMITED(POSCO-IDPC), POSCO(Chongqing) Automotive Processing Center Co., Ltd.(POSCO-CCPC), POS-NP Pty. Ltd., POSCO-VIETNAM PROCESSING CENTER CO., LTD.(POSCO-VHPC), Suzhou Poscore Technology Co., Ltd.(POSCO-CORE(SZ)), POSCO Yokohama Automotive Processing Center Co., Ltd.(POSCO-JYPC), POSCO Malaysia SDN BHD, POS-Minerals Corporation, POSCO-Wuhu Automotive Processing Center Co., Ltd.(POSCO-CWPC)

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

	Sales and others(*1)		Purchase and others(*1)		Receivables(*2)		Payables(*2)	
	2008	2007	2008	2007	2008	2007	2008	2007
(in millions of Won)								
POSCO E&C Co., Ltd.	₩ 11,917	₩ 16,790	₩ 831,946	₩ 620,534	₩ 116	₩ 186	₩ 170,612	₩ 105,178
Posteel Co., Ltd.	1,034,125	789,318	146,192	163,485	203,901	104,624	1,451	12,386
POSCON Co., Ltd.	79	96	162,822	176,217	9	7	27,366	24,842
POSCO Coated & Color Steel Co., Ltd.	447,357	326,572	1,579	964	58,797	40,431	254	119
POSCO Machinery & Engineering Co., Ltd.	1,344	59	113,746	100,752	1,426	6	19,424	20,431
POSDATA Co., Ltd.	1,330	3,384	137,094	122,520	14	10	26,196	31,614
POSCO Reaearch Institute	2	2	14,165	12,161	108	1	2,047	6,394
Seung Kwang Co., Ltd.	3	-	43	64	1,634	-	-	-
POSCO Architects & Consultants Co., Ltd.	731	975	20,861	17,126	-	1	2,291	2,001
POSCO Specialty Steel Co., Ltd.	2,021	5,139	18,651	62,671	9	40	181	8,067
POSCO Machinery Co., Ltd.	10,659	2,632	50,789	84,065	1,463	50	3,776	10,445
POSTECH Venture Capital Corp.	63	120	-	-	-	-	68	66
POSCO Refractories & Environment Co., Ltd.	29,376	153	223,101	159,286	16,851	9	35,201	24,265
POSCO Terminal Co., Ltd.	8,386	7,022	339	337	1,513	1,001	41	61
POSMATE Co., Ltd.	1,177	1,804	27,720	25,315	1,396	63	4,069	5,038
Samjung Packing & Aluminum Co., Ltd.	17,774	13,446	190,961	175,163	2,084	1,355	45,664	20,612
POSCO Power Corp.	6	9,105	-	-	-	-	-	-
POSCORE Co., Ltd.	89,471	-	-	-	13,236	9,500	-	-
PNR Co., Ltd.	2	-	-	-	-	-	-	-
Daewoo Engineering Company	-	-	6,862	-	-	-	2,158	-
POSCO America Corporation	97,356	105,098	88	618	1,144	4,447	-	-
POSCO Australia Pty. Ltd.	22,619	14,817	-	-	2,174	40	-	-
POSCO Canada Ltd.	20	19	142,864	47,516	-	21	-	9,635
POSCO Asia Co., Ltd.	775,266	434,132	158,350	92,169	35,501	24,323	7,556	1,922
VSC POSCO Steel Corporation	-	2	-	-	-	-	-	-
POSCO-CTPC	13,139	-	-	-	260	-	-	-
POSMETAL Co., Ltd.	24,775	-	-	-	-	-	-	-
International Business Center Corporation	-	-	-	4	-	-	-	-
Zhangjiagang Pohang Stainless Steel Co., Ltd.	3,125	20,900	-	-	14,069	-	-	-
POSCO THAILAND BANGKOK PROCESSING CENTER CO., LTD.	65,586	-	29	-	-	-	-	-
POSCO-MKPC SDN BHD	23,555	3,058	-	-	-	-	-	-
Qingdao Pohang Stainless Steel Co., Ltd.	68,826	49,947	-	-	4,140	5,153	-	-
POSCO(Suzhou) Automotive Processing Center Co., Ltd.	24,930	-	-	-	-	-	-	-
POS-Qingdao Coil Center Co., Ltd.	1,748	5,178	-	-	-	1,862	-	-
POSCO-China Holding Corp.	-	-	943	696	-	-	-	-
POSCO-Japan Co., Ltd.	756,987	646,673	11,004	47,722	29,364	30,952	83	6
POSCO-India Pune Processing Center Private Limited	62,391	37,389	-	-	1,871	-	-	-
POSCO-CFPC CO., LTD.	23,628	-	-	-	1,687	-	-	-

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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
POSCO MPC S.A. de C.V.	61,279	-	-	-	-	-	-	-
POSCO INDIA DELHI STEEL PROCESSING CENTRE PRIVATE LIMITED	20,072	-	202	231	2,373	-	-	-
POSCO-VIETNAM PROCESSING CENTER CO., LTD.	23,688	-	-	-	1,380	-	-	-
POSCO(Chongqing) Automotive Processing Center Co., Ltd.	4,686	-	-	-	-	-	-	-
POSCO-Malaysia SDN BHD	32,287	-	-	-	875	-	-	-
eNtoB Corporation	-	-	191,691	157,699	-	-	2,819	2,999
SNNC Co., Ltd.	1,855	149	-	-	4	1	6	-
KOBRASCO	-	-	60,883	46,464	-	-	-	4,048
Poschrome(Proprietary) Limited	98	1,146	82,124	33,237	-	-	-	-
POSVINA Co., Ltd.	11,803	3,709	-	-	-	-	-	-
USS - POSCO Industries	301,516	205,625	-	-	-	8	-	-
Guangdong Xingpu Steel Center Co., Ltd.	4,724	8,277	-	-	3,830	4,276	-	-
	<u>₩ 4,081,782</u>	<u>₩ 2,712,736</u>	<u>₩ 2,595,049</u>	<u>₩ 2,147,016</u>	<u>₩ 401,229</u>	<u>₩ 228,367</u>	<u>₩ 351,263</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 accounts and notes receivable 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 nine-month periods ended September 30, 2008 and 2007 are as follows:

<i>(in millions of Won)</i>	2008	2007
Salaries	₩ 8,025	7,744
Severance benefits	3,276	5,583
Management achievement awards	10,628	9,912
Stock compensation expense	(34,372)	129,357
Total	<u>₩ (12,443)</u>	<u>152,596</u>

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

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22. Segment Information

The Company has plants in Pohang and in Gwangyang in the Republic of Korea. General information of the plants as of September 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	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
Cold Roll, Plating	1-2 CR, 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 nine-month periods ended September 30, 2008 and 2007 are as follows:

<i>(in millions of Won)</i>	2008			
	<u>Pohang</u>	<u>Gwangyang</u>	<u>Others</u>	<u>Total</u>
Sales(*1)				
Domestic	₩ 9,156,315	₩ 6,064,177	₩ 42,215	₩ 15,262,707
Export	3,054,825	4,019,586	-	7,074,411
Total	<u>₩ 12,211,140</u>	<u>₩ 10,083,763</u>	<u>₩ 42,215</u>	<u>₩ 22,337,118</u>
Property, plant and equipment(*2)	₩ 8,011,649	₩ 5,683,548	-	₩ 13,695,197
Intangible assets(*2)	127,206	45,362	-	172,568
	<u>₩ 8,138,855</u>	<u>₩ 5,728,910</u>	<u>₩ -</u>	<u>₩ 13,867,765</u>
Depreciation and amortization(*3)	<u>₩ 843,720</u>	<u>₩ 576,102</u>	<u>₩ -</u>	<u>₩ 1,419,822</u>
<i>(in millions of Won)</i>	2007			
	<u>Pohang</u>	<u>Gwangyang</u>	<u>Others</u>	<u>Total</u>
Sales(*1)				
Domestic	₩ 7,182,251	₩ 4,361,505	₩ 56,080	₩ 11,599,836
Export	2,436,323	2,736,492	-	5,172,815
Total	<u>₩ 9,618,574</u>	<u>₩ 7,097,997</u>	<u>₩ 56,080</u>	<u>₩ 16,772,651</u>
Property, plant and equipment(*2)	₩ 7,754,821	₩ 5,086,185	-	₩ 12,841,006
Intangible assets(*2)	153,657	71,710	-	225,367
	<u>₩ 7,908,478</u>	<u>₩ 5,157,895</u>	<u>₩ -</u>	<u>₩ 13,066,373</u>
Depreciation and amortization(*3)	<u>₩ 726,835</u>	<u>₩ 529,808</u>	<u>₩ -</u>	<u>₩ 1,256,643</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.

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

23. Comprehensive Income

For the nine-month periods ended September 30, 2008 and 2007, comprehensive incomes are as follows:

<i>(in millions of Won)</i>	For the three-month period ended September 30		For the nine-month period ended September 30	
	2008	2007	2008	2007
Net income	₩ 1,218,717	₩ 871,212	₩ 3,725,496	₩ 2,966,441
Other Comprehensive Income	(239,985)	228,981	(379,598)	593,149
Change of accounting policies	-	-	-	2,468
Gain (loss) on valuation of available-for-sale securities	(532,769)	194,785	(1,047,112)	625,112
Less: tax effect	146,511	(53,566)	287,956	(171,906)
Changes in capital adjustments arising from equity method accounted investments	188,384	123,514	493,753	163,372
Less: tax effect	(42,111)	(35,752)	(114,195)	(25,897)
Comprehensive income	₩ 978,732	₩ 1,100,193	₩ 3,345,898	₩ 3,559,590

24. Cost of goods sold

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

<i>(in millions of Won)</i>	For the three-month period ended September 30		For the nine-month period ended September 30	
	2008	2007	2008	2007
Finished goods, semi-product and by-product				
Beginning balance of inventories	₩ 1,772,251	₩ 1,177,150	₩ 1,359,025	₩ 1,184,913
Cost of goods manufactured	6,718,862	3,911,246	16,802,125	12,398,325
Overhead variance	71,050	40,289	99,159	58,556
Refund of customs duties	(2,709)	(4,513)	(8,253)	(18,511)
Ending balance of inventories	(2,118,677)	(1,300,097)	(2,118,677)	(1,300,097)
	6,440,777	3,824,075	16,133,379	12,323,186
Others	9,699	7,177	24,737	22,485
Total	₩ 6,450,476	₩ 3,831,252	₩ 16,158,116	₩ 12,345,671

25. Subsequent Event

The Company entered into a consortium agreement with Japanese steel manufacturers and a Japanese trading company to acquire a 40 % stake in Nacional Minérios S.A., an iron ore mining company in Brazil. The Company agreed to invest approximately US\$ 500 million for a 6.48% interest in Nacional Minérios S.A. as a member of the consortium. The Company anticipates that the consortium will consummate the transaction by the end of the first quarter of 2009.