

POSCO and Subsidiaries

**Consolidated Financial Statements
June 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 consolidated balance sheet of POSCO and subsidiaries (collectively, the "Company") as of June 30, 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six-month period ended June 30, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review. The accompanying consolidated statements of income, changes in shareholders' equity and cash flows of the Company for the six-month period ended June 30, 2007, were reviewed by Samil PricewaterhouseCoopers whose report thereon dated August 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 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 consolidated balance sheet as of December 31, 2007, and the related 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 March 19, 2008, expressed an unqualified opinion on those statements. The accompanying 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 consolidated financial statements:

As discussed in note 2 to the consolidated financial statements, accounting principles and review standards and their application in practice vary among countries. The accompanying 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 consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korea accounting procedures and review standards and their application in practice.

Seoul, Korea

September 17, 2008

<p>This report is effective as of September 17, 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 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>

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

<i>(in millions of Won)</i>		2008	2007
Assets			
Cash and cash equivalents, net of government grants (note 3)	₩	1,617,567	1,292,581
Short-term financial instruments (notes 3 and 10)		2,026,610	1,743,079
Trading securities (notes 6 and 10)		1,037,827	1,286,939
Current portion of available-for-sales securities (note 7)		9,555	32,113
Current portion of held-to-maturity securities (note 7)		142,899	192,393
Trade accounts and notes receivable, net of allowance for doubtful accounts and present value discount (notes 4, 10, 17 and 22)		4,900,724	4,035,602
Other accounts and notes receivable, net of allowance for doubtful accounts and present value discount (notes 4 and 22)		262,703	214,956
Advance payments		699,060	373,167
Inventories (note 5)		7,327,061	4,902,016
Deferred income tax assets (note 20)		111,787	101,982
Other current assets, net of allowance for doubtful accounts (note 12)		312,982	218,705
Total current assets		18,448,775	14,393,533
Property, plant and equipment at cost (notes 8, 10, 22 and 23)		39,875,582	37,902,887
Less accumulated depreciation, accumulated impairment and government grants		(23,322,953)	(22,321,122)
Property, plant and equipment, net		16,552,629	15,581,765
Investment securities, net (notes 7 and 10)		4,947,043	5,178,723
Intangible assets, net (notes 9 and 23)		783,890	570,779
Long-term loans receivable, net of allowance for doubtful accounts and present value discount		66,460	40,474
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts and present value discount (note 4)		46,180	39,919
Deferred income tax assets (note 20)		327,656	279,903
Guarantee deposits		68,402	57,485
Long-term financial instruments (notes 3 and 17)		11,932	17,065
Other non-current assets, net of allowance for doubtful accounts and present value discount (note 12)		204,438	115,117
Total non-current assets		23,008,630	21,881,230
Total assets	₩	41,457,405	36,274,763

See accompanying notes to consolidated financial statements.

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

<i>(in millions of Won)</i>		2008	2007
Liabilities			
Trade accounts and notes payable (note 22)	₩	3,320,628	2,246,890
Short-term borrowings (note 13)		2,721,793	1,572,020
Current portion of long-term debt, net of discount on debentures issued (note 13)		771,412	483,402
Accrued expenses		206,443	172,971
Other accounts and notes payable (note 22)		479,630	502,665
Advance received		681,450	405,548
Income tax payable		852,976	930,822
Deferred income tax liabilities (note 20)		183,853	120,992
Other current liabilities (note 16)		227,976	189,305
Total current liabilities		9,446,161	6,624,615
Long-term debt, net of current portion and discount on debentures issued (notes 11, 14, 17 and 22)		3,830,546	3,306,486
Accrued severance benefits, net (note 15)		347,247	336,095
Deferred income tax liabilities (note 20)		564,289	654,969
Other non-current liabilities (note 16)		291,443	234,858
Total liabilities		14,479,686	11,157,023
Shareholders' equity			
Capital stock		482,403	482,403
Capital surplus		4,201,724	4,176,592
Capital adjustments, net		(2,759,620)	(2,727,147)
Accumulated other comprehensive income (note 24)		601,552	784,933
Retained earnings		23,705,541	21,767,302
		26,231,600	24,484,083
Minority interest		746,119	633,657
Total shareholders' equity		26,977,719	25,117,740
Total liabilities and shareholders' equity	₩	41,457,405	36,274,763

See accompanying notes to consolidated financial statements.

POSCO and Subsidiaries
Consolidated Statements of Income
For the six-month period ended June 30, 2008 and 2007
(Unaudited)

(in millions of Won, except per share information)

	2008		2007	
Sales (notes 22 and 23)	₩	18,884,067	₩	16,037,791
Cost of goods sold (note 22)		14,341,665		12,429,126
Gross profit		4,542,402		3,608,665
Selling and administrative expenses (note 19)		927,982		884,714
Operating income		3,614,420		2,723,951
Non-operating income				
Interest and dividend income		185,090		111,739
Gain on foreign currency transactions		189,435		60,816
Gain on foreign currency translation		26,458		39,338
Gain on valuation of trading securities		9,767		13,259
Gain on disposal of trading securities		27,283		28,541
Equity in earnings of equity method accounted investments (note 7)		35,646		36,415
Gain on disposal of property, plant and equipment		5,018		7,062
Gain on valuation of derivatives		38,258		10,085
Gain on derivative transactions		8,508		1,403
Reversal of allowance for doubtful accounts		32,828		15,327
Gain on disposal of other long-term assets		39,444		9,980
Others		78,565		76,239
		676,300		410,204
Non-operating expenses				
Interest expense		144,039		108,155
Other bad debt expense		23,315		15,114
Loss on foreign currency transactions		165,184		55,385
Loss on foreign currency translation		249,407		2,147
Equity in losses of equity method accounted investments (note 7)		47,826		25,473
Donations		81,084		112,098
Loss on disposal of property, plant and equipment		16,566		16,286
Loss on valuation of derivatives		92,446		8,720
Loss on derivative transactions		13,523		266
Others		51,101		47,303
		884,491		390,947
Net income before income tax expense and income of subsidiaries prior to acquisition		3,406,229		2,743,208
Income tax expense (note 20)		867,455		672,055
Net income before income of subsidiaries prior to acquisition		2,538,774		2,071,153
Income of subsidiaries prior to acquisition		11,552		-
Net income	₩	2,527,222	₩	2,071,153
Net income attributable to controlling interest		2,477,057		2,024,324
Net income attributable to minority interest		50,165		46,829
Basic earnings per share (note 21)	₩	32,849	₩	26,534

See accompanying notes to consolidated financial statements.

POSCO and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the six-month period ended June 30, 2008 and 2007
(Unaudited)

<i>(in millions of Won)</i>		Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Minority Interest	Total
Balance as of January 1, 2007	₩	482,403	4,035,273	(1,678,229)	209,754	18,863,333	489,208	22,401,742
Net income		-	-	-	-	2,024,324	46,829	2,071,153
Effect of change in scope of consolidation		-	110	(6)	-	3,339	33,062	36,505
Effect of change in percentage of ownership of investees		-	(17,783)	-	-	-	17,783	-
Dividends		-	-	-	-	(465,558)	(13,947)	(479,505)
Issuance of shares		-	-	-	-	-	322	322
Changes in treasury stock		-	101,912	(786,827)	-	-	-	(684,915)
Gain on valuation of available-for-sale securities, net		-	-	-	337,313	-	1,128	338,441
Changes in capital adjustment arising from equity method accounted investments		-	-	-	(16,382)	-	(1,273)	(17,655)
Overseas operations translation adjustment		-	-	-	60,850	-	2,144	62,994
Others		-	(115)	(3,443)	-	9,002	1,875	7,319
Balance as of June 30, 2007	₩	<u>482,403</u>	<u>4,119,397</u>	<u>(2,468,505)</u>	<u>591,535</u>	<u>20,434,440</u>	<u>577,131</u>	<u>23,736,401</u>

See accompanying notes to consolidated financial statements.

POSCO and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the six-month period ended June 30, 2008 and 2007
(Unaudited)

<i>(in millions of Won)</i>		Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Minority Interest	Total
Balance as of January 1, 2008	₩	482,403	4,176,592	(2,727,147)	784,933	21,767,302	633,657	25,117,740
Net income		-	-	-	-	2,477,057	50,165	2,527,222
Effect of change in scope of consolidation (note 1)		-	-	-	-	(556)	20,549	19,993
Effect of change in percentage of ownership of investees		-	27,315	-	-	-	(27,315)	-
Dividends		-	-	-	-	(566,552)	(14,986)	(581,538)
Issuance of shares		-	-	-	-	-	66,547	66,547
Changes in treasury stock		-	-	(36,832)	-	-	-	(36,832)
Loss on valuation of available-for-sale securities, net		-	-	-	(398,299)	-	(578)	(398,877)
Changes in capital adjustment arising from equity method accounted investments		-	-	-	9,010	-	(937)	8,073
Overseas operations translation adjustment		-	-	-	210,888	-	30,676	241,564
Changes in valuation of derivatives		-	-	-	(4,980)	-	(867)	(5,847)
Others		-	(2,183)	4,359	-	28,290	(10,792)	19,674
Balance as of June 30, 2008	₩	<u>482,403</u>	<u>4,201,724</u>	<u>(2,759,620)</u>	<u>601,552</u>	<u>23,705,541</u>	<u>746,119</u>	<u>26,977,719</u>

See accompanying notes to consolidated financial statements.

POSCO and Subsidiaries
Consolidated Statements of Cash flows
For the six-month period ended June 30, 2008 and 2007
(Unaudited)

(in millions of Won)

		2008	2007
Cash flows from operating activities			
Net income	₩	2,527,222	2,071,153
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization		1,160,745	1,004,216
Accrual of severance benefits		135,155	99,508
Provision for (reversal of) allowance for doubtful accounts, net		(2,584)	27,154
Loss (gain) on foreign currency translation, net		215,254	(35,367)
Gain on valuation of trading securities, net		(6,978)	(13,259)
Loss (gain) on valuation of derivatives, net		54,188	(1,365)
Loss (gain) on derivatives transaction, net		5,015	(1,137)
Gain on disposal of trading securities, net		(27,277)	(28,527)
Loss on disposal of property, plant and equipment, net		11,548	9,224
Equity in losses (earnings) of equity method accounted investments, net		12,180	(10,942)
Others		(37,224)	107,512
		<u>1,520,022</u>	<u>1,157,017</u>
Changes in operating assets and liabilities			
Increase in trade accounts and notes receivable		(689,668)	(644,116)
Increase in inventories		(2,017,823)	(640,674)
Increase (decrease) in other accounts and notes receivable		16,209	(4,706)
Decrease (increase) in accrued income		(20,200)	29,924
Increase in advance payments		(317,398)	(113,807)
Increase in prepaid expenses		(98,732)	(72,269)
Increase in trade accounts and notes payable		964,431	76,385
Increase (decrease) in other accounts and notes payable		(34,473)	17,763
Increase in advance received		180,594	314,532
Increase (decrease) in accrued expenses		49,741	(108,548)
Decrease in income tax payable		(83,941)	(3,599)
Deferred income tax, net		(19,676)	(68,331)
Payment of severance benefits		(87,380)	(29,045)
Decrease in deposit severance benefit trust		(34,047)	(56,284)
Increase in other current liabilities		31,223	22,407
Others, net		<u>6,835</u>	<u>(122,658)</u>
		<u>(2,154,305)</u>	<u>(1,403,026)</u>
Net cash provided by operating activities	₩	<u>1,892,939</u>	<u>1,825,144</u>

See accompanying notes to consolidated financial statements.

POSCO and Subsidiaries
Consolidated Statements of Cash flows
For the six-month period ended June 30, 2008 and 2007
(Unaudited)

(in millions of Won)

	2008	2007
Cash flows from investing activities		
Disposal of trading securities	₩ 4,374,449	5,355,541
Acquisition of trading securities	(3,986,427)	(4,687,720)
Disposal of available-for-sale securities	28,075	5,755
Acquisition of available-for-sale securities	(332,005)	(858,421)
Disposal of short-term financial instruments	1,774,735	670,602
Acquisition of short-term financial instruments	(2,068,568)	(1,113,881)
Disposal of long-term financial instruments	8,102	34,555
Acquisition of property, plant and equipment	(1,834,855)	(1,238,185)
Disposal of property, plant and equipment	37,098	30,517
Proceeds from short-term loans	84,664	30,431
Short-term loans provided	(42,061)	(54,338)
Long-term loans provided	(282,021)	(15,829)
Acquisition of intangible assets	(89,954)	(45,417)
Acquisition of other investment assets	(39,247)	(176,768)
Others, net	59,243	46,137
Net cash used in investing activities	(2,308,772)	(2,017,021)
Cash flows from financing activities		
Proceeds from short-term borrowings	5,378,792	4,493,156
Proceeds from long-term debt	617,214	865,927
Proceeds from other non-current liabilities	33,514	9,112
Disposal of treasury stock	-	342,434
Repayment of current portion of long-term debt	(38,003)	(41,874)
Repayment of short-term borrowings	(4,409,624)	(3,838,723)
Repayment of long-term debt	(79,680)	(194,092)
Payment of cash dividends	(566,552)	(465,558)
Acquisition of treasury stock	(36,832)	(988,693)
Repayment of other non-current liabilities	(50,283)	(25,527)
Others, net	(174,821)	13,248
Net cash provided by financing activities	673,725	169,410
Effect of exchange rate changes on cash and cash equivalents	11,651	9,553
Net increase in cash and cash equivalents from changes in consolidated subsidiaries	55,510	30,905
Net increase in cash and cash equivalents	325,053	17,991
Cash and cash equivalents		
Cash and cash equivalents at beginning of year	1,292,828	936,421
Cash and cash equivalents at June 30 (note 3)	₩ 1,617,881	954,412

See accompanying notes to consolidated financial statements

POSCO and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2008
(Unaudited)

1. Consolidated Companies

General descriptions of POSCO and its controlled subsidiaries (collectively the “Company”), including POSCO Engineering & Construction Co., Ltd. (POSCO E&C) and 23 other Korean domestic subsidiaries and 48 overseas subsidiaries, whose accounts are included in the consolidated financial statements, and 30 equity-method accounted investments, which are excluded from the consolidation, are as follows:

The Controlling Company

POSCO was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea, to manufacture and distribute steel rolled products and plates in the domestic and overseas markets. 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 POSCO have been listed on the Korea Stock Exchange since 1988. POSCO operates its principal market in the domestic market in Korea and concentrates export and overseas sales in the Asia Pacific region including Japan, China and other countries.

As of June 30, 2008, the shares of POSCO are listed on the Korea Stock Exchange, and its depository receipts are listed on the New York, London and Tokyo Stock Exchanges.

POSCO and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2008
(Unaudited)

Consolidated Subsidiaries

The consolidated financial statements include the accounts of POSCO and its controlled subsidiaries. The following table sets forth certain information with regard to consolidated subsidiaries as of June 30, 2008:

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Summary of Financial information (in millions of Won)(*1)			
			POSCO	Subsidiaries	Total			Total Assets	Net Assets	Net Income (loss)	Location
Domestic											
POSCO E&C Co., Ltd.	Engineering and construction	30,473,000	27,281,080	-	27,281,080	89.53	-	3,903,945	1,484,866	85,176	Pohang
Posteel Co., Ltd.	Steel sales and service	18,000,000	17,155,000	-	17,155,000	95.31	-	687,448	372,656	45,059	Seoul
POSCON Co., Ltd.	Electronic control devices manufacturing	3,519,740	3,098,610	-	3,098,610	88.04	-	310,133	152,796	5,615	Pohang
POSCO Coated & Color Steel Co., Ltd.	Coated steel manufacturing	6,000,000	3,412,000	-	3,412,000	56.87	-	467,768	253,317	(17,505)	Pohang
POSCO Machinery & Engineering Co., Ltd.	Steel work maintenance	1,700,000	1,700,000	-	1,700,000	100.00	-	121,225	55,406	2,872	Pohang
POSDATA Co., Ltd.	Computer hardware and software distribution	81,551,600	50,440,720	-	50,440,720	61.85	-	304,147	157,600	(5,391)	Sungnam
POSCO Research Institute	Economic research and consulting	3,800,000	3,800,000	-	3,800,000	100.00	-	28,001	24,265	1,080	Seoul
Seung Kwang Co., Ltd.	Athletic facilities operation	3,945,000	2,737,000	1,208,000	3,945,000	100.00	POSCO E&C (30.62)	79,101	42,024	33	Suncheon
POSCO Architects & Consultants Co., Ltd.	Architecture and consulting	230,000	230,000	-	230,000	100.00	-	45,994	33,041	2,575	Seoul

See Report of Independent Accountants.

POSCO and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2008
(Unaudited)

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Summary of Financial information (in millions of Won)(*1)			Location
			POSCO	Subsidiaries	Total			Total Assets	Net Assets	Net Income (loss)	
POSCO Specialty Steel Co., Ltd.	Specialty steel manufacturing	26,000,000	26,000,000	-	26,000,000	100.00	-	1,172,716	539,917	50,469	Changwon
POSCO Machinery Co., Ltd.	Machinery installation	1,000,000	1,000,000	-	1,000,000	100.00	-	48,394	24,433	1,663	Gwangyang
POSTECH Venture Capital Corp.	Investment in venture companies	6,000,000	5,700,000	-	5,700,000	95.00	-	39,066	38,563	820	Pohang
POSCO Refractories & Environment Co., Ltd.	Manufacturing	5,907,000	3,544,200	-	3,544,200	60.00	-	195,051	138,830	9,905	Pohang
POSCO Terminal Co., Ltd.	Distribution and warehousing	5,000,000	2,550,000	-	2,550,000	51.00	-	40,190	31,105	3,795	Gwangyang
Metapolis Co., Ltd.	Construction	10,560,000	-	4,229,280	4,229,280	40.05	POSCO E&C (40.05)	512,515	78,296	16,771	Seoul
POSMATE Co., Ltd.	Facilities management	714,286	214,286	-	214,286	30.00	-	60,470	38,142	2,581	Seoul
Samjung Packing & Aluminum Co., Ltd.	Packing materials manufacturing	3,000,000	270,000	831,756	1,101,756	36.73	POSMATE (27.73)	199,186	79,068	2,017	Pohang
POSCO Power Corp.	Generation of Electricity	40,000,000	40,000,000	-	40,000,000	100.00	-	1,083,587	540,574	22,668	Seoul
Postech 2006 Energy Fund(*4)	Investment in new technology	570	-	126	126	22.11	POSTECH Venture Capital Corp(10.53) POSCO Power (11.58)	29,358	29,358	181	Seoul
PHP Co., Ltd.(*3)	Construction and Housing	400,000	-	400,000	400,000	100.00	POSCO E&C (100.00)	307,303	1,110	(732)	Incheon
POSCORE Co., Ltd.	Components manufacturing and sales	3,907,151	-	1,992,647	1,992,647	51.00	Posteel (51.00)	65,644	23,388	10,274	Chenan

See Report of Independent Accountants.

POSCO and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2008
(Unaudited)

Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Summary of Financial information (in millions of Won)(*1)			Location
			POSCO	Subsidiaries	Total			Total Assets	Net Assets	Net Income (loss)	
P&R Co., Ltd.(*3)	DRI, HBI manufacturing and sales	7,810,980	5,467,686	-	5,467,686	70.00	-	48,314	39,348	294	Pohang
Megassset Co., Ltd.(*3)	Real estate	2,000,000	-	2,000,000	2,000,000	100.00	POSCO E&C (100.00)	60,487	10,009	9	Chenan
Daewoo Engineering Company(*3)	Construction and Engineering	2,400,000	-	2,128,701	2,128,701	88.70	POSCO E&C (88.70)	278,510	119,066	15,275	Sungnam
Overseas											
POSCO America Corporation (POSAM)	Steel trading	356,500	354,531	1,969	356,500	100.00	POSCAN (0.55)	263,305	172,511	12,488	USA
POSCO Australia Pty. Ltd. (POSA)	Steel trading	761,775	761,775	-	761,775	100.00	-	431,906	237,834	22,282	Australia
POSCO Canada Ltd. (POSCAN)	Coal trading	1,099,885	-	1,099,885	1,099,885	100.00	Posteel (100.00)	230,816	164,681	40,806	Canada
POSCAN Elkview Coal Ltd.	Coal trading	304,061	-	304,061	304,061	100.00	POSCAN (100.00)	41,977	40,433	1,728	Canada
POSCO Asia Co., Ltd. (POA)	Steel trading	9,360,000	9,360,000	-	9,360,000	100.00	-	160,571	25,681	2,345	China
VSC POSCO Steel Corporation(VPS)(*2)	Steel manufacturing	-	-	-	-	40.00	Posteel (5.00)	107,544	26,781	12,535	Vietnam
DALIAN POSCO-CFM Coated Steel Co., Ltd.(*2)	Coated steel manufacturing	-	-	-	-	85.00	Posteel (15.00) POSCO-China (40.00)	81,372	12,297	829	China
POS-Tianjin Coil Center Co., Ltd.(*2)	Steel service center	-	-	-	-	70.00	Posteel (60.00)	46,311	14,509	2,486	China
POSMETAL Co., Ltd.	Steel service center	9,800	-	9,310	9,310	95.00	POSCO-Japan (95.00)	46,256	10,786	943	Japan

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Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Summary of Financial information (in millions of Won)(*1)			Location
			POSCO	Subsidiaries	Total			Total Assets	Net Assets	Net Income (loss)	
Shanghai Real Estate Development Co., Ltd.(*2)	Real estate rental	-	-	-	-	100.00	POSCO E&C (100.00)	148,966	101,926	7,732	China
IBC Corporation(*2)	Real estate rental	-	-	-	-	60.00	POSCO E&C (60.00)	84,156	29,410	4,753	Vietnam
POSLILAMA Steel Structure Co., Ltd.(*2)	Steel structure fabrication and sales	-	-	-	-	70.00	POSCO E&C (60.00) Posteel(10.00)	51,675	(15,372)	355	Vietnam
Zhangjiagang Pohang Stainless Steel Co., Ltd. (ZPSS)(*2)	Stainless steel manufacturing	-	-	-	-	82.48	POSCO-China (23.88)	1,823,477	708,071	53,108	China
POSCO(Guangdong) Coated Steel Co., Ltd.(*2)	Coated steel manufacturing	-	-	-	-	95.19	POSCO-China (11.53)	128,748	37,857	9,775	China
POSCO-Thailand Co., Ltd.	Steel service center	14,857,921	12,721,734	2,136,187	14,857,921	100.00	Posteel (14.38)	123,127	49,749	3,021	Thailand
Myanmar-POSCO Steel Co., Ltd.	Specialty steel manufacturing and sales	19,200	13,440	-	13,440	70.00	-	9,436	5,269	1,216	Myanmar
Zhangjiagang POSHA Steel Port Co., Ltd. (ZPSP)(*2)	Stainless steel manufacturing	-	-	-	-	90.00	POSCO E&C (25.00) ZPSS (65.00)	14,202	14,032	216	China
POSCO-Osaka Processing Center Co., Ltd.	Warehouse	4,900	-	2,785	2,785	56.84	POSCO-Japan (56.84)	43,918	5,432	276	Japan
POSCO Investment Co., Ltd.	Finance	5,000,000	5,000,000	-	5,000,000	100.00	-	265,379	77,931	1,539	China
POSMMIT Steel Center SDN BHD (POSMMIT)	Steel service center	17,831,699	6,882,189	5,600,000	12,482,189	70.00	Posteel (31.40)	77,712	29,734	4,478	Malaysia

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Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Summary of Financial information (in millions of Won)(*1)			Location
			POSCO	Subsidiaries	Total			Total Assets	Net Assets	Net Income (loss)	
Qingdao Pohang Stainless Steel Co., Ltd.(*2)	Stainless steel manufacturing	-	-	-	-	80.00	POSCO-China (10.00)	238,900	125,780	4,601	China
POSCO Suzhou Automotive Processing Center Co., Ltd.(*2)	Steel service center	-	-	-	-	100.00	POSCO-China (10.00)	119,579	49,388	5,518	China
POSEC-Hawaii Inc.	Construction	24,400	-	24,400	24,400	100.00	POSCO E&C (100.00)	43,927	28,023	3,186	USA
POS-Qingdao Coil Center Co., Ltd.(*2)	Steel service center	-	-	-	-	100.00	Posteel (100.00)	55,077	13,768	1,738	China
POS-ORE Pty. Ltd.	Iron ore mining and trading	17,500,001	-	17,500,001	17,500,001	100.00	POSA (100.00)	40,752	33,141	11,596	Australia
POSCO-China Holding Corp.(*2)	Investment	-	-	-	-	100.00	-	256,454	249,758	17,986	China
POSCO-Japan Co., Ltd.	Steel trading	90,438	90,438	-	90,438	100.00	-	440,411	74,033	4,210	Japan
POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd.(*2)	Facilities manufacturing	-	-	-	-	100.00	POSCO E&C (100.00)	7,457	5,627	(844)	China
POS-CD Pty. Ltd.	Coal trading	12,550,000	-	12,550,000	12,550,000	100.00	POSA (100.00)	23,325	7,641	(1,980)	Australia
POS-GC Pty. Ltd.	Coal trading	11,050,000	-	11,050,000	11,050,000	100.00	POSA (100.00)	21,654	9,622	(439)	Australia
POSCO-India Private Ltd.	Coal trading	225,000,000	225,000,000	-	225,000,000	100.00	-	55,583	54,878	-	India
POS-India Steel Processing Centre Pvt. Ltd.	Steel service center	115,062,470	74,787,080	-	74,787,080	65.00	-	75,771	33,387	266	India
POS-NPC Co., Ltd.	Steel service center	49,000	-	44,100	44,100	90.00	POSCO-Japan (90.00)	72,627	4,273	1,240	Japan

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Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Summary of Financial information (in millions of Won)(*1)			Location
			POSCO	Subsidiaries	Total			Total Assets	Net Assets	Net Income (loss)	
POSCO-Foshan steel Processing Center Co., Ltd.(*2)	Steel service center	-	-	-	-	100.00	POA (22.10) POSCO-China (33.20)	130,025	31,964	7,022	China
POSCO E&C (Beijing) Co., Ltd.(*2)	Construction and engineering	-	-	-	-	100.00	POSCO E&C (100.00)	44,440	17,163	2,887	China
POS-MPC S.A. de C.V.	Steel service center	3,663,289	-	2,234,607	2,234,607	61.00	POSAM (61.00) ZPSS (47.30)	117,940	39,640	2,890	Mexico
Zhangjiagang Pohang Port Co., Ltd.(*2)	Raw material and steel depot service	-	-	-	-	100.00	POSA (27.70) POSCO-China (25.00)	27,356	13,302	212	China
POSCO-Vietnam Co., Ltd.(*2)	Cold-rolled steel manufacturing and sales	-	-	-	-	100.00	-	222,882	206,969	(1,729)	Vietnam
POSCO-Mexico Co., Ltd.	Cold-rolled steel manufacturing and sales	1,298,491,388	1,062,255,320	236,236,068	1,298,491,388	100.00	POSCAN (18.19)	126,153	126,071	(2,936)	Mexico
POSS Delhi Steel Processing Centre Pvt. Ltd.	Steel service center	55,673,970	42,532,980	-	42,532,980	76.48	-	34,207	14,145	536	India
POS-NP Pty. Ltd.	Coal trading	35,000,000	-	35,000,000	35,000,000	100.00	POSA (100.00)	44,108	27,660	(5,485)	Australia
POSCO-Vietnam Processing Center Co., Ltd.(*2)	Steel service center	-	-	-	-	80.00	-	24,735	10,903	442	Vietnam
POSCO-Chongqing Automotive Processing Center Co., Ltd.(*2,3)	Steel service center	-	-	-	-	100.00	POSCO-China (10.00)	37,334	8,768	604	China

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Subsidiaries	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Summary of Financial information (in millions of Won)(*1)			Location
			POSCO	Subsidiaries	Total			Total Assets	Net Assets	Net Income (loss)	
Suzhou POSCORE Technology Co., Ltd.(*2)	Components manufacturing and sales	-	-	-	-	100.00	POSCOA (69.70) Posteel (15.15) POA (15.15)	34,270	23,775	1,908	China
POSCO-YPC Co., Ltd.(*3)	Steel service center	49,000	-	31,550	31,550	64.39	POSCO-Japan (64.39)	22,983	4,103	(299)	Japan
POSCO-Malaysia SDN BHD(*3)	Steel service center	27,000,000	16,200,000	-	16,200,000	60.00	-	58,743	(4,259)	(2,032)	Malaysia
POS-Minerals Corp.(*3)	Mine development and operation	200	-	100	100	100.00	POSCAN (85.00) Samjung P&A (15.00)	104,834	104,834	(520)	USA
POSCO-Wuhu Processing Center Co., Ltd.(*2,3)	Steel Service Center	-	-	-	-	100.00	POSCO-China (31.43)	15,665	15,646	-	China

(*1) Total assets, total liabilities and net assets of the Company's overseas subsidiaries are translated at the exchange rate as of the balance sheet date, and sales and net income are translated at the weighted-average exchange rate of the reporting period.

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

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

(*4) Postech 2006 Energy Fund is included in the consolidation as the Company has control over the Fund in consideration of composition of board of directors.

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Equity Method Accounted Investments

Equity methods accounted investments as of June 30, 2008 are as follows:

Investees	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Net Assets (in millions of Won)(*1)	Location
			POSCO	Subsidiaries	Total				
Domestic									
eNtoB Corporation	E-business	3,200,000	560,000	300,000	860,000	26.88	POSCO E&C (3.75) and others	25,302	Seoul
MIDAS Information Technology Co., Ltd.	Engineering	3,402,000	-	866,190	866,190	25.46	POSCO E&C (25.46)	23,182	Seoul
Songdo New City Development Inc.(*3)	Real estate	-	-	-	-	29.90	POSCO E&C (29.90)	(333,770)	Seoul
Gail International Korea Ltd.(*3)	Real estate	-	-	-	-	29.90	POSCO E&C (29.90)	38,560	Seoul
SNNC Co., Ltd.(*2)	Fe-Cr manufacturing	37,000,000	18,130,000	-	18,130,000	49.00	-	176,503	Gwangyang
Chungju Enterprise City	Real estate	8,000,000	-	2,008,000	2,008,000	25.10	POSCO E&C (22.00) POADATA (3.10)	37,848	Chungju
Taegisan Wind Power Corporation(*2)	Construction and operation of wind power plants	1,220,000	-	610,000	610,000	50.00	POSCO E&C (50.00)	5,724	Heongsung
KOREASOLARPARK CO., Ltd.(*2)	Development of photovoltaic power generation	2,400,000	-	900,000	900,000	37.50	POSCO E&C (7.50) Postech 2006 energy fund(30.00)	2,147	Youngam
Chungla International Business Town(*3,5)	Development	-	-	-	-	5.70	POSCO E&C (5.70)	61,304	Incheon
KOBRASCO(*2)	Equipment lease	4,021,438,370	2,010,719,185	-	2,010,719,185	50.00	-	149,553	Brazil
USS - POSCO Industries(UPI)(*2,3)	Steel processing	-	-	-	-	50.00	POSAM (50.00)	163,609	USA

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Investees	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Net Assets (in millions of Won)(*1)	Location
			POSCO	Subsidiaries	Total				
Overseas									
Guangdong Xingpu Steel Center Co., Ltd.(*3)	Fe-Cr manufacturing	86,700	21,675	-	21,675	25.00	-	31,787	Republic of South Africa
Poschrome (Proprietary) Limited	Steel processing	-	-	-	-	21.00	Posteel (10.50)	21,920	China
POS-Hyundai Steel Manufacturing India Private Ltd.	Steel processing	23,455,600	2,345,558	4,573,842	6,919,400	29.50	Posteel (19.50)	14,861	India
POSVINA Co., Ltd.(*2,3)	Steel manufacturing	-	-	-	-	50.00	-	5,730	Vietnam
PT POSMI Steel Indonesia(POSMI)(*2)	Steel service center	12,600	1,193	3,579	4,772	37.87	Posteel (28.40)	10,378	Indonesia
POSCO Bioventures LP.(*3,4)	Investment in companies in the bio-tech industry	-	-	-	-	100.00	POSAM(100.00)	41,310	USA
CAML Resources Pty. Ltd.(*2)	Material processing	9,715	-	3,239	3,239	33.34	POSA(33.34)	53,808	Australia
Nickel Mining Company SAS(*2)	Material processing	6,601,426	3,234,698	-	3,234,698	49.00	-	469,137	New Caledonia
Liaoning Rongyuan POSCO Refractories Co., Ltd.(*2,3)	Manufacturing and sales	-	-	-	-	35.00	POSREC (35.00)	4,280	China
POSCO-SK Steel(Pinghu) Precessing Center Co., Ltd.(*3)	Steel processing	-	-	-	-	20.00	-	14,032	China
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd.(*3)	Material processing	-	-	-	-	30.00	POSCO-China (30.00)	22,124	China

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Investees	Primary Business	Number of Outstanding Shares	Number of Shares			Percentage of Ownership (%)	Percentage of Ownership of Subsidiaries (%)	Net Assets (in millions of Won)(*1)	Location
			POSCO	Subsidiaries	Total				
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	Steel processing	100,000	30,000	-	30,000	30.00	-	15,553	Poland
Ah khanh New City Development(*2,3)	Construction	-	-	-	-	50.00	POSCO E&C (50.00)	40,619	Vietnam
Henan Tsingpu Ferro Alloy Co., Ltd.(*2,3)	Material processing	-	-	-	-	49.00	ZPSS (49.00)	18,910	China
United Spiral Pipe, LLC. (USP)(*2,3)	Steel tube manufacturing and sales	-	-	-	-	35.00	POSAM (35.00)	34,078	USA
Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.(*2,3)	Specialty steel manufacturing	-	-	-	-	34.00	POSCO-China (10.00)	38,271	China
BX Steel POSCO Cold Rolled sheet Co., Ltd.(*3)	Steel manufacturing	-	-	-	-	25.00	-	257,543	China
POSCO-SAMSUNG Slovakia Steel Processing Center Co. Ltd.(*3)	Steel processing	-	-	-	-	30.00	-	7,305	Slovakia
POS UTEK Development(*3)	Construction and sales	-	-	-	-	25.00	POSCO E&C (25.00)	2,609	Russia

(*1) Net assets of the Company's overseas subsidiaries are translated at the exchange rate as of the balance sheet date.

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

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

(*4) Although the Company owns 100% of outstanding shares of POSCO Bio ventures L.P., it is excluded in the scope of consolidation in consideration of investment contract and management constitution.

(*5) Although the Company owns less than 20% of outstanding shares of ChungLa International Business Town, equity method of accounting is applied as the Company has significant influence on ChungLa International Business Town due to delegation of voting rights from the majority stockholder.

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Subsidiaries or Investees Excluded from Consolidated Financial Statements

Location	Company	Country	Reason
Domestic	HJ photovoltaics Inc.	Korea	Small company
	Carolim Tidal Power Plant Co., Ltd.	Korea	Small company
	Daewoo national car Gwangju selling Co., Ltd.	Korea	Small company
	Basys Industry Co., Ltd.	Korea	Small company
	Sentech Korea Corp.	Korea	Small company
	Applied Science Corp.	Korea	Small company
	POSBRO Co., Ltd.	Korea	Small company
	POSWITH Co., Ltd.	Korea	Small company
	PSIB Corp.	Korea	Small company
	POSTECH BD Newundertaking fund	Korea	Small company
	Pohang Fuel Cell Power Generation Co., Ltd.	Korea	Small company
	AROMA Postech Renewable Energy Co., Ltd.	Korea	Non-majority control
	Innovalley co., Ltd.	Korea	Non-majority control
	Busan-Gimhae Light Rail Transit Co., Ltd.	Korea	SOC business
	Suwon Green Environment Co., Ltd.	Korea	SOC business
	Uisinseol LRT Co., Ltd.	Korea	SOC business
	Incheon-Gimpo Expressway	Korea	SOC business
	Jangheung Friendly Environment Co., Ltd.	Korea	SOC business
	Cleanness Paju Co., Ltd.	Korea	SOC business
	PAJUENVIRO Co., Ltd.	Korea	SOC business
	Green Jangryang Co., Ltd.	Korea	SOC business
	Green Cheonan Co., Ltd.	Korea	SOC business
Overseas	POSCO E&C Nigeria Ltd.	Nigeria	Small company
	PT. POSNESIA	Malaysia	Under liquidation
	POSCO MEXICO HUMAN TECH	Mexico	Small company
	Jalisco Business Center SA DE C.V.	Mexico	Small company
	POSCO E&C SMART S. de. R.L. de C.V.	Mexico	Small company
	DWEMEX SA DE C.V.	Mexico	Small company
	&TV Communications Inc.	USA	Small company
	HAMOS	Vietnam	Small company
	Europe Steel Distribution Center Co., Ltd.(POSCO-ESDC)	Slovenia	Small company
	AZER POSCO E&C LLC.	Azerbaijan	Small company
	Vectus Limited	UK	Small company
	POSCO E&C India Private Ltd.	India	Small company
	POSCO-SAMSUNG(Suzhou) Processing Center Co., Ltd.(POSS-SZPC)	China	Small company
	POSDATA-CHINA Corp.	China	Small company
	Dalian Poscon Dongbang Automatic Co., Ltd.	China	Small company
	Yingkou Posrec Refractories Co., Ltd.	China	Small company
	Zhangjiagang Pohang Refractories Co., Ltd.	China	Small company
	San Pu Trading Co., Ltd.	China	Small company
	POSCO SeAH Steel Wire(Nantong) Co., Ltd.	China	Small company
	Qingdao Posco Steel Processing Co., Ltd.	China	Small company
	Zhangjiagang BLZ Pohang International Trading Co., Ltd.	China	Small company
	POSA Cayman LP.	Cayman Island	Small company
	DAEWOO TECH THAILAND Co., Ltd.	Thailand	Small company
	POS-Phillippine Manila Processing Center Inc.(POSCO-PMPC)	Philippine	Small company
	Miller Pohang Coal Compnay Pty. Ltd.(MPPC)	Australia	Non-majority control

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Change in Scope of Consolidation

The consolidated financial statements for 2008 include the accounts of PHP Co., Ltd., POSCO-Chongqing Automotive Processing Center Co., Ltd and POSCO-YPC Co., Ltd. as their total assets exceeded ₩7,000 million as of December 31, 2007. In addition, P&R Co., Ltd., Megaasset Co., Ltd., POS-Minerals Corp. and POSCO-Wuhu Processing Center Co., Ltd., Daewoo Engineering Company, POSCO-Malaysia SDN. BHD. are included in the consolidated financial statements as the Company made investments.

As a result, the total assets, shareholders' equity, sales, and net income of the consolidated financial statements as of and for the year ended June 30, 2008, increased by ₩1,161,310 million, ₩511,625 million, ₩276,452 million, and ₩14,165 million, respectively.

2. Summary of Significant Accounting Policies

Basis of Consolidated Financial Statements presentation

POSCO and subsidiaries (collectively, 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 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 consolidated statement of changes in shareholders' equity. Adoption of this standard did not result in any change to reported consolidated net income or total consolidated shareholders' equity of prior periods.

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Basis of Consolidation

The accounting policies were consistently applied for the consolidated financial statements both as of and for the six-month periods ended June 30, 2008 and June 30, 2007 and as of and for the year ended December 31, 2007.

3. Cash and Cash Equivalents, and Financial Instruments

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

<i>(in millions of Won)</i>	Annual Interest Rate (%)		2008	2007
Cash and cash equivalents				
Cash on hand and bank deposits	0.00 ~ 3.00	₩	23,877	95,292
Checking accounts	-		21,296	16,103
Corporate bank deposits	0.00 ~ 6.25		598,068	558,267
Money Market Trust	4.80 ~ 6.00		260,120	-
Time deposits in foreign currency and others	1.00 ~ 5.80		233,955	286,679
Maintained by overseas affiliates	0.00 ~ 16.00		480,565	336,487
			1,617,881	1,292,828
Less : Government grants			(314)	(247)
		₩	1,617,567	1,292,581
Short-term financial instruments				
Time deposits	4.85 ~ 6.50	₩	966,903	839,257
Installment accounts	-		-	160
Specified money in trust	-		66,947	3,002
Certificates of deposit	5.50 ~ 7.06		865,000	769,430
Commercial papers	-		-	14,587
Others	0.10 ~ 13.00		92,416	54,902
Maintained by overseas affiliates	2.25 ~ 16.00		35,344	61,741
		₩	2,026,610	1,743,079
Long-term financial instruments				
Installment accounts	5.00 ~ 10.00	₩	11,824	16,952
Guarantee deposits for bank accounts	-		108	113
		₩	11,932	17,065

As of June 30, 2008, the Company's financial assets pledged as collaterals include cash and short-term financial instruments amounting to ₩24 million and ₩11,224 million, respectively, in relation to performance guarantee, short-term borrowings and long-term debt, and others; short-term financial instruments amounting to ₩4,037 million in relation to government appropriated projects; and long-term financial instruments amounting to ₩108 million in relation to maintaining deposits for opening checking accounts.(note 12).

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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>		2008	2007
Trade accounts and notes receivable	₩	5,134,470	4,290,213
Less: Allowance for doubtful accounts		(233,575)	(254,417)
Less: Present value discount		(171)	(194)
	₩	<u>4,900,724</u>	<u>4,035,602</u>
Other accounts and notes receivable	₩	301,004	248,601
Less: Allowance for doubtful accounts		(38,191)	(33,287)
Less: Present value discount		(110)	(358)
	₩	<u>262,703</u>	<u>214,956</u>
Long-term trade accounts and notes receivable			
Less: Allowance for doubtful accounts	₩	54,836	58,411
Less: Present value discount		(6,348)	(16,187)
		(2,308)	(2,305)
	₩	<u>46,180</u>	<u>39,919</u>

5. Inventories

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

<i>(in millions of Won)</i>		2008	2007
Finished goods	₩	1,254,435	1,064,036
By-products		27,763	24,983
Semi-finished goods		2,166,845	1,387,703
Raw materials		1,777,902	1,177,880
Fuel and materials		572,054	520,882
Materials-in-transit		1,577,580	786,278
Others		11,749	3,706
		7,388,328	4,965,468
Less: Provision for valuation loss		(61,267)	(63,452)
	₩	<u>7,327,061</u>	<u>4,902,016</u>

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6. Trading Securities

Trading securities as of June 30, 2008 and December 31, 2007, mainly consists of money market funds, bond funds and others.

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>	2008	2007
Marketable equity securities	3,413,354	3,888,043
Non-marketable equity securities	731,239	599,414
Investments in bonds	14,405	35,875
Equity investments	24,708	20,350
	4,183,706	4,543,682
Less: Current portion	(9,555)	(32,113)
	<u>₩ 4,174,151</u>	<u>4,511,569</u>

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

<i>(in millions of Won)</i>	2008	2007
Held-to-maturity	₩ 210,656	254,935
Less: Current portion	(142,899)	(192,393)
	<u>₩ 67,757</u>	<u>62,542</u>

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

(in millions of Won)

Company	2008				2007
	Number of Shares	Percentage of Ownership (%)	Acquisition Cost	Book Value (*1)	Book Value
SK Telecom Co., Ltd. (*2)	4,297,549	5.29	₩ 1,208,677	₩ 827,569	₩ 1,061,740
Hana Financial Group Inc.	4,663,776	2.20	29,998	187,717	235,054
Nippon Steel Corporation	238,352,000	3.50	719,622	1,345,567	1,374,491
Hyundai Heavy Industries	1,477,000	1.94	343,505	478,548	653,572
Hanil Iron & Steel Co., Ltd.	206,798	10.14	2,413	7,331	5,811
HISteel Co., Ltd.	135,357	9.95	1,609	3,804	2,430
Moonbae Steel Co., Ltd.	1,849,380	9.02	3,588	7,379	8,230
Dong Yang Steel Pipe Co., Ltd.	1,564,250	2.45	3,911	2,425	2,831
Korea Line Corporation	217,373	1.89	8,067	38,258	35,867
Shinhan Financial Group Inc.	3,815,676	0.96	219,467	180,481	204,139
SeAH Steel Corp.	540,000	10.11	18,792	35,910	26,028
Thainox Stainless Public Company Limited	1,200,000,000	15.00	42,301	43,707	46,243
Union Steel Co., Ltd.	1,005,000	9.80	40,212	27,535	23,618
Dong Yang Steel Pipe Co., Ltd.	3,404	-	149	1,202	854
MML	40,000,000	11.07	18,063	118,412	114,212
Cockatoo	73,595,835	19.99	25,087	62,775	40,574
Korea Semiconductor System Co., Ltd.	328,857	6.13	617	957	1,483
Aromasoft Co., Ltd.	685,459	11.25	654	1,830	2,300
Pixelplus Co., Ltd.	318,313	4.78	2,606	198	346
Silicon Motion Technology Corp.	136,925	0.42	3,052	2,064	2,284
Maruichi Steel Tube Ltd.	345,100	0.35	9,821	11,248	7,995
Fuelcell energy Inc.	3,822,630	5.61	27,141	28,319	35,577
Others	-	-	130	118	2,364
			₩ 2,729,482	₩ 3,413,354	₩ 3,888,043

(*1) Marketable equity securities are stated at fair market value and the difference between the acquisition cost and the fair market value is accounted for under accumulated other comprehensive income and minority interest accounts in the consolidated balance sheets.

(*2) 1,955,978 shares of SK Telecom Co., Ltd. have been pledged as collateral related to exchangeable bonds.

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(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	Other Increase (Decrease)(*2)	Book value
eNtoB Corporation	860,000	26.88	₩ 4,900	₩ 6,149	₩ 442	₩ 12	₩ 6,603
MIDAS Information Technology Co., Ltd.	866,190	25.46	433	5,321	1,056	(491)	5,886
Songdo New City Development Inc.(*4,7)	-	29.90	6,674	-	-	-	-
Gale International Korea, Inc.(*4)	-	29.90	427	11,385	644	(7,708)	4,321
SNNC Co., Ltd.(*3)	18,130,000	49.00	90,650	87,762	(8,690)	-	79,072
Chungju enterprise City	2,008,000	25.10	10,040	9,576	(33)	(43)	9,500
Taegisan Wind Power Corporation(*3)	610,000	50.00	3,050	-	3	2,859	2,862
KOREASOLARPARK Co., Ltd.(*3)	900,000	37.50	2,250	-	(274)	2,280	2,006
ChungLa International Business Town(*4,5)	-	5.70	4,263	-	(25)	4,246	4,221
KOBRASCO(*3)	2,010,719,185	50.00	32,950	41,143	16,027	11,668	68,838
USS-POSCO Industries(UPI)(*3,4)	-	50.00	244,532	59,771	11,057	7,149	77,977
Poschrome (Proprietary) Limited	21,675	25.00	4,859	5,165	558	(3,562)	2,161
Guangdong Xingpu Steel Center Co., Ltd.(*4)	-	21.00	1,852	3,026	570	622	4,218
POS-Hyundai Steel Manufacturing India Private Limited.	6,919,400	29.49	3,136	4,025	272	87	4,384
POSVINA Co., Ltd.(*3,4)	-	50.00	1,527	2,192	580	(65)	2,707
PT POSMI Steel Indonesia(POSMI)(*3)	4,772	37.87	3,187	3,177	98	353	3,628
POSCO Bio Ventures L.P.(*4,6)	-	100.00	46,102	35,190	(639)	(33,125)	1,426
CAML Resources Pty. Ltd.(*3)	3,239	33.34	40,388	28,155	(2,690)	3,107	28,572
Nickel Mining Company SAS(*3)	3,234,698	49.00	157,585	200,622	(33,187)	37,928	205,363
Liaoning Rongyuan Posco Refractories Co., Ltd.(*3,4)	-	35.00	1,105	1,380	(205)	40,135	41,310
POSCO-SK Steel(Pinghu) Processing Center Co., Ltd.(*4)	-	20.00	1,869	-	383	2,406	2,789
Hubei Huaerliang POSCO Silicon Science & Technology Co., Ltd.(*4)	-	30.00	3,236	4,385	1,624	653	6,662
POSCO-Poland Wroclaw Steel Processing Center Co., Ltd.	30,000	30.00	3,803	-	(744)	4,839	4,095
Ah Khanh New City Development(*3,4)	-	50.00	20,429	10,893	(531)	9,785	20,147
Henan Tsingpu Ferro Alloy Co., Ltd.(*3,4)	-	49.00	8,846	8,470	73	602	9,145
United Spiral Pipe, LLC.(USP)(*3,4)	-	35.00	11,627	-	(523)	12,451	11,928
Zhongyue POSCO(Qinhuangdao) Tinplate Industrial Co., Ltd.(*3,4)	-	34.00	9,517	10,043	943	1,755	12,741
BX STEEL POSCO Cold Rolled Sheet Co., Ltd. (*4)	-	25.00	61,961	66,782	1,316	9,767	77,865
POSCO-SAMSUNG Slovakia Steel Processing Center Co., Ltd. (*4)	-	30.00	1,794	-	(284)	2,328	2,044
POS UTEK Development (*4)	-	25.00	2,664	-	-	2,664	2,664
			₩ 785,656	₩ 604,612	₩ (12,179)	₩ 112,702	₩ 705,135

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- (*1) The Company used unaudited or unreviewed financial statements of all these companies when applying the equity method of accounting.
- (*2) Other increase (decrease) represents 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) Although the Company owns more than 30% of outstanding shares of these investees, these investees are excluded in consolidation as the Company is not the majority stockholder.
- (*4) No shares have been issued in accordance with the local laws or regulations.
- (*5) Although the Company owns less than 20% of outstanding shares of ChungLa International Business Town, equity method of accounting is applied as the Company has significant influence on ChungLa International Business Town due to delegation of voting rights from the majority stockholder.
- (*6) Although the Company owns 100% of outstanding shares of POSCO Bio ventures L.P., POSCO Bio Ventures L.P. is excluded in consolidation in consideration of investment contract and management constitution.
- (*7) The equity method of accounting for Songdo New City Development Inc. has been suspended as the valuation on equity method accounted investments is less than zero.

For the six-month period ended June 30, 2008, amortization of goodwill amounted to ₩4,791 million and the elimination of the unrealized profit from intercompany transactions less realized profit amounted to ₩15,704 million.

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8. Property, Plant and Equipment

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

<i>(in millions of Won)</i>	Balance at December 31, 2007	Acquisition	Disposal	Depreciation(*1)	Others(*2)	Elimination of Intercompany Transactions	Balance at June 30, 2008
Land	₩ 1,509,189	₩ 15,305	₩ (1,179)	₩ -	₩ 249,486	₩ (859)	₩ 1,771,942
Buildings	2,623,024	39,914	(2,705)	(103,476)	355,259	(167,952)	2,744,064
Structures	1,546,816	-	(672)	(63,905)	127,783	(76,519)	1,533,503
Machinery and equipment	8,526,549	3,092	(13,718)	(879,319)	1,343,333	(528,096)	8,451,841
Vehicles	36,946	435	(987)	(7,790)	7,422	(1,202)	34,824
Tools	75,383	157	(327)	(21,707)	36,412	(1,091)	88,827
Furniture and fixtures	69,152	1,628	(205)	(16,114)	26,945	(5,115)	76,291
Financial Lease assets	10,829	58	-	(321)	-	-	10,566
Construction-in-progress	1,183,877	1,920,931	(645)	-	(1,033,947)	(229,445)	1,840,771
	<u>₩ 15,581,765</u>	<u>₩ 1,981,520</u>	<u>₩ (20,438)</u>	<u>₩ (1,092,632)</u>	<u>₩ 1,112,693</u>	<u>₩ (1,010,279)</u>	<u>₩ 16,552,629</u>

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

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

(b) Construction-in-progress mainly represents capital investments in Gwangyang No. 2 Minimill. Through a resolution of the Board of Directors in May 1998, the construction of 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.

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9. Intangible Assets

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

<i>(in millions of Won)</i>		2008	2007
Goodwill	₩	288,302	75,556
Intellectual property rights		18,286	1,811
Port facilities usage rights		121,329	130,234
Research and development, net of government grants		104,394	91,965
Others		251,579	271,213
	₩	<u>783,890</u>	<u>570,779</u>

- (b) The changes in the carrying amount of goodwill for the six-month period ended June 30, 2008 are as follows:

<i>(in millions of Won)</i>		Balance at December 31, 2007	Acquisition	Amortization	Balance at June 30, 2008
Daewoo Engineering Company	₩	-	₩ 217,622	₩ (2,720)	₩ 214,902
POSCO Power Corp		68,894	-	(10,606)	58,288
Others		6,662	10,089	(1,639)	15,112
	₩	<u>75,556</u>	<u>₩ 227,711</u>	<u>₩ (14,965)</u>	<u>₩ 288,302</u>

10. Pledged assets

Details of assets pledged as collaterals for short-term borrowings and long-term debt, as well as for performance guarantee, as of June 30, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	Beneficiaries	2008	2007
Land	Mizuho Bank and others	₩ 217,107	253,096
Buildings and structures	Korea Development Bank and others	168,392	187,611
Machinery and equipment	Korea Development Bank and others	455,922	392,230
Short-term and long-term financial instruments	Korea Development Bank	4,000	4,000
Trade accounts and notes receivable	Yamaguchi Bank and others	6,424	47,268
Trading securities	Mizuho Bank and others	30,984	-
Available-for-sale securities	Exchangeable bond holder and others	641,246	685,402
Held-to-maturity securities	Gyeongsangbuk-do provincial office	31,495	31,440
		<u>₩ 1,555,570</u>	<u>1,601,047</u>

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11. Guarantees provided by third parties

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>	2008				2007			
Korea Development Bank	EUR	4,918,766	₩	8,101	EUR	5,236,941	₩	7,234

Korea Exchange Bank provided a performance guarantee of ₩646,458 million.

12. 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>		2008	2007
Other current assets			
Short-term loans receivable	₩	64,931	41,014
Accrued income		78,835	53,344
Prepaid expenses		147,273	58,319
Others		21,943	66,028
		<u>312,982</u>	<u>218,705</u>
Other non-current assets			
Other investment assets	₩	208,662	116,409
Less: Present value discount		(375)	(503)
Allowance for doubtful accounts		(3,849)	(789)
	₩	<u>204,438</u>	<u>115,117</u>

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

(a) 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>
Short-term borrowings			
Domestic borrowing			
ABN AMRO and others	0.65 ~ 7.05	₩ 942,196	247,598
Foreign currency borrowing			
Bank of America	2.60	21,527	8,110
Shinhan Bank and others	0.70 ~ 20.00	1,758,070	1,316,312
		<u>1,779,597</u>	<u>1,324,422</u>
		₩ <u>2,721,793</u>	<u>1,572,020</u>

(b) 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>
Debentures			
Exchangeable bonds(*1)	-	₩ 506,820	430,182
Domestic debentures	0.00 ~ 5.00	10	30,010
		<u>506,830</u>	<u>460,192</u>
Less: Discount on debentures issued		<u>(156)</u>	<u>(527)</u>
		506,674	459,665
Long-term debt			
Domestic borrowing	1.00 ~ 5.70	6,675	3,147
Foreign currency borrowing	1.00 ~ 4.60	257,015	19,711
		<u>263,690</u>	<u>22,858</u>
Loans from foreign financial institution			
	2.00	1,048	879
		₩ <u>771,412</u>	<u>483,402</u>

(*1) The Company issued exchangeable bonds on August 20, 2003 and these exchangeable bonds were redeemed on August 20, 2008, maturity date. The Company issued new exchangeable bonds on August 19, 2008. (note 25)

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14. Long-Term Debt

(a) Debentures as of June 30, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	Issue date	Maturity	Interest Rate(%)		2008	2007
Domestic debentures	Oct. 21, 2004 ~ Jun. 27, 2008	Apr. 5, 2008 ~ May 11, 2012	0.02 ~ 6.55	₩	2,036,615	1,967,953
Foreign debentures	Mar. 27, 2008	Mar. 27, 2011	Libor+1.70		260,850	-
Samurai bonds	Jun. 28, 2006	Jun. 28, 2013	2.05		490,895	416,665
Euro bonds	Aug. 10, 2006	Aug. 10, 2016	5.88		313,020	281,460
Exchangeable bonds	Aug. 20, 2003	Aug. 20, 2008	-		506,820	430,182
					<u>3,608,200</u>	<u>3,096,260</u>
Less: Current portion					(506,830)	(460,192)
Discount on debentures					(13,585)	(12,195)
				₩	<u>3,087,785</u>	<u>2,623,873</u>

(b) Long term borrowing as of June 30, 2008 and December 31, 2007 are as follows:

<i>(in millions of Won)</i>	Annual Interest Rate (%)		2008	2007
Domestic borrowing				
Korea resources corporation	Representitive Borrowing Rate(*1) -2.25%	₩	45,100	45,100
Korea Development Bank and others	1.00 ~ 10.00		348,130	155,259
			<u>393,230</u>	<u>200,359</u>
Less: Current portion			(6,675)	(3,147)
			<u>386,555</u>	<u>197,212</u>
Foreign currency borrowing				
Korea National Oil Corporation(*2)	Representitive Borrowing Rate(*1) -2.25%		1,063	957
Development Bank of Japan	4.60		2,827	3,200
Korea Development Bank and others	1.05 ~ 8.50		602,278	494,600
			<u>606,168</u>	<u>498,757</u>
Less: Current portion			(257,015)	(19,711)
			<u>349,153</u>	<u>479,046</u>
Loans from foreign financial institution				
NATEXIS	2.00		8,101	7,234
Less: Current portion			(1,048)	(879)
			<u>7,053</u>	<u>6,355</u>
		₩	<u>742,761</u>	<u>682,613</u>

(*1) Indexed to the average yield of 3-year Korea government bond which is rounded off to the nearest 0.25%.

(*2) The borrowing is related to the explanation of gas fields in the Aral Sea. (note 17)

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

(in millions of Won)

June 30,	Debtentures	Won Currency Borrowings	Foreign Currency Borrowings	Loans from Foreign Financial Institutions	Total
2009	₩ 506,830	₩ 6,675	₩ 257,015	₩ 1,048	₩ 771,568
2010	424,050	49,418	280,785	1,048	755,301
2011	1,303,405	22,760	25,127	1,048	1,352,340
2012	570,000	79,852	24,633	1,048	675,533
Thereafter	803,915	234,525	18,608	3,909	1,060,957
	₩ 3,608,200	₩ 393,230	₩ 606,168	₩ 8,101	4,615,699
Discount on debentures issued					(13,741)
					₩ 4,601,958

15. 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)

	2008	2007
Estimated severance benefits at beginning of year	₩ 986,956	834,047
Provision for severance benefits	135,155	214,720
Payment	(87,380)	(63,264)
Other adjustment(*)	(2,738)	1,453
Estimated severance benefits at end of period	₩ 1,031,993	986,956
Transfer to National Pension Fund	(2,105)	(2,275)
Deposit for severance benefits trust	(685,641)	(648,586)
Net balance at end of period	₩ 344,247	336,095

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

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16. Other Liabilities

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

<i>(in millions of Won)</i>	<u>2008</u>	<u>2007</u>
Other current liabilities		
Withholdings	₩ 122,264	133,495
Unearned revenue	3,475	1,725
Others	<u>102,237</u>	<u>54,085</u>
	<u>227,976</u>	<u>189,305</u>
Other non-current liabilities		
Allowance for maintenance and construction loss	₩ 28,613	29,176
Others	<u>262,830</u>	<u>205,682</u>
	<u>₩ 291,443</u>	<u>234,858</u>

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17. Commitments and Contingencies

(a) As of June 30, 2008 and December 31, 2007, outstanding guarantees provided for the repayment of loans of related companies are as follows:

(in millions of Won)			2008			2007				
			Guaranteed		Won	Guaranteed		Won		
Grantors	Grantees	Financial Institution	Facility amount		Equivalent	Facility amount		Equivalent		
POSCO	BX STEEL POSCO Cold Rolled Sheet Co.,Ltd.	Bank of China and others	CNY	293,070,000	₩	44,564	CNY	145,200,000	₩	18,651
			USD	16,420,000		17,133	USD	17,000,000		15,949
	Zhangjiagang Pohang Stainless Steel Co., Ltd.	Bank of China and others	USD	199,925,000		208,602	USD	199,925,000		187,570
	Zhongyue POSCO (Qinhuangdao) Tinplate Industrial Co., Ltd.	Industrial and Commercial Bank of China Limited	CNY	81,600,000		12,408	CNY	-		-
	POSCO Investment Co.,Ltd	Bank of Tokyo-Mitsubish	USD	10,200,000		10,643	USD	10,200,000		9,570
			CNY	87,000,000		13,229	CNY	87,000,000		11,175
			USD	42,000,000		43,823	USD	42,000,000		39,405
			MYR	180,000,000		57,568	MYR	-		-
POSCO E&C Co., Ltd.	Taegisan Wind Power Corporation	Standard Chartered Korea First Bank	KRW	31,668		31,668	KRW	12,252		12,252
	IBC Corporation	POSCO Investment Co., Ltd. and others	USD	35,000,000		36,519	USD	15,000,000		14,073
	POSILAMA Steel Structure Co., Ltd.	Export-Import Bank of Korea and others	USD	54,114,000		56,462	USD	53,000,000		49,725
POSCON Co., Ltd	Zhangjiagang Pohang Stainless Steel Co., Ltd.	Shinhan Banks	USD	366,000		382	USD	183,000		172
POSCO Investment Co., Ltd	Zhangjiagang Pohang Stainless Steel Co., Ltd.	ING and others	USD	120,000,000		125,208	USD	120,000,000		112,584
	Qingdao Pohang Stainless Steel Co., Ltd.	Bank of Tokyo-Mitsubish	USD	49,000,000		51,127	USD	52,500,000		49,256
	Guangdong Pohang Coated Steel Co., Ltd.	Bank of Tokyo-Mitsubish	USD	7,000,000		7,304	USD	1,000,000		938
	POSCO-MPPC S.A. de C.V	Bank of Tokyo-Mitsubish	USD	6,600,000		6,886	USD	9,600,000		9,007
	POSCO-PWPC	HSBC	USD	7,434,200		7,757	USD	-		-
	Zhongyue POSCO (Qinhuangdao) Tinplate	HSBC	USD	9,848,290		10,276	USD	-		-
	POSCO-Malaysia	HSBC and others	USD	56,000,000		58,430	USD	-		-
	POSCO-JKPC	Mizuho Bank	JPY	400,000,000		3,927	JPY	-		-
	POSCO-JOPC	Lisona Bank and others	JPY	2,155,000,000		21,157	JPY	2,080,000,000		17,333
	POSCO-JNPC	Mizuho Bank and others	JPY	3,000,000,000		29,454	JPY	3,600,000,000		30,000
POSCO-JYPC	Japan Life Insurance Company and others	JPY	1,800,000,000		17,672	JPY	-		-	
				₩	872,199			₩	577,660	

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(b) As of June 30, 2008 and December 31, 2007, outstanding guarantees provided to others for the repayment of loans are as follows:

(in millions of Won)			2008				2007			
Grantors	Grantees	Financial Institution	Guaranteed Facility amount		Equivalent (in millions)	Guaranteed Facility amount		Equivalent (in millions)		
POSCO	DC Chemical Co., Ltd	El Co., Ltd	KRW	640	₩ 640	KRW	640	₩ 640		
	THE SIAM UNITED STEEL	Japan Bank forInternational Cooperation	USD	2,559,960	2,671	USD	5,210,535	4,804		
	Zeus	Related creditors	JPY	51,622,000,000	506,820	JPY	51,622,000,000	430,182		
POSCO E&C Co., Ltd.	Busan Minrak 1st district	Kukmin Bank	KRW	19,109	19,109	KRW	-	-		
	Daejeon Mok-dong Redevelopment Association	Woori Bank	KRW	5,482	5,482	KRW	17,475	17,475		
	Pan Pacific Corp	Korea Exchange Bank	KRW	10,998	10,998	KRW	10,998	10,998		
	Daejeon Cogeneration Plant Co., Ltd	Woori Bank and others	KRW	-	-	KRW	22,600	22,600		
Posteel Co., Ltd.	GIPI	Qatar Nationa Bank and others	USD	12,000,000	12,521	USD	12,000,000	11,258		
POSCO Machinery Co., Ltd.	Jaesan Energy	Hana Bank	KRW	7,189	7,189	KRW	7,189	7,189		
	Changhwan develop	Hana Bank	KRW	7,098	7,098	KRW	7,098	7,098		
	Halla Electric Co., Ltd	Shinhan Bank	KRW	6,586	6,586	KRW	6,586	6,586		
Samjung Packing & Aluminun Co., Ltd.	Pyungsan SI Ltd	Seoul Guarantee Insurance Company	KRW	1,064	1,064	KRW	5,262	5,262		
POSCO E&C(Beijing) Co.,Ltd	STX Construction(Dalian) Co., Ltd	Korea Exchange Bank Beijing office	CNY	-	-	CNY	4,540,000	583		
		Korea Exchange Bank Beijing office	CNY	-	-	CNY	12,680,000	1,629		
Daewoo Engineering Company	Dongwon Systems Corporation	Korea National Housing Corporation and others	KRW	27,300	27,300	KRW	35,100	35,100		
	Daewoo Tech	POSCON and others	KRW	2,905	2,905	KRW	2,905	2,905		
	Vasis	Hyundai Rotem Company	KRW	754	754	KRW	686	686		
	Sen Structural Engineers Co., Ltd.	Youngdong E&C Co., Ltd. and others	KRW	77	77	KRW	74	74		
	Kocen Consulting & Services Inc.	Korea Power Engineering Company, Inc. and others	KRW	13,203	13,203	KRW	11,904	11,904		
	Hyundai ENG	Samsung C&T Corporation. and others	KRW	47,515	47,515	KRW	-	-		
					₩ 671,932			₩ 576,973		

POSCO E&C has provided the completion guarantees for Samsung Corporation amounting to ₩1,214,998 million while Samsung Corporation provides the completion guarantees and payment guarantees on customers' borrowings on behalf of POSCO E&C amounting to ₩1,213,661 million as of June 30, 2008. Also, POSCO E&C has provided the guarantee of debts for JUNGWOO E&C and nine other companies amounting to ₩811,224 million and US\$22 million. In addition, POSCO E&C provides a guarantee for Eco-Town Corporation amounting to ₩143,260 million for debt of Eco-Town Corporation.

POSCO E&C maintains an escrow account of ₩103,354 million under its name based on the operation agreements with customers in certain construction contracts. POSCO E&C does not record this escrow account in its books but maintains it as a memo account to reflect economic substance in which the ownership belongs to the customers.

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(c) Operating lease agreements

As of June 30, 2008, the Company acquired certain tools and equipment under operating lease agreements with Macquarie Capital Korea Co., Ltd. The Company's lease expenses, with respect to the above lease agreements, amounted to ₩4,222 million for the six-month period ended June 30, 2008. Future lease payments under the above lease agreements are as follows:

(in millions of Won)

Period	Amount
2008	₩ 5,407
2009	6,155
2010	2,121
2011	2,324
Thereafter	3,920
	<u>₩ 19,927</u>

(d) Defendants in legal actions

As of June 30, 2008, the Company and certain subsidiaries are defendants in legal actions arising from the normal course of business. Details as follows:

(in millions of Won)

Company	Plaintiff	Amount	Description
POSCO	Songdo Construction Co., Ltd. and others	KRW 2,474	10 lawsuits including claim for operation damages due to loss of the sands at beach
POSCO E & C Co. Ltd.	Gujaeun and other 19	KRW 8,341	Claim for refund of Sindorim Posvill Bldg land sale amount
	Kimboksik and other 17	KRW 7,382	Claim for restitution related to termination of 174 store agreements in Boondang Mestar
	eRoomE&C Co., Ltd.	KRW 6,235	Claim for refund of unjust enrichment related to Ireland Park in Yeoido
	Hwangjaeho and others	KRW 6,140	Lawsuit filed on construction of residents-only sports complex in Songdo Firstworld
	Hyundai Sungwoo Construction	KRW 2,759	Claim for cash collection of Boondang Posvill
	FS KOREA	KRW 2,754	Claim for consulting commission for sale of Jinju Department Store
	Doo-A industrial Development Co., Ltd and Others	KRW 2,010	Claim for restitution related to Daejeon Yuseong PJT
	Others	KRW 10,056	Claim for refund of unjust enrichment related to the sharp APT in Mang-mi
POSMEC.	Won Woo Construction Co., Ltd	KRW 188	Claim for construction charge
Daewoo Engineering Company	ENVICO	KRW 1,380	Claim for restitution related to Jeongub facilities for vinyl wich is unable to be used
	Tong Yang Cement Corporation	KRW 4,412	Claim for warranty expense of Tong Yang Cement Corporation
POSCON	Korea Workers Compensation & Welfare Service	KRW 246	Claim for right of demanding on excessive profits
	SPECIAL TRIUMPH SDN. BHD	USD 1,000,000	Claim for collection of accouts receivable of Arbitration Committee in Malaysia
POSCO-CTPC	Chhn/Jindongjin and Others	CNY 5,409,772	Claim for collection of accouts receivable and others

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 material adverse effect on the Company's financial position, operating results or cashflows.

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- (e) POSCO entered into long-term contracts to purchase iron ore, coal, nickel, chrome and stainless steel scrap. These contracts generally have terms of five to ten years and provide for periodic price adjustments to the 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.
- (f) POSCO entered into an agreement with Tangguh Liquefied Natural Gas (LNG) Consortium in Indonesia regarding the commitment to purchase 550 thousand tons of LNG annually from August 2008 to 20 years. This agreement provides for periodic price(Japan JCC) adjustments to market price up to the ceiling price as provided in the agreement.
- (g) POSCO 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, POSCO will be exempt from all or portion of the repayment obligation. If it succeeds, a portion of the project income is payable to KNOC.
- (h) POSCO Power Corp. provides its entire capacity to Korea Electric Power Corp. in accordance with a long term contract. The price of electric power provided by POSCO Power Corp. is decided using the method of compensating fixed payments and expenses for the cost of production and the investment on electric power production equipment based on the contract. In addition, POSCO Power Corp. has been provided with a payment guarantee of ₩36,160 million from Seoul Guarantee Insurance as electric power supply collateral to Korea Electric Power Corp.
- (i) As of June 30, POSCO Terminal Co., Ltd. has chartered ship agreements for ocean transportation and inland transportation with Hyundai Merchant Marine Co., Ltd. and others. In addition, POSCO Terminal Co., Ltd. has yard leasing agreement with POSCO and using agreement of harbor loading and unloading facilities with Daejoo Group. POSCO is under agreement with respect to loading and unloading in a Korea harbor with Daejoo Group and others. The agreement between POSCO and POSCO Terminal Co., Ltd. for CTS service entrust was completed on January, 2008.
- (j) Other significant commitments and contingencies
 - 1) As of June 30, 2008, POSCO has bank overdraft agreements of up to ₩300,000 million with Woori Bank and five other banks. In addition, POSCO entered into a credit purchase loan agreement with Industrial Bank of Korea and five other banks for credit lines of up to ₩200,000 million and short-term borrowing agreement of up to ₩75,000 million with Woori Bank. POSCO has an agreement with Woori Bank and six other banks to open letters of credit, documents against acceptance and documents against payment amounting to US\$ 920 million and to borrow US\$130 million in foreign short-term borrowings. The accounts receivables in foreign currency sold to financial institutions and outstanding as of June 30, 2008, amount to US\$104 million for which the POSCO is contingently liable upon the issuers' default. In addition, POSCO issued two blank promissory notes to Korea Resources Corporation as collateral for borrowings, and issued three blank promissory notes to KNOC as collateral for foreign currency borrowings.

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- 2) As of June 30, 2008, POSCO E&C Co., Ltd. has bank overdraft agreements of up to ₩750,000 million with Woori Bank and eight other banks. In addition, POSCO E&C Co., Ltd. entered into a credit purchase loan agreement with Industrial Bank of Korea and other bank for credit lines of up to ₩150,000 million and short-term borrowing agreement of up to ₩300,000 million with Woori Bank. POSCO E&C Co., Ltd. has provided twenty blank promissory notes and nine other notes, approximately amounting to ₩101,813 million, to other financial institutions as collaterals for agreements and outstanding loans. POSCO E&C Co., Ltd. has provided seven blank checks and one other check, amounting to ₩2,500 million as collaterals for agreements and outstanding loans. POSCO E&C Co., Ltd. has an agreement with Woori Bank and six other banks to open letters of credit amounting to US\$430 million. PHP Co., one of the POSCO E&C Co., Ltd.'s subsidiaries, has entered into a trust agreement to provide guarantees for rental dwelling to prospect residents and Korea Housing Guarantee Co., Ltd. of up to ₩335,690 million. In the case of surety obligations, the company provides guarantees for the surety obligations.
- 3) As of June 30, 2008, Posteel Co., Ltd. has entered into local and foreign credit agreements, of up to ₩315,651 million and US\$371 million with Hana Bank and other banks of which ₩235,070 million and US\$180 million remains unused.
- 4) As of June 30, 2008, POSCON Co., Ltd. has credit purchase loan agreements and revolving loan agreements for credit lines of up to ₩83,411 million and US\$14 million with Shinhan Bank and other banks of which ₩59,363 million and US\$14 million remains unused. As of June 30, 2008, POSCON Co., Ltd. has provided a note amounting to ₩1,517,890 to Gyeonggi CES Co., Ltd. as a guarantee for execution of a contract.
- 5) As of June 30, 2008, Pohang Coated Steel Co., Ltd. has provided a blank promissory note to Korea Zinc Company Ltd. as a guarantee for the repayment of loan. In addition, Pohang Coated Steel Co., Ltd. has local credit loan agreements, credit purchase loan agreements and letters of credit in relation to trade of up to ₩44,000 million and US\$500,000 with Shinhan Bank. Pohang Coated Steel Co., Ltd. has entered into an agreement with the Export and Import Bank of Korea for export financing of up to ₩50,000 million, and has entered into trade financial agreements of up to ₩5,000 million with Citibank Korea Inc.
- 6) As of June 30, 2008, POSCO Machinery & Engineering Co., Ltd. has entered into a bank overdraft agreement of up to ₩2,000 million, local credit loan agreements of up to ₩6,000 million and credit purchase loan agreements of up to ₩9,000 million with Shinhan Bank and foreign currency loan agreements of up to US\$5 million with Korea Exchange Bank. Its Taiwan branch entered into a loan agreement up to NTD600 million with United Bank of Taiwan. In addition, POSCO Machinery & Engineering Co., Ltd. has entered into an agreement with Shinhan Bank for opening letters of credit in relation to trade of up to US\$5 million and has outstanding balance of US\$3.9 million.

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- 7) As of June 30, 2008, POSDATA Co., Ltd. entered into loan on bills agreements of up to ₩180,000 million and US\$10 million with Shinhan Bank and five other banks. The outstanding balance for each account is ₩3,480 million and US\$6.7 million. POSDATA Co., Ltd is receiving guarantee of payment of foreign currency up to US\$3 million from each of four banks including Korea Exchange Bank (Total US\$12 million), and ₩102,584 million and ₩9,074 million from Korea Software Financial Cooperative and Seoul Guarantee Insurance Company on the execution of the contract. POSDATA Co., Ltd. provided guarantees for loan amounting to ₩2,530 million which Choong Joo Enterprise City, one of equity method investees of POSDATA Co., Ltd, borrowed from Nong Hyup.
- 8) As of June 30, 2008, POSCO Specialty Steel Co., Ltd. has a loan agreement, secured by trade accounts receivable, of up to ₩100,000 million with Woori Bank. POSCO Specialty Steel Co., Ltd. has used ₩32,359 million of this loan agreement. In addition, POSCO Specialty Steel Co., Ltd. has agreements with Woori Bank and seven other banks for opening letters of credit of up to US\$59.6 million, and for a loan of up to ₩165 million. It has outstanding balances related to letters of credit of US\$21.5 million, JPY351 million and EUR495 thousand.
- 9) As of June 30, 2008, POSCO Machinery Co., Ltd. has a loan agreement, secured by trade accounts receivable, of up to ₩6,000 million and ₩4,000 million with Woori Bank and Industrial Bank of Korea. In addition, POSCO Machinery Co., Ltd. has bank overdraft agreements of up to ₩25,000 million with Woori Bank. POSCO Machinery Co., Ltd. has an agreement with Korea Exchange Bank to open letters of credit amounting to US\$2.8 million. POSCO Machinery Co., Ltd. has a construction contract guarantee agreement of up to ₩11,921 million with Kwang Ju Bank.
- 10) As of June 30, 2008, POSCO Refractories & Environment Co., Ltd. (POSREC) has a bank overdraft agreement of up to ₩3,000 million each with Pusan Bank and Woori Bank. In addition, POSREC has credit purchase loan of up to ₩12,000 million and outstanding balance of ₩4,179 million. POSREC has entered into trade financial agreements of up to US\$5 million each with Pusan Bank and Daegu Bank.
- 11) As of June 30, 2008, Samjung Packing & Aluminum Co., Ltd. has purchase loan agreements of up to ₩44,600 million with Woori Bank and other bank and foreign currency loan agreements of up to ₩10 million with Korea Exchange Bank. In addition, Samjung Packing & Aluminum Co., Ltd. has entered into loan agreements of up to US\$20 million with the Export and Import Bank of Korea related to investment to mine of molybden. The accounts receivable in foreign currency sold to financial institutions and outstanding as of June 30, 2008 amounted to ₩900 million for which Samjung Packing & Aluminum Co., Ltd. is contingently liable upon the issuers' default. In addition, Samjung Packing & Aluminum Co., Ltd. has entered into an agreement with Woori Bank and three other banks for opening letters of credit in relation to trade of up to US\$57.4 million. Samjung Packing & Aluminum has entered into various agreements with Woori Bank for ₩17,000 million related to discount of commercial bills, working capital and loan agreement. Samjung Packing & Aluminum Co., Ltd. entered into contract related to a right of monopoly on production and sale of Coil Maser Shuttle in the domestic market

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- with K.C Metal Products Pty.(Australia). Under the terms of this agreement, Samjung Packing & Aluminum Co., Ltd. is obligated to pay a royalty of 7% of the sales of Coil Master Shuttle. As of June 30, 2008, Samjung Packing & Aluminum Co., Ltd acquired 15% of the outstanding common stock of POS-Minerals Corporation, a U.S. subsidiary, which was established to invest in Eureka Moly LLC to take part in investment and participation in development of molybden mine of Mt. Hope. Under the terms of this agreement, the Company is obligated to pay US\$27 million, 3% of total investment of the mine development, and acquire 3% of stake of development of molybden mine of Mt. Hope for US\$25.5 million.
- 12) As of June 30, 2008, POSCO power Corp. has a loan agreement up to ₩108,000 million and US\$20 million with Kookmin Bank and two other banks.
- 13) As of June 30, 2008, Poscore Co., Ltd. entered into credit purchase loan agreements of up to ₩45,600 million with Kookmin Bank and three other banks and an agreement with the Export and Import Bank of Korea for export financing of up to ₩6,900 million. In addition, The Company has a loan agreement, secured by trade accounts receivable, of up to ₩4,000 million with Hana Bank.
- 14) As of June 30, 2008, Daewoo Engineering Company has provided four notes, amounting to ₩4,755 million, to other financial institutions as collaterals for agreements. In addition, Daewoo Engineering Company has an agreement to purchase letters of credit amounting to US\$2.9 million, overdraft agreements and credit purchase loan agreements of up to ₩74,000 million, and loan agreement up to ₩4,000 million with Citibank Korea Inc.
- 15) As of June 30, 2008, POSCO America Corp. (POSAM) has loan agreements of up to US\$ 120million with Bank of America and other banks and has outstanding balance of US\$77.7 million. In addition, POSAM has Standby by Letter of Credit of up to US\$1.1 million related to bond about import of iron at U. S. Customs Service.
- 16) As of June 30, 2008, POSCO Australia Pty. Ltd. (POSA) has loan agreements of up to AU\$107 million with Korea Exchange Bank of Australia and has outstanding balance of AU\$107 million.
- 17) As of June 30, 2008, POSCO Canada Ltd. (POSCAN) has loan agreements for credit lines of up to CA\$30 million with KEBOC (Korea Exchange Bank of Canada) and has outstanding balance of CA\$13 million.
- 18) As of June 30, 2008, POSCO Asia Co., Ltd. (POA) has loan agreements of up to US\$180 million with Bank of America and other banks and has outstanding balance of US\$177.7 million.
- 19) As of June 30, 2008, VSC POSCO Steel Corporation (VPS) has loan agreements of up to US\$57.4 million with Vietnam Bank and other banks and has outstanding balance of US\$29 million.
- 20) As of June 30, 2008, DALIAN POSCO-CFM Coated Steel Co., Ltd. has loan agreements of up to US\$20 million with HSBC and has outstanding balance of US\$23 million.

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- 21) As of June 30, 2008, IBC Corporation Ltd. has loan agreements of up to US\$45 million with the Export and Import Bank of Korea.
- 22) As of June 30, 2008, Zhangjiagang Pohang Stainless Steel Co., Ltd. (ZPSS) has loan agreements of up to CNY893 million and US\$320 million with Bank of China and other banks. In addition, ZPSS has agreements with Bank of China for opening letters of credit of up to CNY277 million.
- 23) As of June 30, 2008, POSCO (Guangdong) Coated Steel Co., Ltd. has loan agreements of up to US\$64 million with HSBC, POSCO-Investment, and other three banks and has outstanding balance of US\$43.7 million.
- 24) As of June 30, 2008, POSCO Thailand Co., Ltd. has loan agreements of up to THB2,374 million with Kasikorn Bank and has outstanding balance of THB726 million.
- 25) As of June 30, 2008, POSMMIT Steel Centre SDN BHD (POSMMIT) has loan agreements of up to MYR153 million and has outstanding balance of MYR141 million.
- 26) As of June 30, 2008, Qingdao Pohang Stainless Steel Co., Ltd. (QPSS) has loan agreements of up to CNY11,500 million with Bank of China and other banks and has outstanding balance of CNY70 million and US\$6.2 million.
- 27) As of June 30, 2008, POSCO Suzhou Automotive Processing center Co., Ltd. has a loan agreement of up to US\$33 million with China Agriculture Bank and has outstanding balance of US\$23 million.
- 28) As of June 30, 2008, POSCO-Japan Co., Ltd. has bank overdraft agreements for working capital of up to JPY54,642 million with Mizuho Bank and has outstanding balance of JPY 33,633 million.
- 29) As of June 30, 2008, POS-India Steel Processing Centre Pvt. Ltd. has agreements with HSBC and other banks for opening letters of credit of up to INR2,900 million and has outstanding balance of INR1,514 million.
- 30) As of June 30, 2008, POSCO-Foshan steel processing center Co., Ltd. has a loan agreement of up to US\$882 million and has outstanding balance of US\$32 million.
- 31) As of June 30, 2008, POS-MPC S.A. de C.V. has a loan agreement of up to US\$36.6 million with Standard Chartered and other banks and has outstanding balance of US\$19.6 million.
- 32) As of June 30, 2008, POSS Delhi Steel Processing Centre Pvt. Ltd. has a loan agreement of up to US\$22 million with Standard Chartered First Bank Korea Ltd. and other banks and has outstanding balance of US\$6.8 million.

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18. Stock Appreciation Rights

- (a) 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:

	1 st Grant	2 nd Grant	3 rd Grant	4 th Grant	5 th Grant	6 th Grant	Total
Before the modifications*							
Number of shares	498,000 shares	60,000 shares	22,000 shares	141,500 shares	218,600 shares	90,000 shares	1,030,100 shares
Exercise price	₩ 98,400 per share	₩ 135,800 per share	₩ 115,600 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
After the modifications*							
Grant date	July 23, 2001	April 27, 2002	September 18, 2002	April 26, 2003	July 23, 2004	April 28, 2005	
Exercise price	₩ 98,900 per share	₩ 136,400 per share	₩ 116,100 per share	₩ 102,900 per share	₩ 151,700 per share	₩ 194,900 per share	
Number of shares granted	453,576 shares	55,896 shares	20,495 shares	135,897 shares	214,228 shares	90,000 shares	970,092 shares
Number of shares cancelled	19,409 shares	-	-	-	-	-	19,409 shares
Number of shares exercised	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.

- (b) 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>	1 st Grant	2 nd Grant	3 rd Grant	4 th Grant	5 th Grant	6 th Grant	Total
Cumulative expense							
in prior periods	₩ 60,825	₩ 14,050	₩ 7,837	₩ 35,145	₩ 88,823	₩ 34,000	₩ 240,680
Current period expense	(872)	(510)	(502)	(1,609)	(5,881)	(1,406)	(10,780)
	<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>

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19. Selling and Administrative Expenses

Details of selling, general and administration expenses for the six-month periods ended on June and 2007 were as follows:

<i>(in millions of Won)</i>		2008	2007
		<hr/>	<hr/>
Selling expenses	₩	440,375	366,652
Salaries and wages		124,686	108,023
Provision for severance benefits		22,783	22,281
Other employee benefit		69,176	57,205
Travel		14,622	12,291
Communications		2,388	1,605
Utilities		1,409	1,191
Taxes and dues		11,719	9,969
Rent		11,509	10,367
Depreciation (notes 8 and 22)		16,379	14,287
Amortization (notes 9 and 22)		33,606	30,391
Repairs		5,380	4,731
Insurance		5,707	3,564
Entertainment		6,306	4,899
Advertising		50,612	52,032
Research and development		42,613	29,072
Fees and charges		42,418	54,816
Supplies		3,915	5,526
Subscriptions and printing		2,068	2,140
Vehicle maintenance		2,292	1,849
Training		12,799	11,070
Stock compensation expense (note 14)		(10,780)	65,621
Miscellaneous		16,000	15,132
	₩	<hr/> <hr/> 927,982	<hr/> <hr/> 884,714

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20. 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>	2008	2007
Current income taxes	₩ 896,376	768,637
Deferred income taxes	(31,244)	143,268
Items charged directly to shareholders' equity	56,457	(149,837)
Effect of consolidation	(54,134)	(90,013)
	<u>₩ 867,455</u>	<u>672,055</u>

- (b) The reconciliations of income tax expense computed at the statutory rate to the actual income tax expense recorded by the Company for the years ended June 30, 2008 and 2007 are as follows:

<i>(in millions of Won)</i>	2008	2007
Net income before income tax expense	3,406,229	2,743,208
Statutory tax rate (%)	27.5	27.5
Income tax expense computed at statutory rate	936,713	754,382
Tax credit	(67,737)	(74,965)
Others, net	(1,521)	(7,362)
Income tax expense	<u>867,455</u>	<u>672,055</u>
Effective rate (%)	<u>25.47%</u>	<u>24.50%</u>

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

(in millions of Won)

	Accumulated temporary differences			Deferred income tax		
	Dec. 31, 2007	Inc.(dec.)(*1)	June 30, 2008	Dec. 31, 2007	Inc.(dec.)(*1)	June 30, 2008
Deferred tax from temporary differences:						
Reserve for special repairs	₩ (301,751)	9,174	₩ (292,577)	₩ (82,982)	2,523	₩ (80,459)
Allowance for doubtful accounts	292,762	(17,691)	275,071	80,532	(4,889)	75,643
Reserve for technology developments	(1,101,734)	174,068	(927,666)	(302,976)	47,867	(255,109)
Dividend income from related companies	366,233	115,810	482,043	100,714	31,848	132,562
Depreciation expense	(147,991)	(82,113)	(230,104)	(40,115)	(23,656)	(63,771)
Valuation of equity method investments	(1,296,879)	(348,920)	(1,645,799)	(274,370)	(62,774)	(337,144)
Prepaid expenses	34,431	32,881	67,312	9,467	9,044	18,511
Impairment loss on property, plant, equipment	420,085	(396,398)	23,687	121,483	(114,969)	6,514
Accrued severance benefit	161,924	(29,108)	132,816	44,574	(7,905)	36,669
Group severance insurance deposits	(44,276)	(64,953)	(109,229)	(12,175)	(17,863)	(30,038)
Provision for construction losses	21,227	(2,941)	18,286	5,836	(808)	5,028
Provision for construction warranty	21,065	(1,342)	19,723	5,794	(370)	5,424
Appropriated Retained Earning for Technological Development	(2,833)	-	(2,833)	(779)	-	(779)
Accrued income	(8,328)	(2,382)	(10,710)	(2,313)	(632)	(2,945)
Accrued on valuation of inventories	695	9,929	10,624	190	2,732	2,922
Others	293,857	369,783	663,640	73,418	113,186	186,604
	<u>(1,291,513)</u>	<u>(234,203)</u>	<u>(1,525,716)</u>	<u>(273,702)</u>	<u>(26,666)</u>	<u>(300,368)</u>
Deferred tax from tax credit:						
Tax credit transferred from prior year	22,725	(5,580)	17,145	19,949	(10,916)	9,033
Net operating loss carry forwards	9,187	(5,645)	3,542	2,526	(1,552)	974
Others	-	-	-	(8,167)	8,167	-
	<u>31,912</u>	<u>(11,225)</u>	<u>20,687</u>	<u>14,308</u>	<u>(4,301)</u>	<u>10,007</u>
Current and deferred income taxes recognized directly to equity:						
Changes in accumulated other comprehensive income arising from equity method accounted investments	(272,947)	(295,803)	(568,750)	(75,060)	(81,344)	(156,404)
Gain on valuation of available-for-sale securities	(1,315,772)	176,402	(1,139,370)	(364,373)	47,780	(316,593)
Loss on valuation of available-for-sale securities	239,451	339,612	579,063	65,891	93,404	159,295
Others	4,276	8,945	13,221	1,176	2,371	3,547
	<u>₩ (1,344,992)</u>	<u>229,156</u>	<u>₩ (1,115,836)</u>	<u>(372,366)</u>	<u>62,211</u>	<u>(310,155)</u>
Tax effect on elimination of intercompany profit and others				237,683	54,134	291,817
				<u>₩ (394,077)</u>	<u>85,378</u>	<u>₩ (308,699)</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.

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21. Earnings per Share

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

<i>(in millions of Won except per share information)</i>	2008	2007
Net Income attributable to controlling interest	₩ 2,477,057	2,024,324
Weighted-average number of common shares outstanding (*1)	75,407,696	76,293,098
Basic ordinary income and earnings per share	₩ 32,849	26,534

- (*1) 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:

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

- (b) Basic earnings per share for the year ended December 31, 2007 amounted to ₩46,854.

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22. Related Party Transactions

(a) 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 Co., Ltd., POSCO Refractories & Environment Co., Ltd., POSCO Terminal Co., Ltd., Metapolis Co., Ltd., POSMATE Co., Ltd., Samjung Packing & Aluminum Co., Ltd., POSCO Power Corp., Postech 2006 Energy Fund, Korea Energy Investment Limited, PHP Co., Ltd., POSCORE Co., Ltd., P&R Co., Ltd., Megaasset Co., Ltd., Daewoo Engineering Company
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 POSCO Real Estate Development Co., Ltd., IBC Corporation, POSLILAMA E&C Co., Ltd., Zhangjiagang Pohang Stainless Steel Co., Ltd., Guangdong Pohang Coated Steel Co., Ltd., POSCO-Thailand Co., Ltd.(POSCO-TBPC), Myanmar-POSCO Steel Co., Ltd., Zhangjiagang POSHA Steel Port Co., Ltd.(ZPSP), POSCO Osaka Processing Center Co., Ltd., POSCO Investment Co., Ltd., POSMMIT Steel Centre SDN BHD(POSMMIT), Qingdao Pohang Stainless Steel Co., Ltd., POSCO Suzhou AutoMotive Processing Center Co., Ltd., POSEC-Hawaii Inc., POS-Qingdao Coil Center Co., Ltd., POS-ORE Pty. Ltd., POSCO-China Holding Corp., POSCO-Japan Co., Ltd., POSCO E&C (Zhangjiagang) Engineering & Consulting Co., Ltd., POS-CD Pty. Ltd., POS-GC Pty. Ltd., POSCO-India Pvt. Ltd., POS-India Steel Processing Centre Pvt. Ltd., POS-NPC Co., Ltd., POSCO-Foshan Steel Processing Center Co., Ltd., POSCO E&C (Beijing) Co., Ltd., POS-MPC S.A. de C.V., Zhanjiagang Pohang Port Co., Ltd., POSCO-Vietnam Co., Ltd., POSCO-Mexico Co., Ltd., POSS Delhi Steel Processing Centre Pvt. Ltd., POSCO Chongqing Automotive Processing Center Co., Ltd., POS-NP Pty. Ltd., POSCO Vietnam Processing Center Co., Ltd., Suzhou POSCORE Technology Co., Ltd., POSCO-YPC Co., Ltd., POSCO-Malaysia SDN BHD, POS-Minerals Corporation, POSCO-Wuhu Processing Center Co., Ltd.

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(b) 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
Subsidiaries								
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 Research Institute	-	-	9,584	6,683	217	1	1,448	6,394
POSCO Specialty Steel Co., Ltd.	2,013	1,622	18,335	50,446	-	40	66	8,067
POSCO Refractories & Environment Co., Ltd.	15,485	87	138,575	103,593	12	9	36,275	24,265
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
POSCORE Co., Ltd.	53,695	-	-	-	9,767	9,500	-	-
POSCO America Corporation (POSAM)	68,501	74,679	-	-	4,991	4,447	-	-
POSCO Canada Ltd. (POSCAN)	20	19	101,164	27,550	20	21	28,122	9,635
POSCO Asia Co., Ltd. (POA)	464,567	269,951	98,237	60,906	44,456	24,323	1,034	1,922
Qingdao Pohang Stainless Steel Co., Ltd.	35,900	30,199	-	-	4,052	5,153	-	-
POSCO Japan Co., Ltd.	439,989	456,528	7,044	43,035	22,078	30,952	139	6
POS-India Steel Processing Centre Pvt. Ltd.	33,773	28,912	-	-	6,253	-	-	-
Others	98,443	33,417	52,873	74,604	20,347	2,954	12,739	12,573
	<u>2,120,419</u>	<u>1,662,594</u>	<u>1,357,486</u>	<u>1,276,287</u>	<u>303,365</u>	<u>224,082</u>	<u>242,170</u>	<u>283,082</u>
Equity method investees								
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 (UPI)	190,611	138,000	-	-	8	8	-	-
Guangdong Xingpu Steel Center Co., Ltd.	894	8,277	-	-	-	4,276	-	-
	<u>202,800</u>	<u>148,076</u>	<u>233,814</u>	<u>157,771</u>	<u>3,283</u>	<u>4,285</u>	<u>4,881</u>	<u>7,047</u>
	<u>₩ 2,323,219</u>	<u>1,810,670</u>	<u>₩ 1,591,300</u>	<u>1,434,058</u>	<u>₩ 306,648</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.

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- (c) Significant transactions, which occurred in the ordinary course of business, with equity method accounted investments for the six-month periods ended June 30, 2008, the related account balances as of June 30, 2008 are as follows:

<i>(in millions of Won)</i>	Sales and others(*1)		Purchase and others(*1)		Receivables(*2)		Payables(*2)	
POSCO Co., Ltd.	₩	2,313,109	₩	1,330,671	₩	638,089	₩	333,044
POSCO E&C Co., Ltd.		671,902		79,486		266,214		337,514
Posteel Co., Ltd.		205,456		734,080		53,816		137,853
POSCON Co., Ltd.		105,266		14,509		70,533		47,445
POSCO Coated & Color Steel Co., Ltd.		47,776		271,747		6,294		68,583
POSCO Machinery & Engineering Co., Ltd.		77,468		1,439		37,374		10,195
POSDATA Co., Ltd.		103,960		3,692		31,634		3,071
POSCO Specialty Steel Co., Ltd.		53,096		28,733		2,902		18,927
POSCO Machinery Co., Ltd.		37,878		5,280		8,768		3,052
POSCO Refractories & Environment Co., Ltd.		142,767		16,149		42,264		260
POSMATE Co., Ltd.		25,715		2,979		5,914		2,291
Samjung Packing & Aluminum Co., Ltd.		128,409		10,969		32,440		2,474
POSCORE Co., Ltd.		30		56,227		-		10,133
POSCO America Corporation (POSAM)		2,472		77,400		1,718		7,373
POSCO Canada Ltd.(POSCAN)		101,164		20		28,122		20
POSCO Asia Co., Ltd.(POA)		323,655		592,309		134,002		70,452
Qingdao Pohang Stainless Steel Co., Ltd.		91,238		194,096		17,624		23,009
POSCO-Japan Co., Ltd.		67,844		451,169		43,788		22,078
POS-Tianjin Coil Center Co., Ltd.		13		48,008		85		25,159
Others		450,465		1,030,720		387,827		686,475
	₩	4,949,683	₩	4,949,683	₩	1,809,408	₩	1,809,408

(*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.

- (d) 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>	2008		2007	
Salaries	₩	22,957		20,915
Severance benefits		7,139		10,389
Management achievement awards		17,964		17,677
Stock compensation expense		(10,780)		65,621
Total	₩	37,280		114,602

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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.

23. Segment Information

(a) Operating results and long-lived assets as of and for the six-month period ended June 30, 2008 are as follows:

<i>(in millions of Won)</i>	Steel	Engineering and construction	Trading	Others	Consolidation Adjustment	Consolidated
Sales						
Total sales	₩ 17,457,420	2,347,429	2,454,201	1,555,733	(4,930,716)	₩ 18,884,067
Inter-company sales	(2,848,337)	(731,773)	(599,421)	(751,185)	4,930,716	-
	<u>₩ 14,609,083</u>	<u>1,615,656</u>	<u>1,854,780</u>	<u>804,548</u>	<u>-</u>	<u>₩ 18,884,067</u>
Operating profit	<u>₩ 3,390,417</u>	<u>158,872</u>	<u>29,901</u>	<u>158,077</u>	<u>(122,847)</u>	<u>₩ 3,614,420</u>
Property, plant and equipment	₩ 15,658,187	523,484	206,683	1,448,715	(1,284,440)	₩ 16,552,629
Intangible assets	224,003	22,442	897	195,259	341,289	783,890
	<u>₩ 15,882,190</u>	<u>545,926</u>	<u>207,580</u>	<u>1,643,974</u>	<u>(943,151)</u>	<u>₩ 17,336,519</u>
Depreciation and amortization	<u>₩ 1,061,603</u>	<u>8,556</u>	<u>2,556</u>	<u>72,342</u>	<u>16,131</u>	<u>₩ 1,161,188</u>

(b) Operating results and long-lived assets as of and for the six-month period ended June 30, 2007 are as follows:

<i>(in millions of Won)</i>	Steel	Engineering and construction	Trading	Others	Consolidation Adjustment	Consolidated
Sales						
Total sales	₩ 14,670,190	1,631,769	2,100,396	1,647,328	(4,011,892)	₩ 16,037,791
Inter-company sales	(2,466,885)	(477,409)	(410,019)	(657,579)	4,011,892	-
	<u>₩ 12,203,305</u>	<u>1,154,360</u>	<u>1,690,377</u>	<u>989,749</u>	<u>-</u>	<u>₩ 16,037,791</u>
Operating profit	<u>₩ 2,630,234</u>	<u>81,108</u>	<u>18,830</u>	<u>86,334</u>	<u>(92,555)</u>	<u>₩ 2,723,951</u>
Property, plant and equipment	₩ 14,304,791	77,553	196,504	1,452,921	(1,055,246)	₩ 14,976,523
Intangible assets	244,096	25,274	655	144,279	138,816	553,120
	<u>₩ 14,548,887</u>	<u>102,827</u>	<u>197,159</u>	<u>1,597,200</u>	<u>(916,430)</u>	<u>₩ 15,529,643</u>
Depreciation and amortization	<u>₩ 915,821</u>	<u>6,351</u>	<u>3,028</u>	<u>68,290</u>	<u>10,822</u>	<u>₩ 1,004,312</u>

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24. Comprehensive Income

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

<i>(in millions of Won)</i>		<u>2008</u>	<u>2007</u>
Net income	₩	2,527,222	2,071,153
Other comprehensive income			
Gain (loss) on valuation of available-for-sale securities, net		(543,091)	464,663
Less: tax effect		144,214	(126,222)
Changes in accumulated other comprehensive income arising from equity method accounted investments		36,560	(8,297)
Less: tax effect		(28,487)	(9,358)
Overseas operations translation adjustment		301,062	48,501
Less: tax effect		(59,498)	14,493
Gain (loss) on valuation of derivatives		(8,264)	-
Less: tax effect		2,417	-
		<u>(155,087)</u>	<u>383,780</u>
Comprehensive Income	₩	<u>2,372,135</u>	<u>2,454,933</u>
Controlling interest	₩	2,293,676	2,406,105
Minority interest		78,459	48,828

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25. Subsequent Event

(a) Interim dividends

The Company declared interim dividends in accordance with a 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:

<u>Number of outstanding shares</u>	<u>Interim dividends (Won)</u>	<u>Dividend Amount (Won)</u>
75,394,201	2,500	188,485,502,500

(b) Issuance of Exchangeable Bonds

The Company has received the 17,603,801 ADR shares of SK Telecom, which were provided as collateral on the exchangeable bond which matured on August 20, 2008. The Company issued exchangeable bond on August 19, 2008 using the shares received as collateral. The details of new exchangeable bonds are as follows:

Issuance date:	August 19, 2008
Maturity date:	October 19, 2013 (full amount of principal is repaid if not exercised)
Rate:	Interest rate of zero percent
Face value:	JPY 52,795,000,000
Premium on bond redemption	1.51% of face value
Issuance price:	JPY 52,795,000,000
Exchangeable price:	JPY 2,999.11/ADR
Exercise call period:	Commencing ten business days following the issuance date until ten business days prior to maturity date
Exercise put period:	Exactly three years following the payment date

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