

POSCO  
Form 6-K  
November 14, 2005

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**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Form 6-K**  
**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16 OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**  
**For the month of November 2005**  
**Commission File Number 1-13368**  
**POSCO**  
**POSCO Center**  
**892 Daechi-4-dong**  
**Gangnam-gu**  
**Seoul, Korea**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If  Yes  is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82

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**This Current Report on Form 6-K is being filed to be incorporated by reference into Registration Statement No. 333-07140 on Form F-3.**

**Non-consolidated Financial Statements for the Nine Months Ended September 30, 2005**

The non-consolidated financial information set forth below has been derived from our unaudited (in the case of information as of and for the nine months ended September 30, 2004 and 2005) and non-consolidated financial statements as of December 31, 2004 and September 30, 2005 and for the nine-month periods ended September 30, 2004 and 2005 included in this Current Report on Form 6-K (the Non-consolidated Financial Statements ). You should read the selected non-consolidated financial data below with the Non-consolidated Financial Statements. Results of operations in the first nine months of 2005 may not be indicative of results of operations for the remainder of 2005 or the full year 2005.

The financial information set forth below is non-consolidated, and therefore does not reflect the assets and liabilities and results of operations of our subsidiaries other than as equity method investees. As a result, the non-consolidated interim information set forth below is not comparable with the consolidated financial information presented in our latest annual report on Form 20-F or the consolidated financial information as of and for the six months ended June 30, 2004 and 2005 included in our Current Report on Form 6-K furnished to the Securities and Exchange Commission (the Commission ) on October 18, 2005.

In addition, our non-consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the Republic of Korea ( Korean GAAP ), which differ in certain significant respects from accounting principles generally accepted in the United States ( U.S. GAAP ). See Note 32 of Notes to Consolidated Financial Statements included in our Current Report on Form 6-K furnished to the Commission on October 18, 2005 for a description of these differences and a reconciliation of certain Korean GAAP items to U.S. GAAP.

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

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**For the nine months ended  
September 30,  
2004                      2005  
(in billions of Won,  
except per share data)  
(unaudited)**

**NON-CONSOLIDATED INCOME STATEMENT DATA****Korean GAAP**

Sales	₩14,184	₩16,492
Cost of goods sold	9,984	10,855
Selling and administrative expenses	759	813
Operating profit	3,440	4,824
Interest income	60	44
Dividend income	32	73
Interest expense	113	72
Foreign currency transactions and translation gains, net	92	97
Donations(1)	92	103
Income tax expense	1,005	1,296
Net income	2,647	3,631
Earnings per share(2)	32,696	45,788
Dividends per share(3)	1,500	2,000

**As of                      As of  
December              September  
31,                      30,  
2004                      2005  
(in billions of Won)  
(audited)              (unaudited)**

**NON-CONSOLIDATED BALANCE SHEET DATA****Korean GAAP**

Working capital(4)	₩ 4,520	₩ 4,710
Property, plant and equipment, net(5)	9,203	10,180
Total assets(5)	21,367	22,934
Long-term debt(6)(7)(8)	1,550	788
Total shareholders' equity(5)	16,110	18,746

- (1) Includes donations to educational foundations supporting basic science and technology research. See Note 23 of Notes to

Non-consolidated  
Financial  
Statements.

- (2) Earnings per share is computed by dividing net income allocated to common stock by the weighted average number of common shares outstanding during the period. Weighted average number of shares outstanding for the nine months ended September 30, 2004 and 2005 was 80,943,606 shares and 79,310,639 shares, respectively. See Note 25 of Notes to Non-consolidated Financial Statements.
- (3) Dividends per share for the nine months ended September 30, 2004, translated into U.S. Dollars at the rate of Won 1,152.0 to US\$1.00, the noon buying rate of the Federal Reserve Bank of New York for Won in effect on September 30, 2004, was equal to US\$1.30. Dividends per share for the nine

months ended  
September 30,  
2005, translated  
into U.S. Dollars  
at the rate of Won  
1,042.4 to  
US\$1.00, the  
noon buying rate  
of the Federal  
Reserve Bank of  
New York for  
Won in effect on  
September 30,  
2005, was equal  
to US\$1.92.

- (4) Working capital means current assets minus current liabilities.
- (5) Reflects revaluations of assets permitted under Korean law.
- (6) Net of current portion and discount on debentures issued.
- (7) For information regarding derivative transactions entered into by us, see Note 20 of Notes to Non-consolidated Financial Statements.
- (8) Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the

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basic rates in  
effect at the  
balance sheet date  
and resulting  
translation gains  
and losses are  
recognized in  
current  
operations. See  
Notes 2 and 26 of  
Notes to  
Non-consolidated  
Financial  
Statements.

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**Operating Results**

Our non-consolidated sales for the nine months ended September 30, 2005 increased by 16.3% to Won 16,492 billion from Won 14,184 billion for the nine months ended September 30, 2004, reflecting an increase of 18.6% in the average unit sales price per ton of our steel products, which more than offset a 1.6% decrease in the non-consolidated sales volume of our steel products.

Our non-consolidated domestic sales for the nine months ended September 30, 2005 increased by 18.5% in terms of non-consolidated domestic sales revenues and decreased by 1.2% in terms of non-consolidated domestic sales volume of steel products compared to the corresponding period in 2004. For the nine months ended September 30, 2005, our non-consolidated domestic sales volume accounted for approximately 74.7% of our non-consolidated total sales volume of steel products, compared to 74.4% for the nine months ended September 30, 2004. The increase in non-consolidated domestic sales revenues in the nine months ended September 30, 2005 compared to the corresponding period in 2004 was attributable primarily to an increase in the price of steel products sold in Korea, which more than offset the overall decrease in non-consolidated domestic sales volume of steel products.

Our non-consolidated export sales for the nine months ended September 30, 2005 increased by 11.2% in terms of non-consolidated export sales revenues and decreased by 2.7% in terms of non-consolidated export sales volume of steel products compared to the nine months ended September 30, 2004. Exports as a percentage of non-consolidated total sales volume of steel products decreased to 25.3% of such sales volume for the nine months ended September 30, 2005 compared to 25.6% for the corresponding period in 2004. The increase in non-consolidated export sales revenues in the nine months ended September 30, 2005 compared to corresponding period in 2004 was primarily attributable to an increase in the price of steel products sold abroad, which more than offset the overall decrease in non-consolidated export sales volume of steel products.

Non-consolidated gross profit for the nine months ended September 30, 2005 increased by 34.2% to Won 5,637 billion from Won 4,199 billion for the nine months ended September 30, 2004. Non-consolidated gross margin for the nine months ended September 30, 2005 increased to 34.2% from 29.6% for the nine months ended September 30, 2004. This increase in non-consolidated gross margin reflected the 16.3% increase in non-consolidated sales, which outpaced an 8.7% increase in non-consolidated cost of goods sold for the nine months ended September 30, 2005 to Won 10,855 billion from Won 9,984 billion for the corresponding period in 2004. Our non-consolidated cost of goods sold rose primarily due to increases in both volume and price of raw materials purchased. Non-consolidated raw materials costs for the nine months ended September 30, 2005 increased primarily as a result of a general increase in the unit costs of coal, iron ore, nickel and scrap metal. The average price of coal per ton (including all associated costs such as customs duties and transportation costs) increased from \$79.43 for the nine months ended September 30, 2004 to \$105.85 for the nine months ended September 30, 2005. The average price of iron ore per ton (including all associated costs such as customs duties and transportation costs) increased from \$32.68 for the nine months ended September 30, 2004 to \$41.19 for the nine months ended September 30, 2005.



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Non-consolidated operating profit for the nine months ended September 30, 2005 increased by 40.3% to Won 4,824 billion compared to Won 3,440 billion for the corresponding period in 2004. Non-consolidated operating margin for the nine months ended September 30, 2005 increased to 29.3% from 24.3% for the nine months ended September 30, 2004, reflecting the 34.2% increase in non-consolidated gross profit, which outpaced a 7.0% increase in non-consolidated selling and administrative expenses for the nine months ended September 30, 2005 to Won 813 billion from Won 759 billion for the corresponding period in 2004. The increase in non-consolidated selling and administrative expenses resulted principally from increases in non-consolidated advertising expenses and non-consolidated fees and charges. Our non-consolidated advertising expenses increased by 126.0% for the nine months ended September 30, 2005 to Won 64 billion from Won 28 billion for the nine months ended September 30, 2004, primarily reflecting certain adjustments related to internal accounting for advertising expenses. Our non-consolidated fees and charges for the nine months ended September 30, 2005 increased by 37.4% to Won 94 billion from Won 68 billion for the nine months ended September 30, 2004, primarily as a result of fees and charges incurred in connection with the outsourcing of certain peripheral administrative functions.

Our non-consolidated net income for the nine months ended September 30, 2005 increased by 37.2% to Won 3,631 billion from Won 2,647 billion for the corresponding period in 2004. Non-consolidated net income increased primarily as a result of the increase in non-consolidated operating profit, which more than offset the impact of:

- a 29.0% increase in non-consolidated income tax expense to Won 1,296 billion for the nine months ended September 30, 2005 from Won 1,005 billion for the corresponding period in 2004, due to the increase in our taxable income; and

- a 50.5% decrease in non-consolidated net non-operating income to Won 103 billion for the nine months ended September 30, 2005 from Won 208 billion for the corresponding period in 2004.

The decrease in non-consolidated net non-operating income primarily reflected:

- a 42.9% decrease in net earnings of equity method investees for the nine months ended September 30, 2005 to Won 89 billion from Won 156 billion for the corresponding period in 2004, principally attributable to losses from Zhangjiagang Pohang Stainless Steel Co., Ltd. and Qingdao Pohang Stainless Steel Co., Ltd.; and

- a more than two-fold increase in non-consolidated net loss on disposal of property, plant and equipment to Won 59 billion for the nine months ended September 30, 2005 from Won 19 billion for the corresponding period in 2004, primarily resulting from losses on disposals of equipment at Pohang Works and Kwangyang Works.

Our effective tax rate for the nine-month period ended September 30, 2005 was 26.30% compared to 27.52% in the corresponding period in 2004. Commencing January 1, 2005, the

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statutory tax rate applicable to us decreased to 27.5% from 29.7%. See Note 24 of Notes to Non-consolidated Financial Statements.

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

	<b>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2004</b>	<b>2005</b>
	<b>(in billions of Won)</b>	
Net cash provided by operating activities	₩3,072	₩3,448
Net cash used in investing activities	1,499	1,467
Net cash used in financing activities	1,623	2,013
Cash and cash equivalents at beginning of period	298	207
Cash and cash equivalents at end of period	248	174
Net increase (decrease) in cash and cash equivalents	(50)	(32)

**Tax Audit**

From June 13, 2005 to December 12, 2005, the Korean National Tax Service (the NTS ) is conducting a tax audit on our tax filings made during the period from fiscal year 2000 to fiscal year 2004. Such tax audits are generally conducted by the NTS on a regular basis once every five years for Korean companies, since there is a five year statute of limitations on corporate tax claims. We expect that, after completion of the tax audit, additional taxes may be assessed against us, the exact amount of which we expect would be advised to us by the NTS in January 2006. The amount of additional taxes that may be assessed against us by the NTS is currently unknown but may be substantial.

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**POSCO**

**Non-Consolidated Interim Financial Statements**

**September 30, 2005 and 2004, and December 31, 2004**

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Non-Consolidated Balance Sheets September 30, 2005 and December 31, 2004 (Unaudited)

Non-Consolidated Statements of Income Three-Month and Nine-Month Periods Ended September 30, 2005 and 2004 (Unaudited)

Non-Consolidated Statements of Cash Flows Three-Month and Nine-Month Periods Ended September 30, 2005 and 2004 (Unaudited)

Notes to Non-Consolidated Financial Statements September 30, 2005 and 2004, and December 31, 2004 (Unaudited)

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**Table of Contents****POSCO****Non-Consolidated Balance Sheets****September 30, 2005 and December 31, 2004****(Unaudited)***(in millions of Korean won)*

	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Notes 3 and 26)	₩ 174,474	₩ 206,783
Short-term financial instruments (Notes 3 and 26)	622,064	574,886
Trading securities (Note 6)	1,454,466	2,657,338
Current portion of available-for-sale securities (Note 7)	111,022	122,318
Current portion of held-to-maturity securities (Notes 7 and 26)	3,039	3,048
Trade accounts and notes receivable, net of allowance for doubtful accounts (Notes 4, 26 and 27)	2,243,066	1,985,400
Inventories, net (Note 5)	2,744,844	2,108,682
Other accounts and notes receivable, net of allowance for doubtful accounts (Notes 4, 15, 26 and 27)	83,198	68,150
Other current assets, net of allowance for doubtful accounts (Note 10)	32,638	14,973
<b>Total current assets</b>	<b>7,468,811</b>	<b>7,741,578</b>
Property, plant and equipment, net (Notes 8 and 28)	10,180,104	9,203,061
Investment securities, net (Notes 7, 12 and 26)	4,861,885	3,919,464
Intangible assets, net (Notes 9 and 28)	287,411	363,244
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts (Note 4)	35,352	33,007
Long-term financial instruments (Note 3)	45	45
Long-term loan receivables, net of allowance for doubtful accounts		396
Other long-term assets, net of allowance for doubtful accounts (Note 10 and 26)	100,381	106,265
<b>Total assets</b>	<b>₩ 22,933,989</b>	<b>₩ 21,367,060</b>

The accompanying notes are an integral part of these non-consolidated interim financial statements.

**Table of Contents****POSCO****Non-Consolidated Balance Sheets****September 30, 2005 and December 31, 2004****(Unaudited)***(in millions of Korean won)*

	<b>2005</b>	<b>2004</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Trade accounts and notes payable (Notes 26 and 27)	₩ 443,846	₩ 608,027
Short-term borrowings (Notes 11 and 26)		13,992
Current portion of long-term debts, net of discount on debentures issued (Notes 12 and 26)	884,514	926,572
Accrued expenses (Note 26)	126,254	132,759
Other accounts and notes payable (Notes 26 and 27)	396,475	458,435
Withholdings	26,783	33,135
Income tax payable	811,459	1,012,424
Deferred income tax liabilities (Note 24)	17,188	
Other current liabilities (Notes 14 and 27)	52,341	36,056
<b>Total current liabilities</b>	<b>2,758,860</b>	<b>3,221,400</b>
Long-term debts, net of current portion and discount on debentures issued (Notes 12 and 26)	788,223	1,549,653
Accrued severance benefits, net (Note 13)	256,258	171,788
Deferred income tax liabilities (Note 24)	335,046	260,165
Other long-term liabilities (Notes 14, 19 and 27)	49,471	54,210
<b>Total liabilities</b>	<b>4,187,858</b>	<b>5,257,216</b>
Commitments and contingencies (Note 15)		
Shareholders' equity		
Capital stock (Note 1)	482,403	482,403
Capital surplus (Notes 8 and 16)	3,910,124	3,771,283
Retained earnings (Note 17)	15,810,673	12,864,139
Capital adjustments, net (Notes 7 and 18)	(1,457,069)	(1,007,981)
<b>Total shareholders' equity</b>	<b>18,746,131</b>	<b>16,109,844</b>
<b>Total liabilities and shareholders' equity</b>	<b>₩ 22,933,989</b>	<b>₩ 21,367,060</b>

The accompanying notes are an integral part of these non-consolidated interim financial statements.

**Table of Contents****POSCO****Non-Consolidated Statements of Income****Three-Month and Nine-Month Periods Ended September 30, 2005 and 2004****(Unaudited)**

<i>(in millions of Korean won, except per share amounts)</i>	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Sales</b> (Notes 27 and 28)	₩ 5,458,233	₩ 5,144,206	₩ 16,492,067	₩ 14,183,606
<b>Cost of goods sold</b> (Notes 21 and 27)	3,835,044	3,607,099	10,854,828	9,984,423
Gross profit	1,623,189	1,537,107	5,637,239	4,199,183
<b>Selling and administrative expenses</b> (Note 22)	303,804	293,172	812,912	759,466
Operating profit	1,319,385	1,243,935	4,824,327	3,439,717
<b>Non-operating income</b>				
Interest income (Note 7)	14,845	20,162	44,099	60,243
Dividend income	7,542	4,145	72,999	32,118
Gain on valuation of trading securities		14,799	4,876	22,414
Gain on disposal of trading securities	19,994	5,643	43,493	21,937
Gain on disposal of property, plant and equipment	1,730	829	11,549	4,952
Gain on foreign currency transactions	18,010	20,664	61,788	65,125
Gain on foreign currency translation	9,851	16,186	88,415	99,496
Equity in earnings of investees (Note 7)	89,620	113,496	183,672	172,996
Gain on valuation of derivatives (Note 20)	1,421		1,470	
Others	37,258	101,455	81,304	159,121
	200,271	297,379	593,665	638,402
<b>Non-operating expenses</b>				
Interest expense	18,840	34,853	71,916	113,014
Loss on foreign currency transactions	25,862	19,392	49,138	69,006
Loss on foreign currency translation		1,757	3,688	3,991
Donations (Note 23)	10,960	10,241	102,754	92,289
Loss on disposal of property, plant and equipment	23,054	6,512	70,627	23,575
Equity in losses of investees (Note 7)	34,723	9,749	94,573	17,069
Loss on derivative transaction (Note 20)	945	1,056	1,247	6,276
Others	21,671	71,169	96,688	104,964
	136,055	154,729	490,631	430,184

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Extraordinary income		3,387		3,387
Income before income taxes	1,383,601	1,389,972	4,927,361	3,651,322
Income tax expense (Note 24)	322,013	377,929	1,295,899	1,004,818
Net income	₩ 1,061,588	₩ 1,012,043	₩ 3,631,462	₩ 2,646,504
Basic and diluted earnings per share (Note 25) (in Korean won)	₩ 13,452	₩ 12,431	₩ 45,788	₩ 32,696

The accompanying notes are an integral part of these non-consolidated interim financial statements.

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**Table of Contents****POSCO****Non-Consolidated Statements of Cash Flows****Three-Month and Nine-Month Periods Ended September 30, 2005 and 2004****(Unaudited)**

<i>(in millions of Korean won)</i>	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Cash flows from operating activities</b>				
Net income	₩ 1,061,588	₩ 1,012,043	₩ 3,631,462	₩ 2,646,504
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	353,391	344,819	1,115,955	1,076,364
Accrual of severance benefits	43,575	34,393	217,319	92,142
Loss (gain) on valuation of trading securities, net	11,473	(14,799)	(4,466)	(22,414)
Gain on disposal of trading securities, net	(19,994)	(5,643)	(43,493)	(21,384)
Loss on disposal of property, plant and equipment, net	21,324	5,683	59,078	18,623
Loss (gain) on disposal of investments, net	1	741	(1)	3,577
Impairment loss on investments	25	331	75	5,679
Gain on valuation of derivatives, net	(1,336)		(1,385)	
Equity in earnings of investee, net	(54,897)	(103,747)	(89,099)	(155,927)
Recovery of stock compensation	19,412	18,502	21,416	15,387
Gain on foreign currency translation, net	(9,385)	(16,099)	(84,908)	(97,163)
Loss on derivative transaction, net	580	1,056	286	3,135
Interest expense	1,465	2,437	3,845	6,387
Interest income	(1,494)	(1,986)	(3,368)	(5,550)
Others	(13,330)	139,031	(7,334)	145,029
	350,810	404,719	1,183,920	1,063,885
Changes in operating assets and liabilities				
Increase in trade accounts and notes receivable	(230,168)	(293,022)	(240,323)	(500,696)
Increase (decrease) in other accounts and notes receivable	(6,431)	23,692	(14,229)	7,895
Increase (decrease) in accrued income	(2,296)	1,229	(108)	40,461
Decrease (increase) in prepaid expenses	9,814	(2,137)	(15,652)	(10,012)
Increase in inventories	(59,810)	(82,705)	(639,522)	(438,033)
Decrease in trade accounts and notes payable	(260,121)	(16,266)	(167,105)	(4,254)
Decrease (increase) in other accounts and notes payable	(47,299)	2,930	(63,314)	87,748
Decrease (Increase) in income tax payable	(94,512)	36,165	(200,965)	137,352
Increase (decrease) in accrued expense	71,811	(2,345)	(6,504)	13,324

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Payment of severance benefits	(5,057)	(7,653)	(105,645)	(12,579)
Increase in deferred income tax liabilities	28,800	83,513	88,616	48,417
Others	(39,284)	(98,873)	(2,736)	(8,307)
	(634,553)	(355,472)	(1,367,487)	(638,684)
Net cash provided by operating activities	777,845	1,061,290	3,447,895	3,071,705

The accompanying notes are an integral part of these non-consolidated interim financial statements.

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**Table of Contents****POSCO****Non-Consolidated Statements of Cash Flows****Three-Month and Nine-Month Periods Ended September 30, 2005 and 2004****(Unaudited)**

<i>(in millions of Korean won)</i>	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Cash flows from investing activities</b>				
Disposal of short-term financial instruments	361,240	250,000	917,640	753,500
Disposal of trading securities	3,077,191	2,003,043	8,450,340	6,218,050
Disposal of available-for-sale securities	30,000		60,676	3,666
Disposal of current maturities of held-to-maturity securities		33,925		170,930
Disposal of property, plant and equipment	2,435	109	14,255	14,668
Acquisition of short-term financial instruments	(544,792)	(471,794)	(964,818)	(802,731)
Acquisition of trading securities	(2,085,910)	(2,127,400)	(7,199,510)	(6,501,700)
Acquisition of available-for-sale securities	(1,385)	(12,982)	(81,479)	(26,901)
Acquisition of investments using the equity method	(413,083)	(1,057)	(477,427)	(19,605)
Acquisition of held-to-maturity securities	(99,824)		(99,824)	(31,095)
Acquisition of property, plant and equipment	(637,546)	(513,034)	(2,038,918)	(1,214,817)
Acquisition of intangible assets	(1,425)	(14,404)	(3,633)	(53,294)
Others	(14,852)	13,282	(44,733)	(9,713)
Net cash used in investing activities	(327,951)	(840,312)	(1,467,431)	(1,499,042)
<b>Cash flows from financing activities</b>				
Proceeds from other long-term liabilities		727	2,653	4,106
Proceeds from short-term borrowings			97,442	
Disposal of treasury stock	400,492	79,936	400,492	79,936
Acquisition of treasury stock	(641,600)	(258,168)	(998,252)	(258,168)
Repayment of short-term borrowings	(239)		(111,434)	
Repayment of current maturities of long-term debts	(200,223)	(408,521)	(721,830)	(918,033)
Repayment of other long-term liabilities	(392)	(2,454)	(1,345)	(5,519)
Payment of cash dividends	(157,520)	(119,121)	(680,794)	(525,165)
Others	(580)		295	
Net cash used in financing activities	(600,062)	(707,601)	(2,012,773)	(1,622,843)
Net decrease in cash and cash equivalents	(150,168)	(486,623)	(32,309)	(50,180)

**Cash and cash equivalents**

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Beginning of the period	324,642	734,936	206,783	298,493
End of the period	<del>₩</del> 174,474	<del>₩</del> 248,313	<del>₩</del> 174,474	<del>₩</del> 248,313

The accompanying notes are an integral part of these non-consolidated interim financial statements.

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****1. The Company**

POSCO (the Company) was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea to manufacture and sell steel rolled products and plates in the domestic and overseas markets. Annual production capacity is 30,000 thousand tons: 13,300 thousand tons at the Pohang mill, and 16,700 thousand tons at the Gwangyang mill. The shares of the Company have been listed on the Korea Stock Exchange since 1988. The Company operates two plants and one office in Korea, and seven liaison offices overseas.

Under its Articles of Incorporation, the Company is authorized to issue 200 million shares of common stock with a par value of 5,000 per share. The Company retired 2,891,140; 2,807,690; and 1,815,640 shares of treasury stock with the approval of the Board of Directors on August 25, 2001; November 20, 2002 and July 22, 2003, respectively. In addition, the Company retired 1,779,320 shares of treasury stock on October 19, 2004, in accordance with the resolution of the Board of Directors on July 23, 2004. Accordingly, total issued shares are 87,186,835 as of September 30, 2005.

As of September 30, 2005, the Company's major shareholders are as follows:

	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
National Pension Corporation	2,810,027	3.22
SK Telecom Co., Ltd.	2,481,310	2.85
Pohang University of Science and Technology	2,410,700	2.76
Others	79,484,798	91.17
	87,186,835	100.00

As of September 30, 2005, the shares of the Company are listed on the Korea Stock Exchange, while its depository receipts are listed on the New York and London Stock Exchanges.

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**Notes to Non-Consolidated Financial Statements**

**September 30, 2005 and 2004, and December 31, 2004**

**(Unaudited)**

**2. Summary of Significant Accounting Policies**

The significant accounting policies followed by the Company in the preparation of its interim non-consolidated financial statements for the three-month and nine-month periods ended September 30, 2005, are summarized below:

**Basis of Financial Statement Presentation**

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) 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 financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying non-consolidated financial statements.

**Accounting Estimates**

The preparation of the non-consolidated financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

**Application of the Statements of Korean Financial Accounting Standards**

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. As SKFAS Nos. 10, 12 and 13 became applicable to the Company on January 1, 2004, the Company adopted these Standards in its financial statements covering periods beginning January 1, 2004.

In addition, as SKFAS Nos. 15 through 17 became effective for the Company on January 1, 2005, the Company adopted these Standards in its financial statements for the nine-month period ended September 30, 2005.

In accordance with SKFAS No. 15, *Investments in Associates*, equity in earnings and losses of the investees are shown in the income statement as a gross amount. Likewise, positive and negative capital adjustments are shown in the balance sheets as a gross amount. In addition, in accordance with SKFAS No. 16, *Deferred Income Taxes*, deferred tax assets and liabilities are classified into current and non-current and within each classification deferred tax assets and liabilities are offset and recorded as a net amount. Deferred tax effects applicable to items in shareholders' equity are directly reflected in the shareholders' equity account.

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**(Unaudited)**

**Revenue Recognition**

Revenue from the sales of products is recognized when significant risks and rewards of ownership of the goods are transferred.

**Allowance for Doubtful Accounts**

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibility of individual accounts and historical collection experience.

**Inventories**

The quantity of inventory on hand is verified using the perpetual inventory system, which continuously updates the quantity of the inventory during the period, and by physical count as of the balance sheet date. Inventories are stated at the lower of cost or market, with cost being determined using the moving-average method, except for materials-in-transit, which are stated at actual cost using the specific identification method. No physical count of inventory has been conducted as of September 30, 2005. If the net realizable value of inventories (current replacement cost for raw materials) is lower than its cost, the carrying amount is reduced to the net realizable value and the difference between the cost and revalued amount is charged to current operations.

**Investments in Securities**

The Company accounts for equity and debt securities under the provision of SKFAS No. 8, *Investments in Securities*. This statement requires investments in equity and debt securities to be classified into three categories: trading, available-for-sale and held-to-maturity.

Securities that are bought and held principally for near-term sale to generate profits from short-term price differences are classified into trading. Trading generally involves active and frequent buying and selling. Debt securities that have fixed or determinable payments and fixed maturity shall be classified as held-to-maturity only if the reporting entity has both the positive intent and ability to hold those securities to maturity. Securities that are not classified as either held-to-maturity securities or trading securities are classified as available-for-sale.

Securities are initially carried at cost, including incidental expenses, with cost being determined using the gross average method or moving-average method. Debt securities, which the Company has the intent and ability to hold to maturity, are generally carried at cost, adjusted for the amortization of discounts or premiums. Premiums and discounts on debt securities are amortized over the term of the debt using the effective interest rate method. Trading and available-for-sale securities are carried at fair value, except for non-marketable securities classified as available-for-sale securities, which are carried at cost. Non-marketable debt securities are carried at a value using the present value of future cash flows, discounted at a reasonable interest rate determined considering the credit ratings by the independent credit rating agencies.

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**(Unaudited)**

Unrealized valuation gains or losses on trading securities are charged to current operations, and those resulting from available-for-sale securities are recorded as a capital adjustment, the accumulated amount of which shall be charged to current operations when the related securities are sold, or when an impairment loss on the securities is recognized. Impairment losses are recognized in the statement of income when the recoverable amounts are less than the acquisition costs of securities or adjusted costs of debt securities for the amortization of discounts or premiums.

**Investments in Affiliates**

Investments in equity securities of companies, over which the Company exercises a significant control or influence, are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership in the book value of the investee in current operations, as capital adjustment or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee. The Company discontinues the equity method of accounting for investments in equity method investees when the Company's share in the accumulated losses equals the cost of the investments, and until the subsequent cumulative changes in its proportionate net income of the investees equals its cumulative proportionate net losses not recognized during the periods when the equity method was suspended. . If the book value of the investee has changed due to the capital increase of the investee, net losses not recognized in the prior periods are reflected in equity method investment securities as an adjustment to retained earnings.

Differences between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investee are amortized over the period, not to exceed 20 years, using the straight-line method. However, in case of the investee which is also a subsidiary of the Company, if the additional investment results in the change in the ownership percentage, the difference between the change in the proportionate ownership in the book value of the investee and additional investment is recorded as capital adjustment.

The Company's proportionate unrealized profit arising from sales by the Company to equity method investee, sales by the equity method investees to the Company or sales between equity method investees are eliminated. Only unrealized profit arising from sales by the Company to subsidiaries is fully eliminated.

If the Company has provided allowance for doubtful accounts for receivables due from an equity method investee which is also a subsidiary of the Company, bad debt expenses recognized during the current period should be included in equity method investment securities and reflected in current operations as gain on investments using the equity method.



**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

Foreign currency financial statements of equity method investees are translated into Korean won using the exchange rates in effect as of the balance sheet date for assets and liabilities (the exchange rates on the acquisition date for capital accounts), and annual average exchange rates for income and expenses. Any resulting translation gain or loss is included in the capital adjustments account, a component of shareholders' equity.

The equity method of accounting is applied based on the most recent available unreviewed financial statements of subsidiaries and affiliates. The Company believes that if the financial statements were reviewed, differences between unreviewed and reviewed financial statements would not have a material effect on the financial statements of the Company.

**Property, Plant and Equipment and Related Depreciation**

Property, plant and equipment are stated at cost, net of accumulated depreciation, except for certain assets subject to upward revaluations in accordance with the Asset Revaluation Law. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

	<b>Estimated useful lives</b>
Buildings and structures	20-40 years
Machinery and equipment	8 years
Vehicles	4-9 years
Tools	4 years
Furniture and fixtures	4 years

The acquisition cost of an asset is comprised of its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use. When the estimated cost of dismantling and removing the asset and restoring the site, after the termination of the asset's useful life, meets the criteria for the recognition of provisions, the present value of the estimated expenditure shall be included in the cost of the asset.

Subsequent expenditure on property, plant and equipment shall be capitalized only when it increases future economic benefits beyond its most recently assessed standard of performance; all other subsequent expenditures shall be recognized as an expense in the period in which it is incurred.

**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****Intangible Assets**

Intangible assets are stated at acquisition cost, including incidental expenses, net of accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives as described below.

	<b>Estimated useful lives</b>
Intellectual property rights	5-10 years
Land usage rights	40 years
Port facilities usage rights	3-34 years
Other intangibles	4-20 years

Port facilities usage rights and land usage rights, which represent rights to use certain port facilities and land, are amortized over the term of exclusive rights.

The costs incurred in relation to the development of new products and new technologies, including the development cost of internally used software and related costs, are recognized and recorded as other intangible assets only if it is probable that future economic benefits that are attributable to the asset will flow into the Company, and the cost of the asset can be measured reliably. The useful life of other intangible assets (development cost) should be based on its estimated useful life, not to exceed 20 years from the date when the asset is available for use.

As of September 30, 2005, port facilities usage rights is related to the quay and inventory yard contributed by the Company, since April 1987, to the local bureaus of the Maritime Affairs and Fisheries in Gwangyang, Pohang, Pyoungtaek and Masan. The related amortization expense amounted to 14,040 million for the nine-month period ended September 30, 2005 (for the three-month period ended September 30, 2005: 4,635 million).

**Discounts on Debentures**

Discounts on debentures are amortized over the repayment period using the effective interest rate method. The discount is reported on the balance sheet as a direct deduction from the face amount of the debenture. Amortization is included in interest expense.

**Valuation of Assets and Liabilities at Present Value**

Long-term loans receivable and long-term trade accounts and notes receivable are valued at their present value as discounted at an appropriate discount rate. Discounts are amortized using the effective interest rate method and recognized as an interest income over the life of the related assets.

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**September 30, 2005 and 2004, and December 31, 2004**

**(Unaudited)**

**Accrued Severance Benefits**

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

The Company has partially funded the accrued severance benefits through group severance insurance deposits with Samsung Life Insurance Company and others.

The contributions to the National Pension Fund in accordance with the National Pension Act in Korea and group severance insurance deposits are deducted from accrued severance benefit liabilities.

**Derivative Instruments**

All derivative instruments are accounted for at fair value, and unrealized gains and losses from derivative contracts are charged to current operations with resulting rights and obligations being accounted for as asset and liabilities of the Company.

**Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the exchange rates in effect at the balance sheet date (1,038.0: US\$1 as of September 30, 2005 and 1,043.8: US\$1 as of December 31, 2004), and resulting translation gains and losses are recognized in current operations.

**Income Taxes**

The Company recognizes deferred income taxes for anticipated future tax consequences resulting from temporary differences between amounts reported for financial reporting and income tax purposes. Deferred income tax assets and liabilities are computed on such temporary differences by applying enacted statutory tax rates applicable to the years when such differences are expected to reverse. Deferred tax assets are recognized when it is more likely that such deferred tax assets will be realized. Income tax effect of temporary differences is reflected as income tax expenses in the period incurred, and income tax effect of temporary differences in relation to item in shareholders equity is directly reflected in the related shareholders equity account. The total income tax provision includes the current income tax expense under applicable tax regulations and the change in the balance of deferred income tax assets and liabilities during the period.

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**(Unaudited)**

Deferred tax assets and liabilities in the balance sheet are classified into current and non-current portion, and within each classification, deferred tax assets and deferred tax liabilities are offset and recorded.

**Impairment of Assets**

The Company assesses the potential impairment of assets which are not recorded at fair value when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. The carrying value of the assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets would be recorded in current operations up to the cost of the asset, net of accumulated depreciation or amortization, if any, before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

**Capitalization of Financing Expenses**

Financing expense on borrowing associated with certain qualifying assets during the construction period that meet certain criteria for capitalization can be either capitalized or expensed as incurred. The Company has chosen to expense as a financing expense the cost of manufacturing, acquisition, and construction of property, plant, and equipment that require more than one year from the initial date of manufacture, acquisition, and construction to the date of the estimated completion of the manufacture, acquisition and construction.

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements  
September 30, 2005 and 2004, and December 31, 2004  
(Unaudited)****3. Cash and Cash Equivalents, and Financial Instruments**

Cash and cash equivalents, and short-term and long-term financial instruments as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	<b>Annual Interest Rate (%)</b>	<b>2005</b>	<b>2004</b>
<b>Cash and cash equivalents</b>			
Checking accounts		₩ 465	₩ 1,308
Money market deposit accounts	3.00-3.50	138,300	169,400
Time deposits in foreign currency	1.22	35,709	35,075
Time deposits			1,000
		₩ 174,474	₩ 206,783
<b>Short-term financial instruments</b>			
Cash on hand and in banks <sup>1</sup>	0.10	2,506	6,240
Time deposits	3.40-3.95	195,000	86,400
Specified money in trust		193,558	2,140
Certificates of deposit	3.72-4.30	161,000	181,000
Commercial papers			29,106
Trust type savings accounts	3.70-4.50	70,000	270,000
		₩ 622,064	₩ 574,886
<b>Long-term financial instruments</b>			
Guarantee deposits for opening accounts <sup>2</sup>		₩ 45	₩ 45

<sup>1</sup> In relation to government appropriated project, cash on hand and in banks are restricted from withdrawal.

<sup>2</sup> The Company is required to

provide collateral deposits amounting to 45 million to open checking accounts and accordingly, the withdrawal of these deposits is restricted.

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements  
September 30, 2005 and 2004, and December 31, 2004  
(Unaudited)****4. Accounts and Notes Receivable and Others**

Accounts and notes receivable and their allowance for doubtful accounts as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	<b>2005</b>	<b>2004</b>
Trade accounts and notes receivable	₩ 2,249,139	₩ 2,006,019
Less: Allowance for doubtful accounts	(6,073)	(20,619)
	₩ 2,243,066	₩ 1,985,400
Other accounts and notes receivable	₩ 138,436	₩ 117,426
Less: Allowance for doubtful accounts	(55,238)	(49,276)
	₩ 83,198	₩ 68,150
Long-term trade accounts and notes receivable	₩ 45,150	₩ 45,149
Less: Allowance for doubtful accounts	(9,798)	(12,142)
	₩ 35,352	₩ 33,007

Accounts stated at present value under long-term deferred payment terms are as follows:

<i>(in millions of Korean won)</i>	<b>Face Value</b>	<b>Allowance for doubtful accounts</b>	<b>Book Value</b>	<b>Maturity Date</b>	<b>Discount Rate (%)</b>
Long-term trade accounts receivable					
BNG Steel Co., Ltd.	₩ 44,900	₩ 8,440	₩ 36,460	November 2009	8.62
"	7,676	1,145	6,531	December 2008	8.62
Less: Current portion	(7,679)	(105)	(7,574)		
	₩ 44,897	₩ 9,480	₩ 35,417		

Other accounts receivable POSCO Venezuela Compania Anonima (POSVEN)	₩ 6,971	₩ 86	₩ 6,885	January 2006	5.09
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The Company computed discounts on accounts receivable using the Company's weighted-average borrowing rate incurred as of the date nearest to the Company's year end and accounted for them as allowance for doubtful accounts in accordance with SKFAS No. 13,  
*Troubled Debt Restructurings.*

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September 30, 2005 and 2004, and December 31, 2004  
(Unaudited)****5. Inventories**

Inventories as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	<b>2005</b>	<b>2004</b>
Finished goods	₩ 416,337	₩ 188,604
Semi-finished goods	696,100	576,849
Raw materials	1,102,935	820,895
Materials-in-transit	527,015	520,374
Others	2,457	2,067
	2,744,844	2,108,789
Less: Provision for valuation loss		(107)
	₩ 2,744,844	₩ 2,108,682

**6. Trading Securities**

Trading securities as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	<b>Acquisition Cost</b>	<b>2005 Fair Value</b>	<b>Book Value</b>	<b>2004 Book Value</b>
Beneficiary certificates	₩ 1,150,000	₩ 1,154,221	₩ 1,154,221	₩ 2,350,660
Monetary market fund	300,000	300,245	300,245	275,841
Mutual fund				30,837
	₩ 1,450,000	₩ 1,454,466	₩ 1,454,466	₩ 2,657,338

**7. Investment Securities**

Investment securities as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	<b>2005</b>	<b>2004</b>
Available-for-sale securities, net	₩ 2,157,441	₩ 1,926,560
Held-to-maturity securities, net	137,055	37,148
Equity-method investments	2,567,389	1,955,756
	₩ 4,861,885	₩ 3,919,464



**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****Available-For-Sale Securities**

Available-for-sale securities as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	<b>2005</b>	<b>2004</b>
Current portion of available-for-sale securities		
Investments in bonds	₩ 111,022	₩ 122,318
Available-for-sale securities		
Marketable equity securities	1,972,544	1,682,496
Non-marketable equity securities	124,447	130,371
Investments in bonds	60,450	113,693
	2,157,441	1,926,560
	₩ 2,268,463	₩ 2,048,878

Investments in marketable equity securities as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of</i>	<b>2005</b>			<b>2004</b>	
<i>Korean won)</i>	<b>Number of</b>	<b>Percentage</b>	<b>Acquisition</b>	<b>Book</b>	<b>Book</b>
	<b>shares</b>	<b>of</b>	<b>Cost</b>	<b>Value</b>	<b>Value</b>
		<b>ownership</b>			
		<b>(%)</b>			
Hanil Iron & Steel Co., Ltd.	206,798	10.14	₩ 2,413	₩ 4,911	₩ 3,102
HI Steel Co., Ltd.	135,357	9.95	1,609	2,680	1,747
Munbae Steel Co., Ltd.	1,849,380	9.02	3,588	3,505	2,367
Hana Bank	4,617,600	2.46	29,998	177,778	119,134
Korea Investment					135
SK Telecom Co., Ltd. <sup>1</sup>	5,900,630	7.17	1,678,201	1,197,633	1,170,222
Samjung Packing & Aluminum Co., Ltd. <sup>2</sup>					1,944
Dong Yang Steel Pipe Co., Ltd.	1,564,250	2.46	3,911	1,095	501
Nippon Steel Corporation	147,876,000	2.17	285,102	576,954	375,649
Korea Line Corp.	217,373	2.17	8,067	7,988	7,695
			₩ 2,012,889	₩ 1,972,544	₩ 1,682,496

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(Unaudited)**

<sup>1</sup> The 1,802,132 SK Telecom Co., Ltd. shares, classified as available-for-sale securities, have been pledged as collateral for exchangeable bonds (Note 12).

<sup>2</sup> Samjung Packing & Aluminum Co., Ltd. has been included in the equity method investments.

Investments in non-marketable equity securities as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	Number of Shares	Percentage of Ownership (%)	2005		2004	
			Acquisition Cost	Net Asset Value <sup>1</sup>	Book Value	Book Value
Hankyung Shinmun Co., Ltd.	28,728	0.15	₩ 309	₩ 149	₩ 309	₩ 309
Keo Yang Shipping Co., Ltd.	150,000	0.88	780	1,842	780	780
Dae Kyeong Special Steel Co., Ltd.	1,786,000	19.00	8,930	6,086	8,930	8,930
Kihyup Technology Banking Corp.	600,000	10.34	3,000	3,532	3,000	3,000
Powercomm	4,500,000	3.00	153,000	45,675	45,675	45,675
POSCO Terminal Co., Ltd. <sup>2</sup>						5,916
The Seoul Shimun Co., Ltd.	1,614,000	19.40	9,551	2,631	9,551	9,551
The Siam United Steel PT-POSNESIA	9,000,000	10.00	26,640	16,536	26,640	26,640
Stainless Steel Industry <sup>3</sup>	29,610,000	70.00	9,474	8,957	1,567	1,567

BX Steel Posco Cold Rolled Sheet Co., Ltd. <sup>4</sup>	10.00	26,803	24,632	26,803	26,803
Others		1,192	1,723	1,192	1,200
		₩ 239,679	₩ 111,763	₩ 124,447	₩ 130,371

<sup>1</sup> The net assets value of the non-marketable equity securities is determined based on the September 30, 2005 financial statements which have not been reviewed or audited. However, the net assets value of Hankyung Shinmun Co., Ltd. is based on the June 30, 2005 financial statements which have not been reviewed or audited and the net assets values of Keo Yang Shipping Co., Ltd. and Kihyup Technology Banking Corp. are based on the June 30, 2005 audited financial statements. PT-POSENSIA Stainless Steel Industry is based on the audited financial statements as of December 31, 2004 and Seoul Shinmun Co., Ltd. is based on

the August 31, 2005 financial statements which have not been reviewed or audited. Powercomm shares were based on the discounted cash flow method, and the difference between the acquisition cost and the discounted cash flow amounting to ₩107,325 million was accounted for as a capital adjustment. Except for Powercomm, shares without an objective market value were based on acquisition costs.

- 2 POSCO Terminal, which had total assets worth more than ₩7,000 million as of December 31, 2004, is included in the equity method investments.

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September 30, 2005 and 2004, and December 31, 2004  
(Unaudited)**

<sup>3</sup> In relation to PT-POSNESIA, which is in the process of liquidation as of September 30, 2005, the Company recorded an impairment loss amounting to ₩970 million, the excess amount of book value over the net recoverable amount, for the year ended December 31, 2004.

<sup>4</sup> No shares have been issued in accordance with the local laws or regulations.

Investments in bonds as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	<b>Maturity</b>	<b>Acquisition Cost</b>	<b>2005 Fair Value</b>	<b>Book Value</b>	<b>2004 Book Value</b>
Government bonds	Less than 1 year	₩ 111,504	₩ 111,022	₩ 111,022	₩ 122,318
	1-5 years	58,848	60,450	60,450	92,807
Others	1-5 years				20,886
		₩ 170,352	₩ 171,472	₩ 171,472	₩ 236,011

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

Available-for-sale securities are stated at fair market value, and the difference between the acquisition cost and fair market value is accounted for in the capital adjustment account. The movements of such differences for the nine-month period ended September 30, 2005 and for the year ended December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	<b>Beginning Balance</b>	<b>2005 Increase (Decrease)<sup>1</sup></b>	<b>Ending Balance</b>	<b>Beginning Balance</b>	<b>2004 Increase (Decrease)</b>	<b>Ending Balance</b>
<b>Marketable equity securities</b>						
Hanil Iron & Steel Co., Ltd.	₩ 689	₩ 1,122	₩ 1,811	₩ (76)	₩ 765	₩ 689
HI Steel Co., Ltd.	139	638	777	(555)	694	139
Munbae Steel Co., Ltd.	(1,221)	1,161	(60)	(1,748)	527	(1,221)
Chohung Bank				(3,227)	3,227	
Hana Bank	89,136	18,004	107,140	71,589	17,547	89,136
Korea Investment	(453)	453		(403)	(50)	(453)
SK Telecom Co., Ltd.	(495,027)	146,616	(348,411)	(504,158)	9,131	(495,027)
Samjung Packing & Aluminum Co., Ltd.	(770)	770		(849)	79	(770)
Dong Yang Steel Pipe Co., Ltd.	(3,410)	1,369	(2,041)	(3,402)	(8)	(3,410)
Nippon Steel Corporation	90,547	121,046	211,593	95,691	(5,144)	90,547
Korea Line Corp.	(372)	315	(57)		(372)	(372)
	(320,742)	291,494	(29,248)	(347,138)	26,396	(320,742)
<b>Non-marketable equity securities</b>						
Powercomm	(107,325)	29,514	(77,811)	(111,956)	4,631	(107,325)
The Seoul Shinmun Co., Ltd.	2,072	(570)	1,502		2,072	2,072
Investments in Bonds Stock Market Stabilization Fund	6,030	(4,823)	1,207	1,118	4,912	6,030
				1,179	(1,179)	
	₩ (419,965)	₩ 315,615	₩ (104,350)	₩ (456,797)	₩ 36,832	₩ (419,965)

<sup>1</sup> Realized losses from the disposal of available-for-sale



securities  
amounted to  
~~₩~~988 million for  
the nine-month  
period ended  
September 30,  
2005.

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****Held-To-Maturity Securities**

Held-to-maturity securities as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	<b>Maturity</b>	<b>2005 Acquisition Cost</b>	<b>2005 Book Value</b>	<b>2004 Book Value</b>
<b>Current portion of held-to-maturity securities</b>				
Government bonds	Less than 1 year	₩ 2,000	₩ 2,000	₩ 2,000
Foreign currency corporate bonds of	"	1,321	1,039	1,048
US\$1,000,000		3,321	3,039	3,048
<b>Held-to-maturity securities</b>				
Government bonds	1-8 years	136,914	137,055	37,148
		₩ 140,235	₩ 140,094	₩ 40,196

The Company provided government bonds, amounting to ₩31,215 million, to the Gyeongbuk municipal government as collateral for the recovery commitment of the Pohang No. 4 disposal site. Interest income accrued from available-for-sale securities and held-to-maturity securities amounted to ₩9,799 million for the nine-month period ended September 30, 2005 (for the nine-month period ended September 30, 2004: ₩12,258 million).

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****Equity-Method Investments**

Equity-method investments as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	<b>Number of Shares</b>	<b>2005</b>		<b>2004</b>	
		<b>Percentage of Ownership (%)</b>	<b>Acquisition Cost</b>	<b>Book Value</b>	<b>Book Value</b>
POSCO E&C	27,281,080	90.94	₩ 365,789	₩ 390,862	₩ 321,177
Posteel Co., Ltd.	17,155,000	95.31	113,393	254,023	253,013
POSCON Co., Ltd.	3,098,610	88.04	49,822	17,007	18,079
Pohang Steel Co., Ltd.	4,000,000	66.67	96,151	162,058	175,992
POSCO Machinery & Engineering Co., Ltd.	1,700,000	100.00	17,052	14,877	13,719
POSDATA Co., Ltd.	5,044,072	61.85	52,749	80,749	63,123
POSCO Research Institute	3,800,000	100.00	19,000	23,915	22,682
Seung Kwang Co., Ltd.	2,737,000	69.38	28,408	30,780	29,444
POS-AC Co., Ltd.	130,000	100.00	1,043	1,435	613
Changwon Specialty Steel Co., Ltd.	26,000,000	89.66	260,000	367,070	335,827
POSCO Machinery Co., Ltd.	1,000,000	100.00	10,000	15,943	14,333
POSTECH Venture Capital Co., Ltd.	5,700,000	95.00	28,500	32,586	32,712
eNtoB Corporation	560,000	17.50	2,800	2,900	2,687
POSCO Refractories & Environment (POSREC)	3,544,200	60.00	41,210	60,050	54,816
POSCO Terminal Co., Ltd.	2,550,000	51.00	12,750	15,522	
Dongwoosa Service Inc.	214,286	30.00	7,233	7,199	
Samjung Packing & Aluminum Co., Ltd.	270,000	9.00	2,714	2,592	
POSCO Power Corp. <sup>1</sup>	20,000,000	50.00	291,041	294,844	
Pohang Steel America Corporation (POSAM)	306,855	99.43	251,643	111,922	109,329
POSCO Australia Pty. Ltd. (POSA)	761,775	100.00	37,352	68,206	52,526
POSCO Asia Co., Ltd. (POA)	9,360,000	100.00	7,425	17,890	17,135
VSC-POSCO Steel Corporation (VPS) <sup>2</sup>		35.00	4,758	3,806	5,265
DALIAN POSCO-CFM Coil Center Co., Ltd. <sup>2</sup>		30.00	7,189	9,312	9,719
		10.00	653	1,308	1,240

POS-Tianjin Coil Center Co.,  
Ltd.<sup>2</sup>

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

<i>(in millions of Korean Won)</i>	<b>Number of Shares</b>	<b>2005</b>		<b>2004</b>	
		<b>Percentage of Ownership (%)</b>	<b>Acquisition Cost</b>	<b>Book Value</b>	<b>Book Value</b>
Zhangjiagang Pohang Stainless Steel Co., Ltd. <sup>2</sup>		72.55	₩ 196,602	₩ 170,465	₩ 179,747
SHUNDE Pohang Coated Steel Co., Ltd. <sup>2</sup>		83.80	20,696	21,170	25,793
POS-THAI Service Steel Co., Ltd.	2,327,288	39.17	7,427	5,726	951
POSCO Venezuela Compania Anonima (POSVEN) <sup>3</sup>	4,480	40.00			
Myanmar-POSCO Co., Ltd.	13,440	70.00	2,192	4,053	4,453
KOBRASCO	2,010,719,185	50.00	32,950	32,723	10,956
POSINVEST	5,000,000	100.00	53,189	67,281	34,418
POSCHROME	21,675	25.00	4,859	5,948	7,076
Shunde Xingpu Steel Center Co., Ltd. <sup>2</sup>		10.50	927	1,609	1,544
POS-HYUNDAI STEEL	2,345,558	10.00	1,057	816	770
POSVINA <sup>2</sup>		50.00	1,527	2,634	3,117
Posmmit Steel Centre SDN BHD (POS-MMIT)	4,200,000	30.00	2,308	3,227	2,927
PT POSMI Steel Indonesia	743	9.17	347	495	439
Qingdao Pohang Stainless Steel Co., Ltd. <sup>2</sup>		70.00	49,733	15,458	38,455
POSCO (SUZHOU) Automotive Processing Center Co., Ltd. <sup>2</sup>		90.00	21,267	19,551	18,507
POSCO China Holding Corp. <sup>2</sup>		100.00	161,168	147,370	52,866
POSCO Japan Co., Ltd.	88,838	100.00	50,557	28,974	40,306
POSCO India Private Ltd.	224,999,999	100.00	52,627	53,033	
			₩ 2,368,108	₩ 2,567,389	₩ 1,955,756

Due to the delay in the closing of September 30, 2005 accounts and the settlement of closing differences, the equity method of accounting is applied based on the most recent available financial information, which has not been audited or reviewed as of September 30, 2005.

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**POSCO**

**Notes to Non-Consolidated Financial Statements**

**September 30, 2005 and 2004, and December 31, 2004**

**(Unaudited)**

- <sup>1</sup> In accordance with the resolution of the Board of Directors meeting on May 24, 2005, the Company acquired 11.75% equity interest in POSCO Power Corporation (formerly Korea Independent Energy Corp.) in June 2005 for the purpose of diversification of its business. Also, the Company acquired an additional 38.25% equity interest in July 2005.
- <sup>2</sup> No shares have been issued in accordance with the local laws or regulations.
- <sup>3</sup> The Company suspended the application of the equity-method

for investments  
in POSVEN,  
which is in the  
process of  
liquidation, due  
to its negative  
book value.

- 4 In accordance  
with the  
resolution of  
the Board of  
Directors  
meeting on  
July 12, 2005,  
the Company  
established  
POSCO-India  
Private Ltd. to  
acquire the  
mining rights  
and carry out  
the business  
feasibility  
review.

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements  
September 30, 2005 and 2004, and December 31, 2004  
(Unaudited)**

The details of equity method valuation for the nine-month period ended September 30, 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>Beginning Balance</b>	<b>January 1, 2005 - June 30, 2005</b>		<b>July 1, 2005 - September 30, 2005</b>		<b>Ending Balance</b>
		<b>Equity in Earnings (Losses) of Investee</b>	<b>Other Increase (Decrease)<sup>1</sup></b>	<b>Equity in Earnings (Losses) of Investee</b>	<b>Other Increase (Decrease)<sup>1</sup></b>	
POSCO E&C	₩ 321,177	₩ 31,587	₩ (20,722)	₩ 45,047	₩ 13,773	₩ 390,862
Posteel Co., Ltd.	253,013	397	(9,214)	6,935	2,893	254,024
POSCON Co., Ltd.	18,079	139	(3,087)	1,883	(9)	17,005
Pohang Steel Co., Ltd.	175,992	(2,415)	(5,989)	(5,530)		162,058
POSCO Machinery & Engineering Co., Ltd.	13,719	584	(40)	607	6	14,876
POSDATA Co., Ltd.	63,123	3,756	(5,133)	2,292	16,710	80,748
POSCO Research Institute	22,682	461		772		23,915
Seung Kwang Co., Ltd.	29,444	897	3	436		30,780
POS-AC Co., Ltd.	613	485	(76)	412		1,434
Changwon Specialty Steel Co., Ltd.	335,827	19,669	4,059	7,767	(252)	367,070
POSCO Machinery Co., Ltd.	14,333	1,465		145		15,943
POSTECH Venture Capital Co., Ltd.	32,712	61	(41)	(151)	5	32,586
eNtoB Corporation	2,687	104		109		2,900
POSCO Refractories & Environment (POSREC)	54,816	5,516	(2,679)	2,409	(12)	60,050
POSCO Terminal Co., Ltd.		2,443	12,694	385		15,522
Dongwoosa Service Inc.			7,233	(47)	13	7,199
Samjung Packing & Aluminum Co., Ltd.			2,781	(197)	8	2,592
POSCO Power Corp.				3,810	291,034	294,844
Pohang Steel America Corporation (POSAM)	109,329	9,209	(2,492)	(5,788)	1,665	111,923
POSCO Australia Pty. Ltd. (POSA)	52,526	8,596	(2,520)	8,733	870	68,205



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POSCO Asia Co., Ltd. (POA)	17,135	1,111	(315)	(299)	258	17,890
VSC-POSCO Steel Corporation (VPS) DALIAN	5,265	875	(1,117)	(433)	(784)	3,806
POSCO-CFM Coil Center Co., Ltd.	9,719	(2,285)	(201)	1,754	325	9,312
POS-Tianjin Coil Center Co., Ltd.	1,240	47	(24)	(1)	45	1,307
Zhangjiagang Pohang Stainless Steel Co., Ltd.	179,747	(33,660)	(4,527)	(8,521)	37,427	170,466
SHUNDE Pohang Coated Steel Co., Ltd.	25,793	3,307	(302)	(2,515)	(5,113)	21,170

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements  
September 30, 2005 and 2004, and December 31, 2004  
(Unaudited)**

<i>(in millions of Korean won)</i>	<b>Beginning Balance</b>	<b>January 1, 2005 - June 30, 2005</b>		<b>July 1, 2005 - September 30, 2005</b>		<b>Ending Balance</b>
		<b>Equity in Earnings (Losses) of Investee</b>	<b>Other Increase (Decrease)<sup>1</sup></b>	<b>Equity in Earnings (Losses) of Investee</b>	<b>Other Increase (Decrease)<sup>1</sup></b>	
POS-THAI Service Steel Co., Ltd.	₩ 951	₩ 65	₩ (75)	₩ 142	₩ 4,643	₩ 5,726
Myanmar-POSCO Co., Ltd.	4,453	(104)	(81)	(266)	51	4,053
KOBRASCO	10,956	12,712	3,104	3,397	2,555	32,724
POSINVEST	34,418	1,077	30,102	803	880	67,280
POSchrome	7,076	575	(1,389)	301	(615)	5,948
Shunde Xingpu Steel Center Co., Ltd.	1,544	74	(28)	(37)	56	1,609
POS-HYUNDAI STEEL	770	108	(6)	25	(81)	816
POSVINA	3,117	(287)	(67)	120	(248)	2,635
Posmmit Steel Centre SDN BHD (POS-MMIT)	2,927	314	(95)	7	74	3,227
PT POSMI Steel Indonesia	439	96	(5)	(40)	5	495
Qingdao Pohang Stainless Steel Co., Ltd.	38,455	(16,350)	(820)	(6,977)	1,150	15,458
POSCO (SUZHOU) Automotive Processing Center Co., Ltd.	18,507	388	(343)	308	690	19,550
POSCO China Holding Corp.	52,866	(9,147)	17,334	(3,809)	90,127	147,371
POSCO Japan Co., Ltd.	40,306	(7,669)	(4,049)	1,020	(632)	28,976
POSCO India Private Ltd.				(111)	53,145	53,034
	₩1,955,756	₩ 34,201	₩ 11,873	₩ 54,897	₩ 510,662	₩2,567,389

<sup>1</sup> Other increase  
(decrease) represents

the changes in  
investment securities  
primarily due to  
acquisitions  
(disposals), dividends  
received, valuation  
gain or loss on  
investment securities,  
changes in retained  
earnings and others.

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

The details of equity method valuation for the year ended December 31, 2004, were as follows:

	Beginning Balance	January 1, 2004 - June 30, 2004		July 1, 2004 - September 30, 2004		October 1, 2004 - December 31, 2004		Ending Balance
		Equity in Earnings (Losses) of Investee	Other Increase (Decrease) <sup>1</sup>	Equity in Earnings (Losses) of Investee	Other Increase (Decrease) <sup>1</sup>	Equity in Earnings (Losses) of Investee	Other Increase (Decrease) <sup>1</sup>	
<i>(in millions of Korean won)</i>								
POSCO E&C	₩ 268,991	₩ 41,546	₩ (16,697)	₩ 43,550	₩ (290)	₩ (9,644)	₩ (6,279)	₩ 321,177
Posteel Co., Ltd.	244,789	(3,608)	(5,351)	16,869	2,110	1,389	(3,185)	253,013
POSCON Co., Ltd.	23,393	244	(811)	1,311	(165)	(5,894)	1	18,079
Pohang Steel Co., Ltd.	165,114	13,915	(4,000)	(2,819)	(1)	3,783		175,992
POSCO Machinery & Engineering Co., Ltd.	11,186	1,955	1	1,001		(423)	(1)	13,719
POSDATA Co., Ltd.	57,891	1,420	(1,988)	1,757		884	3,159	63,123
POSCO Research Institute	22,535	875		510		(1,238)		22,682
Seung Kwang Co., Ltd.	28,274	856	1	197		416	(300)	29,444
POS-AC Co., Ltd.	661	(125)	56	639		(638)	20	613
Changwon Specialty Steel Co., Ltd.	307,650	8,044		10,775		9,219	139	335,827
POSCO Machinery Co., Ltd.	13,377	878		1,528		(1,450)		14,333
POSTECH Venture Capital Co., Ltd.	31,836	1,478	620	(187)	(238)	110	(907)	32,712
eNtoB Corporation	2,467	(29)	(1)	97		152	1	2,687

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

	Beginning Balance	January 1, 2004 - June 30, 2004		July 1, 2004 - September 30, 2004		October 1, 2004 - December 31, 2004		Ending Balance
		Equity in Earnings (Losses) of Investee	Other Increase (Decrease) <sup>1</sup>	Equity in Earnings (Losses) of Investee	Other Increase (Decrease) <sup>1</sup>	Equity in Earnings (Losses) of Investee	Other Increase (Decrease) <sup>1</sup>	
<i>(in millions of Korean won)</i>								
POSCO Refractories & Environment (POSREC)	₩ 47,949	₩ 5,294	₩ (1,447)	₩ (336)	₩	₩ 3,356	₩	₩ 54,816
Pohang Steel America Corporation (POSAM)	151,447	(19,190)	(5,738)	5,395	(659)	(5,070)	(16,856)	109,329
POSCO Australia Pty. Ltd. (POSA)	53,638	4,592	(4,052)	1,233	(4,111)	2,010	(784)	52,526
POSCO Asia Co., Ltd. (POA)	13,154	1,627	(535)	1,418	(72)	3,258	(1,715)	17,135
POSCO International Osaka, Inc. (PIO)	3,436	3,838	(2,631)	(4,248)	(395)	410	(410)	
VSC-POSCO Steel Corporation (VPS)	4,956	1,692	(656)	(326)	418	(698)	(121)	5,265
DALIAN POSCO-CFM Coil Center Co., Ltd.	14,148	(1,364)	(546)	925	(61)	1,244	(4,627)	9,719
POS-Tianjin Coil Center Co., Ltd.	1,355	22	(51)	1	(6)	42	(123)	1,240
Zhangjiagang Pohang Stainless Steel Co., Ltd.	188,353	(15,516)	(5,911)	18,965	(837)	10,368	(15,675)	179,747

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

	January 1, 2004 - June 30, 2004			July 1, 2004 - September 30, 2004		October 1, 2004 - December 31, 2004		Ending Balance
	Equity in Earnings Beginning of Investee	Other Increase (Decrease) <sup>1</sup>	Equity in Earnings (Losses) of Investee	Other Increase (Decrease) <sup>1</sup>	Equity in Earnings (Losses) of Investee	Other Increase (Decrease) <sup>1</sup>		
<i>(in millions of Korean won)</i>	<b>Balance</b>							<b>Balance</b>
SHUNDE Pohang Coated Steel Co., Ltd.	₩ 28,855	₩ 369	₩ (1,120)	₩ 525	₩ (124)	₩ 3,521	₩ (6,233)	₩ 25,793
POS-THAI Service Steel Co., Ltd.	931	75	(66)	11	(16)	48	(32)	951
Myanmar-POSCO Co., Ltd.	5,250	(72)	(194)	(88)	(18)	11	(436)	4,453
KOBRASCO	440	889	(738)	5,588	348	4,497	(68)	10,956
POSINVEST	36,575	1,693	(1,412)	472	(149)	641	(3,402)	34,418
POSCHROME	6,558	229	210	195	(888)	530	242	7,076
Shunde Xingpu Steel Center Co., Ltd.	1,650	62	(63)	28	(7)	29	(155)	1,544
POS-HYUNDAI STEEL	628	122	(35)	48	(67)	91	(17)	770
POSVINA	3,743	837	(401)	(193)	3	39	(911)	3,117
Posmmit Steel Centre SDN BHD (POS-MMIT)	2,569	338	(101)	335	(16)	104	(302)	2,927
PT POSMI Steel Indonesia	387	19	(9)	9	(1)	65	(31)	439
Qingdao Pohang Stainless Steel Co., Ltd.	33,704	(119)	14,847	(529)	(196)	(5,016)	(4,236)	38,455

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

	Beginning Balance	January 1, 2004 - June 30, 2004		July 1, 2004 - September 30, 2004		October 1, 2004 - December 31, 2004		Ending Balance
		Equity in Earnings (Losses) of Investee	Other Increase (Decrease) <sup>1</sup>	Equity in Earnings (Losses) of Investee	Other Increase (Decrease) <sup>1</sup>	Equity in Earnings (Losses) of Investee	Other Increase (Decrease) <sup>1</sup>	
<i>(in millions of Korean won)</i>								
POSCO (SUZHOU) Automotive Processing Center Co., Ltd.	₩ 19,319	₩ (725)	₩ 1,632	₩ 116	₩ (83)	₩ 107	₩ (1,859)	₩ 18,507
POSCO China Holding Corp.		19	17,286	(76)	(69)	(3,357)	39,063	52,866
POSCO Japan Co., Ltd.				(949)	45,522	(3,775)	(492)	40,306
	₩ 1,797,209	₩ 52,180	₩ (19,901)	₩ 103,747	₩ 39,932	₩ 9,121	₩ (26,532)	₩ 1,955,756

<sup>1</sup> Other increase (decrease) represents the changes in investment securities primarily due to acquisitions (disposals), dividends received, valuation gain or loss on investment securities, changes in retained earnings and others.

**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

Details of differences between the initial purchase price and the Company's initial proportionate ownership in the book value of the investee for the nine-month period ended September 30, 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>Beginning Balance</b>	<b>January 1, 2005 - June 30, 2005</b>		<b>July 1, 2005 - September 30, 2005</b>		<b>Ending Balance</b>
		<b>Increase (Decrease)<sup>1</sup></b>	<b>Amortization (Recovery)</b>	<b>Increase (Decrease)<sup>1</sup></b>	<b>Amortization (Recovery)</b>	
POSCO Refractories & Environment (POSREC)	₩ (1,008)	₩	₩ (317)	₩	₩ (157)	₩ (534)
Dongwoosa Service Inc.		(782)			(39)	(743)
Samjung Packing & Aluminum Co., Ltd.		(2,131)			(107)	(2,024)
Pohang Steel America Corporation (POSAM)	562		79		39	444
SHUNDE Pohang Coated Steel Co., Ltd.	(77)		(14)		(7)	(56)
Posmmit Steel Centre SDN BHD (POS-MMIT)	59		10		5	44
PT POSMI Steel Indonesia (POSMI)	118		20		9	89
POSCO Power Corp.				73,115	3,656	69,459
	₩ (346)	₩ (2,913)	₩ (222)	₩ 73,115	₩ 3,399	₩ 66,679

<sup>1</sup> Increase (decrease) represents changes in differences between the initial purchase price and the Company's initial proportionate ownership in the book value of the investee primarily due to an additional acquisition of equity method investments.





**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

Details of differences between the initial purchase price and the Company's initial proportionate ownership in the book value of the investee for the year ended December 31, 2004, were as follows:

<i>(in millions of Korean won)</i>	<b>January 1, 2004 - June 30, 2004</b>	<b>June 1, 2004 - September 30, 2004</b>	<b>October 1, 2004 - December 31, 2004</b>	<b>Ending Balance</b>	
	<b>Beginning Balance</b>	<b>Increase (Decrease)<sup>1</sup></b>	<b>Amortization Increase (Decrease)<sup>1</sup></b>	<b>Amortization Increase (Decrease)<sup>1</sup></b>	<b>Ending Balance</b>
POSCO					
Refractories & Environment (POSREC)	₩ (1,640)	₩	₩ (317)	₩	₩ (1,957)
Pohang Steel America Corporation (POSAM)	720		79	39	838
SHUNDE Pohang Coated Steel Co., Ltd.	(105)		(14)	(7)	(126)
Posmmit Steel Centre SDN BHD (POS-MMIT)	79		10	5	94
PT POSMI Steel Indonesia (POSMI)	157		20	9	186
	₩ (789)	₩	₩ (222)	₩	₩ (1,011)

<sup>1</sup> Increase (decrease) represents changes in differences between the initial purchase price and the Company's initial proportionate ownership in the book value of the investee primarily due to an additional acquisition of equity

method investments.

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

Details on the elimination of unrealized profit from intercompany transactions for the nine-month periods ended September 30, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	<b>2005 Property, Plant and Equipment, and Intangible Assets</b>			<b>2004 Property, Plant and Equipment, and Intangible Assets</b>		
	<b>Inventories</b>	<b>Total</b>	<b>Total</b>	<b>Inventories</b>	<b>Total</b>	<b>Total</b>
POSCO E&C	₩ 60	₩ (65,854)	₩ (65,794)	₩ (1)	₩ 5,045	₩ 5,044
Posteel Co., Ltd.	(13,886)	6	(13,880)	(3,970)	17	(3,953)
POSCON Co., Ltd.	42	(12,357)	(12,315)	(110)	48	(62)
Pohang Steel Co., Ltd.	(13,295)	1	(13,294)	(9,383)	(22)	(9,405)
POSCO Machinery & Engineering Co., Ltd.	269	(4,528)	(4,259)	(39)	521	482
POSDATA Co., Ltd.	(5)	1,095	1,090	(9)	(944)	(953)
POS-AC Co., Ltd.		(4,643)	(4,643)		(1,824)	(1,824)
Changwon Specialty Steel Co., Ltd.	(158)	(1)	(159)	(1,164)		(1,164)
POSCO Machinery Co., Ltd.	(4)	(3,110)	(3,114)	(4)	(1,297)	(1,301)
eNtoB Corporation	(110)	(40)	(150)	(116)	(7)	(123)
POSCO Refractories & Environment (POSREC)	(23)	(1,171)	(1,194)	(298)	(1,020)	(1,318)
Dongwoosa Service Inc.	(465)		(465)			
Samjung Packing & Aluminum Co., Ltd.	(504)		(504)			
Pohang Steel America Corporation (POSAM)	8,449		8,449	(12,384)		(12,384)
POSCO Australia Pty. Ltd. (POSA)	306		306	(675)		(675)
POSCO Asia Co., Ltd. (POA)	(1,313)	(5)	(1,318)	(271)		(271)
VSC-POSCO Steel Corporation (VPS) DALIAN		45	45		47	47
POSCO-CFM Coil Center Co., Ltd.	188		188	(96)		(96)

Zhangjiagang Pohang Stainless Steel Co., Ltd.	(7,269)	(345)	(7,614)	(9,614)	13	(9,601)
SHUNDE Pohang Coated Steel Co., Ltd.	899		899	(1,027)		(1,027)
POS-THAI Service Steel Co., Ltd.	1		1			
KOBRASCO	(7,848)		(7,848)	(1,382)		(1,382)
POSCHROME	(378)		(378)	(1,016)		(1,016)
Shunde Xingpu Steel Center Co., Ltd.	16		16	(18)		(18)
POSVINA	(214)		(214)	(356)		(356)
Posmmit Steel Centre SDN BHD (POS-MMIT)	(307)		(307)	(201)		(201)
Qingdao Pohang Stainless Steel Co., Ltd.	(11,949)	(93)	(12,042)		(648)	(648)
POSCO (SUZHOU) Automotive Processing Center Co., Ltd.	(188)		(188)			
POSCO China Holding Corp.	(3,864)	(94)	(3,958)		(93)	(93)
POSCO Japan Co., Ltd. <sup>1</sup>	(12,608)		(12,608)	(2,959)		(2,959)
	<b>₩ (64,158)</b>	<b>₩ (91,094)</b>	<b>₩ (155,252)</b>	<b>₩ (45,093)</b>	<b>₩ (164)</b>	<b>₩ (45,257)</b>

<sup>1</sup> Includes unrealized profit of PIO, which was merged with POSCO-Japan Co., Ltd. in 2004.

**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

Details on the elimination of unrealized profit from intercompany transactions for the three-month periods ended September 30, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	<b>2005 Property, Plant and Equipment, and Intangible Assets</b>			<b>2004 Property, Plant and Equipment, and Intangible Assets</b>		
	<b>Inventories</b>	<b>Total</b>	<b>Total</b>	<b>Inventories</b>	<b>Total</b>	<b>Total</b>
POSCO E&C	₩	₩	₩	₩	₩	₩
POSCO E&C		(26,429)	(26,429)	(1)	(2,301)	(2,302)
Posteel Co., Ltd.	538	2	540	2,921	6	2,927
POSCON Co., Ltd.	8	(4,553)	(4,545)	(28)	(503)	(531)
Pohang Steel Co., Ltd.	(2,714)		(2,714)	(6,647)	411	(6,236)
POSCO Machinery & Engineering Co., Ltd.	(15)	(1,776)	(1,791)	(2)	(83)	(85)
POSDATA Co., Ltd.	(3)	208	205	(2)	24	22
POS-AC Co., Ltd.		(1,848)	(1,848)		(811)	(811)
Changwon Specialty Steel Co., Ltd.	203		203	(346)	10	(336)
POSCO Machinery Co., Ltd.	(2)	(1,399)	(1,401)	18	(365)	(347)
eNtoB Corporation	(58)	(13)	(71)	(26)	(5)	(31)
POSCO Refractories & Environment (POSREC)	14	(313)	(299)	(969)	(945)	(1,914)
Dongwoosa Service Inc.	(465)		(465)			
Samjung Packing & Aluminum Co., Ltd.	(504)		(504)			
Pohang Steel America Corporation (POSAM)	364		364	(154)		(154)
POSCO Australia Pty. Ltd. (POSA)				(502)		(502)
POSCO Asia Co., Ltd. (POA)	(550)	(3)	(553)	(85)		(85)
VSC-POSCO Steel Corporation (VPS)		15	15		16	16
DALIAN POSCO-CFM Coil Center Co., Ltd.	2,641		2,641	540		540
	26,011	(159)	25,852	14,153	4	14,157

Zhangjiagang Pohang Stainless Steel Co., Ltd. SHUNDE Pohang Coated Steel Co., Ltd.				(288)		(288)
POS-THAI Service Steel Co., Ltd.	30		30			
KOBRASCO	(4,355)		(4,355)	(611)		(611)
POSCHROME	30		30	(125)		(125)
Shunde Xingpu Steel Center Co., Ltd.	1		1	(18)		(18)
POSVINA	166		166	(338)		(338)
Posmmit Steel Centre SDN BHD (POS-MMIT)	35		35	(66)		(66)
Qingdao Pohang Stainless Steel Co., Ltd.	547	4	551		(529)	(529)
POSCO (SUZHOU) Automotive Processing Center Co., Ltd.	53		53			
POSCO China Holding Corp.	4,918	(45)	4,873		(76)	(76)
POSCO Japan Co., Ltd.	(1,205)		(1,205)	(2,364)		(2,364)
	₩ 25,688	₩ (36,309)	₩ (10,621)	₩ 5,060	₩ (5,147)	₩ (87)

<sup>1</sup> Includes unrealized profit of PIO, which was merged with POSCO-Japan Co., Ltd. in 2004.

**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

A summary of financial information on equity-method investees as of and for the nine-month period ended September 30, 2005, follows:

<i>(in millions of</i>		<b>Total</b>		<b>Net</b>
<i>Korean won)</i>	<b>Total Assets</b>	<b>Liabilities</b>	<b>Sales</b>	<b>Income</b>
				<b>(Loss)</b>
POSCO E&C	₩ 1,947,564	₩ 1,009,064	₩ 2,728,608	₩ 158,016
Posteel Co., Ltd.	489,919	205,242	1,156,649	15,064
POSCON Co., Ltd.	191,939	95,999	230,391	14,472
Pohang Steel Co., Ltd.	416,083	134,866	436,998	9,602
POSCO Machinery & Engineering Co., Ltd.	71,405	30,968	139,750	5,815
POSDATA Co., Ltd.	234,273	86,217	220,843	7,470
POSCO Research Institute	26,543	2,555	11,384	1,343
Seung Kwang Co., Ltd.	79,813	35,450	10,731	1,834
POS-AC Co., Ltd.	26,790	11,168	33,216	5,511
Changwon Specialty Steel Co., Ltd.	823,281	412,284	897,870	31,179
POSCO Machinery Co., Ltd.	53,841	22,048	93,718	4,662
POSTECH Venture Capital Co., Ltd.	34,369	68		(94)
eNtoB Corporation	44,401	25,962	235,276	2,473
POSCO Refractories & Environment (POSREC)	139,712	32,762	183,644	13,056
POSCO Terminal Co., Ltd.	34,512	4,077	24,195	2,361
Dongwoosa Service Inc.	46,122	18,104	57,062	4,295
Samjung Packing & Aluminum Co., Ltd.	138,433	81,559	218,145	6,775
POSCO Power Corp.	884,987	434,216	290,289	37,771
Pohang Steel America Corporation (POSAM)	197,091	66,835	88,300	(4,972)
POSCO Australia Pty. Ltd. (POSA)	102,892	48,792	52,343	11,779
POSCO Asia Co., Ltd. (POA)	61,548	41,383	876,533	2,432
VSC-POSCO Steel Corporation (VPS)	39,216	28,100	57,925	(1,581)

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

<i>(in millions of Korean won)</i>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Sales</b>	<b>Net Income (Loss)</b>
DALIAN POSCO-CFM Coil Center Co., Ltd.	₩ 78,344	₩ 47,304	₩ 59,626	₩ (2,333)
POS-Tianjin Coil Center Co., Ltd.	46,473	33,391	50,930	386
Zhangjiagang Pohang Stainless Steel Co., Ltd.	878,064	613,187	749,150	(44,249)
SHUNDE Pohang Coated Steel Co., Ltd.	70,487	45,156	44,978	(414)
POS-THAI Service Steel Co., Ltd.	67,742	53,123	68,949	1,036
Myanmar-POSCO Co., Ltd.	7,643	2,003	729	(212)
KOBRASCO	208,337	123,140	231,990	47,402
POSINVEST	130,894	63,613	4,873	1,883
POSCHROME	36,500	7,452	32,008	5,293
Shunde Xingpu Steel Center Co., Ltd.	41,918	26,598	66,235	161
POS-HYUNDAI STEEL	19,193	11,053	45,345	1,471
POSVINA	9,043	2,682	14,366	35
Posmmit Steel Centre SDN BHD (POS-MMIT)	47,260	34,991	39,247	1,460
PT POSMI Steel Indonesia	57,121	52,683	44,927	776
Qingdao Pohang Stainless Steel Co., Ltd.	207,585	162,739	188,518	(16,197)
POSCO (SUZHOU) Automotive Processing Center Co., Ltd.	76,520	54,390	58,769	965
POSCO China Holding Corp.	159,073	290	5,133	183
POSCO Japan Co., Ltd.	323,209	272,774	511,870	6,100
POSCO India Private Ltd.	53,065	32		(111)
	₩ 8,603,205	₩ 4,434,320	₩ 10,261,513	₩ 332,898

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

The effects of the equity method on the financial information of equity-method investees, and the change in the accounting principles and estimations, are as follows:

<i>(in millions of Korean won)</i>	<b>Reason of Adjustment</b>	<b>Net Assets Value before Adjustment</b>	<b>Adjustment Amount</b>	<b>Net Assets Value after Adjustment</b>
POSCO Australia Pty. Ltd. (POSA)	1	₩ 54,100	₩ 25,060	₩ 79,160
POSCO China Holding Corp.	1	158,783	(3,651)	155,132

<sup>1</sup> Home countries generally accepted accounting principles do not require application of equity method of accounting.

Market values of equity-method investments in marketable equity securities as of September 30, 2005, are as follows:

*(in millions of Korean won,  
except per share amount)*

	<b>Number of Shares</b>	<b>Share Price</b>	<b>Fair Market Value</b>
Pohang Steel Co., Ltd.	1,700,000	₩ 29,900	₩ 50,830
POSDATA Co., Ltd.	3,800,000	39,450	149,910
POSCO Refractories & Environment (POSREC)	2,550,000	15,750	40,163
Samjung Packing & Aluminum Co., Ltd.	20,000,000	13,400	268,000

Valuation gains and losses on investments recorded as capital adjustments as of September 30, 2005 and December 31, 2004, are as follows:

*(in millions of Korean won)*

	<b>Remarks</b>	<b>2005</b>	<b>2004</b>
Posteel Co., Ltd. and others	Capital changes under equity method	₩ 117,589	₩ 158,994
POSCON Co., Ltd. and others	Negative capital changes under equity method	(53,561)	(66,866)
		₩ 64,028	₩ 92,128



**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****8. Property, Plant and Equipment**

Property, plant and equipment as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	<b>2005</b>	<b>2004</b>
Buildings and structures	₩ 5,103,225	₩ 4,533,534
Machinery and equipment	20,339,160	18,833,327
Tools	125,680	110,155
Vehicles	149,721	149,631
Furniture and fixtures	142,669	132,954
	25,860,455	23,759,601
Less: Accumulated depreciation	(18,214,754)	(17,537,138)
	7,645,701	6,222,463
Construction-in-progress	1,854,804	2,307,781
Less: Accumulated impairment loss	(83,617)	(83,617)
	1,771,187	2,224,164
Land	763,216	756,434
	₩ 10,180,104	₩ 9,203,061

The value of the land based on the posted price issued by the Korean tax authority amounted to ₩2,570,382 million as of September 30, 2005 (December 31, 2004: ₩2,498,414 million).

As of September 30, 2005, property, plant and equipment are insured against fire and other casualty losses up to ₩2,857,773 million (December 31, 2004: ₩2,996,483 million). In addition, the Company carries general insurance for vehicles and accident insurance for its employees.

In accordance with the Asset Revaluation Law, the Company revalued a substantial portion of its property, plant and equipment by ₩3,819 billion as of December 31, 1989. The remaining revaluation increments amounting to ₩3,173 billion, net of revaluation tax, were credited to revaluation surplus, a component of shareholders' equity (Note 16).

Construction-in-progress includes capital investments in Gwangyang No. 2 Minimill. Through a resolution of the Board of Directors in May 1998, the construction on the Minimill was temporarily suspended due to the economic situation in the Republic of Korea and the Asia Pacific region. The continuing unstable economic condition and related decrease in the selling price of products, resulting in the deterioration in profitability, drove the management's operation committee's decision in April 2002 to cease the construction on the No. 2 Minimill, 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 other investment assets as of December 31, 2004.

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

The changes in the carrying value of property, plant and equipment for the three-month and nine-month periods ended September 30, 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>For the three-month period ended September 30, 2005</b>					<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Others</b>	<b>Depreciation<sup>1</sup></b>	
Land	₩ 757,893	₩ 5,323	₩	₩	₩	₩ 763,216
Buildings	1,810,170	71,208	1,264	(1,874)	34,756	1,843,484
Structures	1,175,467	72,217	3,103	(4,016)	23,718	1,216,847
Machinery and equipment	4,208,904	544,375	5,402	5,578	267,524	4,485,931
Vehicles	26,005	855	27	30	2,614	24,249
Tools	29,440	5,924	12	217	3,321	32,248
Furniture and fixtures	36,405	9,678	41	5	3,104	42,943
Construction-in-progress	1,842,672	636,252		(707,738)		1,771,186
	₩9,886,956	₩1,345,832	₩9,849	₩(707,798)	₩335,037	₩10,180,104

<i>(in millions of Korean won)</i>	<b>For the nine-month period ended September 30, 2005</b>					<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Others</b>	<b>Depreciation<sup>1</sup></b>	
Land	₩ 756,434	₩ 6,782	₩	₩	₩	₩ 763,216
Buildings	1,755,773	194,657	3,446	(1,889)	101,611	1,843,484
Structures	891,604	398,261	4,756	(4,015)	64,247	1,216,847
Machinery and equipment	3,485,128	1,858,085	21,679	8,952	844,555	4,485,931
Vehicles	28,501	3,630	129	30	7,783	24,249
Tools	25,686	15,941	12	217	9,584	32,248
Furniture and fixtures	35,772	16,016	192	11	8,664	42,943
Construction-in-progress	2,224,163	2,038,917		(2,491,894)		1,771,186
	₩9,203,061	₩4,532,289	₩30,214	₩(2,488,588)	₩1,036,444	₩10,180,104

<sup>1</sup> Includes depreciation expenses on assets not in use.

The Company's expenditures in relation to construction-in-progress for the establishment of No. 6 Continuous Galvanizing Line ( CGL ) business operation and other projects amounted to ₩2,038,918 million for the nine-month period ended September 30, 2005 (for the three-month period ended September 30, 2005: ₩636,252 million).

As of September 30, 2005, fully depreciated property, plant and equipment still in use amounted to ₩49 million (December 31, 2004: ₩46 million).

As of September 30, 2005, the book values of property, plant and equipment which are temporarily idle, amounted to ₩4,824 million (December 31, 2004: ₩16,042 million).

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****9. Intangible Assets**

The changes in the carrying value of intangible assets, net of accumulated amortization, for the three-month and nine-month periods ended September 30, 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>For the three-month period ended September 30, 2005</b>			
	<b>Beginning Balance</b>	<b>Acquisition</b>	<b>Amortization</b>	<b>Ending Balance</b>
Intellectual property rights	₩ 328	₩	₩ 28	₩ 300
Land usage rights	315		2	313
Port facilities usage rights	136,991		4,635	132,356
Other intangible assets <sup>1</sup>	166,730	1,614	13,902	154,442
	₩ 304,364	₩ 1,614	₩ 18,567	₩ 287,411

<i>(in millions of Korean won)</i>	<b>For the nine-month period ended September 30, 2005</b>			
	<b>Beginning Balance</b>	<b>Acquisition</b>	<b>Amortization</b>	<b>Ending Balance</b>
Intellectual property rights	₩ 371	₩ 17	₩ 88	₩ 300
Land usage rights	3	315	5	313
Port facilities usage rights	146,396		14,040	132,356
Other intangible assets <sup>1</sup>	216,474	3,967	65,999	154,442
	₩ 363,244	₩ 4,299	₩ 80,132	₩ 287,411

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

Research and development costs for the three-month periods ended September 30, 2005 and 2004, and nine-month periods ended September 30, 2005 and 2004, are as follows:



<i>(in millions of Korean won)</i>	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Ordinary research costs	₩ 2,302	₩ 2,045	₩ 4,545	₩ 4,740
Development costs	114,393	63,068	258,970	204,157

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****10. Other Assets**

Other assets as of September 30, 2005 and December 31, 2004, consist of the following:

*(in millions of Korean won)*

	<b>2005</b>	<b>2004</b>
<b>Other current assets</b>		
Short-term loans receivable	₩ 414	₩ 2,664
Accrued income	9,425	9,317
Prepaid expenses	20,437	4,785
Others	2,736	883
	33,012	17,649
Less: Allowance for doubtful accounts	(374)	(2,676)
	32,638	14,973
<b>Other long-term assets</b>		
Guarantee deposits (Note 26)	995	1,195
Other investment assets (Note 8)	99,386	105,480
	100,381	106,675
Less: Allowance for doubtful accounts		(410)
	100,381	106,265
	₩ 133,019	₩ 121,238

**11. Short-Term Borrowings**

Short-term borrowings as of September 30, 2005 and December 31, 2004, consist of the following:

	<b>Annual Interest Rate (%)</b>	<b>2005</b>	<b>2004</b>
<i>(in millions of Korean won)</i>			
Banker's usance		₩	₩ 13,992

**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****12. Long-Term Debts**

Current portion of long-term debts as of September 30, 2005 and December 31, 2004, consists of the following:

<i>(in millions of Korean won)</i>	<b>Annual Interest Rate (%)</b>	<b>2005</b>	<b>2004</b>
Foreign currency borrowings in won equivalent	4.60	₩ 1,758	₩ 1,943
Loans from foreign financial institutions	2.00 LIBOR + 0.80	9,359	10,078
Debentures	1.84 - 8.00	874,761	915,597
		885,878	927,618
Less: Discount on debentures issued		(1,364)	(1,046)
		₩ 884,514	₩ 926,572

Long-term debts as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	<b>2005</b>	<b>2004</b>
Foreign currency borrowings in won equivalents (Note 26)	₩ 7,913	₩ 9,716
Loans from foreign financial institutions (Note 26)	51,147	60,616
Debentures (Note 26)	1,617,603	2,413,229
	1,676,663	2,483,561
Less: Current portion	(885,878)	(927,618)
Discount on debentures	(2,562)	(6,290)
	₩ 788,223	₩ 1,549,653

Long-term foreign currency borrowing as of September 30, 2005 and December 31, 2004, is as follows:

<i>(in millions of Korean won)</i>	<b>Annual Interest Rate (%)</b>	<b>2005</b>	<b>2004</b>
Development Bank of Japan	4.60	₩ 7,913	₩ 9,716
Less: Current portion		(1,758)	(1,943)
		₩ 6,155	₩ 7,773

**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

Loans from foreign financial institutions as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	<b>Annual Interest Rate (%)</b>	<b>2005</b>	<b>2004</b>
Natexis Banques Populaires	2.00	₩ 8,322	₩ 10,168
Sumitomo Mitsui Banking Corporation	LIBOR + 0.80	42,825	50,448
		51,147	60,616
Less: Current portion		(9,359)	(10,078)
		₩41,788	₩ 50,538

Certain loans from foreign financial institutions are covered by guarantees provided by The Korea Development Bank amounting to ₩8,210 million as of September 30, 2005 (December 31, 2004: ₩10,324 million).

Debentures outstanding as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	<b>Annual Interest Rate (%)</b>	<b>2005</b>	<b>2004</b>
Domestic debentures	6.50 - 8.00	₩ 600,000	₩ 1,100,000
Yankee Bonds	7.13	270,051	487,157
Samurai Bonds	1.84	274,761	303,621
Exchangeable bonds <sup>1</sup>		472,791	522,451
		1,617,603	2,413,229
Less: Current portion		(874,761)	(915,597)
Discount on debentures issued		(2,562)	(6,290)
		₩ 740,280	₩ 1,491,342

<sup>1</sup> The Company issued exchangeable bonds on August 20, 2003. It is exchangeable with SK

Telecom Co.,  
Ltd. American  
depository  
receipts  
(ADRs).

As of September 30, 2005, 1,802,132 shares, equivalent to 16,219,187 ADRs, of SK Telecom Co., Ltd. act as collateral pursuant to exchangeable bonds issued (Note 7).

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Details of exchangeable bonds as of September 30, 2005, are as follows:

Issuance date:	August 20, 2003
Maturity date:	August 20, 2008 (full amount of principal is repaid if not exercised)
Rate:	Interest rate of zero percent
Face value:	JPY 51,622,000,000
Issuance price:	JPY 51,880,110,000
Exchangeable price:	JPY 3,183/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

On August 20, 2003, POSCO sold its 15,267,837 SK Telecom Co., Ltd. ADRs to Zeus (Cayman), a tax-exempted subsidiary formed under the laws of Cayman Islands. Zeus then issued zero-coupon, guaranteed and exchangeable bonds amounting to JPY51,622 million which are due in 2008, and are fully and unconditionally guaranteed by POSCO. POSCO may elect to pay the holder cash in lieu of delivering SK Telecom Co., Ltd. ADRs (the Cash Settlement Option). The number of ADRs such holder is entitled to receive will be calculated by dividing the aggregate principal amount of the Notes to be exchanged by the exchangeable price. Under the Cash Settlement Option, such holder is entitled to receive the cash equivalent of the market value of ADRs upon the exercise. These bonds are non-interest bearing and are exchangeable with SK Telecom Co., Ltd. ADRs at the option of the bondholder. The transaction between the POSCO and Zeus is deemed a borrowing transaction under the Korean generally accepted accounting principles. In 2004 and 2005, in compliance with the terms of the exchangeable bonds, the dividends earned by Zeus from the SK Telecom Co., Ltd. ADRs were used to purchase additional 951,350 ADRs which brought down the exchangeable bond price to JPY3,183/ADR.

Maturities of long-term debt outstanding as of September 30, 2005, are as follows:

Period	Debentures	Foreign Currency Borrowings	Loans from Foreign Financial Institutions	Total
October 2006 - September 2007	₩ 270,051	₩ 1,758	₩ 9,359	₩ 281,168
October 2007 - September 2008	472,791	1,758	9,359	483,908
October 2008 - September 2009		1,758	9,359	11,117
October 2009 - September 2010		881	9,359	10,240
Thereafter			4,352	4,352
	₩ 742,842	₩ 6,155	₩ 41,788	₩ 790,785

**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****13. Accrued Severance Benefits**

Changes in accrued severance benefits for the nine-month period ended September 30, 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>Accrued Severance Benefits</b>	<b>National Pension Fund</b>	<b>Group Severance Insurance Deposits</b>	<b>Total</b>
Beginning balance	₩ 423,884	₩ 101	₩ 251,995	₩ 171,788
Increase	219,382		39,313	180,069
Decrease	105,645	1	10,046	95,599
Ending balance	₩ 537,621	₩ 100	₩ 281,262	256,258

As of September 30, 2005, the Company has funded approximately 52% of the total accrued severance benefits through group severance insurance deposits with Samsung Life Insurance Company and others. The beneficiaries of the severance insurance deposits are the Company's employees.

**14. Other Liabilities**

Other liabilities as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	<b>2005</b>	<b>2004</b>
Other current liabilities		
Advances received	₩ 18,061	₩ 28,544
Unearned revenue	1,125	2,155
Others	33,155	5,357
	52,341	36,056
Other long-term liabilities	49,471	54,210
	₩ 101,812	₩ 90,266

**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****15. Commitments and Contingencies**

As of September 30, 2005, contingent liabilities for outstanding guarantees provided by the Company for the repayment of loans of affiliates and related companies are as follows:

			<b>Amount Guaranteed</b>		<b>Won Equivalent (in millions)</b>
<b>Related companies</b>					
POSINVEST	Bank of America and others	US\$	106,333,487	₩	110,374
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Bank of China and others		339,925,000		352,842
POSMI	Korea Exchange Bank		1,800,000		1,868
		US\$	448,058,487		465,084
<b>Others</b>					
Dae Kyeong Special Steel Co., Ltd.	The Korea Development Bank	₩	2,807		2,807
DC Chemical Co., Ltd.	E1 Co., Ltd.	US\$	2,111,200		2,191
The Siam United Steel Co. Ltd.	Japan Bank for International Cooperation	₩	2,560		2,560
Zeus	Related creditors	US\$	12,000,000		12,456
		JPY	51,622,000,000		472,790
					492,804
				₩	957,888

As of December 31, 2004, the Company has outstanding payment guarantees for related companies and others amounting to ₩225,188 million and ₩538,575 million, respectively.

As of September 30, 2005, the Company has 44 promissory notes, including a blank promissory note, with the Korea Development Bank, as collaterals for loans from foreign financial institutions.

The Company entered into long-term contracts to purchase iron ore, coal, nickel, chrome and stainless steel scrap. These contracts generally have terms of three to ten years and provide for periodic price adjustments to market price. As of September 30, 2005, 251 million tons of iron ore and 110 million tons of coal remained to be purchased under such long-term contracts.



**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

The Company has a bank overdraft agreement with Woori Bank and six other banks amounting to ₩210,000 million as of September 30, 2005. In addition, the Company entered into a credit purchase loan agreement with Industrial Bank of Korea and nine other banks for credit lines up to ₩335,000 million.

As of September 30, 2005, the Company has an agreement with Woori Bank and others to open letters of credit, documents against acceptance and documents against payment amounting to US\$800 million and to borrow US\$100 million in foreign short-term borrowings.

On July 1, 2004, the Company entered into an agreement with Tangguh LNG Consortium in Indonesia regarding the commitment to purchase 550 thousand tons of LNG annually for 20 years commencing in May 2005. The Company completed the construction of Gwangyang Liquefied Natural Gas (LNG) terminal on July 4, 2005.

The Company has entered into a contract on the usage of the bulk carriers of Hanjin Shipping Co., Ltd. and others in order to ensure the transportation of raw materials through 2011.

As of September 30, 2005, the Company acquired certain tools and equipment under operating lease agreements from Macquarie Capital Korea Company Limited. The Company's rent expenses, with respect to the above lease agreements, amounted to ₩5,605 million for the nine-month period ended September 30, 2005. Future lease payments under the above lease agreements are as follows:

*(in millions of Korean won)*

<b>Period</b>	<b>Amount</b>
October 2005-December 2005	₩ 1,677
2006	4,066
2007	1,634
2008	262
	₩ 7,639

The Company paid US\$106,400,000 on behalf of POSVEN on June 21, 2001, an affiliate which is 40% owned by the Company. This payment represented 40% of the total long-term debt of POSVEN guaranteed by the Company. On July 20, 2001, an additional payment of US\$53,200,000 was due, representing a long-term debt guaranteed by Raytheon Company ( Raytheon ), a shareholder of POSVEN and a joint venture partner with the Company in the construction of a facility in Venezuela. Both companies agreed that each would pay half of the amount. The Company, therefore, made a payment of US\$26,600,000.

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

Due to the settlement of liquidation dividends from POSVEN, the Company recorded recovery of allowance for doubtful accounts amounting to ₩87.4 billion during the year ended December 31, 2004, and expecting liquidation dividend receivables amounting to ₩7 billion as other account receivables during the nine-month period ended September 30, 2005 (Note 4).

As of September 30, 2005, the Company is a defendant in 11 cases involving domestic claims. The aggregated amounts of domestic claims with the Company as the defendant amounted to approximately ₩3,578 million. The Company believes that the outcome of these cases is uncertain, but, in any event, they would not result in a material loss for the Company.

**16. Capital Surplus**

Capital surplus as of September 30, 2005 and December 31, 2004, consists of the following:

<i>(in millions of Korean won)</i>	<b>2005</b>	<b>2004</b>
Revaluation surplus (Note 8)	₩ 3,172,776	₩ 3,172,776
Additional paid-in capital	463,825	463,825
Other capital surplus <sup>1</sup>	273,523	134,682
	<b>₩ 3,910,124</b>	<b>₩ 3,771,283</b>

<sup>1</sup> Other capital surplus consists of gain on sale of treasury stock and others.

**17. Retained Earnings**

Retained earnings as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	<b>2005</b>	<b>2004</b>
Appropriated		
Legal reserve	₩ 241,202	₩ 241,202
Reserve for research and human resource development	1,303,333	880,000
Reserve for business rationalization	918,300	918,300
Reserve for business expansion	9,357,500	7,157,500
Appropriated retained earnings for dividends	377,699	184,398
	<b>12,198,034</b>	<b>9,381,400</b>
Unappropriated	3,612,639	3,482,739



**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****Legal Reserve**

The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid, until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock, or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

**Other Legal Reserve**

Pursuant to the Special Tax Treatment Control Law, the Company appropriates retained earnings as a reserve for overseas investment loss, and research and human resource development. These reserves are not available for dividends, but may be transferred to capital stock, or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

**Interim Dividend**

The Company declared interim dividends, which were approved through a resolution of the Board of Directors on July 12, 2005. For the year ended December 31, 2004, the Company declared interim dividends in accordance with the resolution of the Board of Directors on July 23, 2004. Details of interim dividends in 2005 and 2004 are as follows:

	<b>June 30, 2005</b>		<b>June 30, 2004</b>	
	<b>Dividend Ratio (%)</b>	<b>Dividend Amount</b>	<b>Dividend Ratio (%)</b>	<b>Dividend Amount</b>
<i>(in millions of Korean won)</i>				
Common shares	40	₩ 157,520	30	₩ 121,062

**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****18. Capital Adjustments**

Capital adjustments as of September 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	<b>2005</b>	<b>2004</b>
Treasury stock	₩ (1,416,746)	₩ (680,144)
Valuation gain on investment securities (Note 7)	324,030	188,613
Valuation loss on investment securities (Note 7)	(428,380)	(608,578)
Capital changes under equity method (Note 7)	117,588	158,994
Negative capital changes under equity method (Note 7)	(53,561)	(66,866)
	₩ (1,457,069)	₩ (1,007,981)

As of September 30, 2005, the Company holds 9,249,616 shares of its own common stock amounting to ₩1,416,746 million.

The voting rights of treasury stock are restricted in accordance with the Korean Commercial Code of the Republic of Korea. In addition, the Company sold 1,289,347 shares of its treasury stock on July 26, 2005, to the association of employee stock ownership as approved by the Board of Directors on July 22, 2005, and the difference between the fair value and the proceeds from the sale was recognized as welfare expense. As discussed in Note 31, the Company acquired 3,024,172 shares of its treasury stocks to issue POSCO American depository receipts (ADRs) as approved by the Board of directors on July 12, 2005.

As the Japanese branch was closed down in August 2004, the remaining foreign-based operations translation after deducting the contributions amounting to ₩26,151 million was reclassified as extraordinary income amounting to ₩3,387 million.

**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****19. Stock Appreciation Rights**

The Company granted stock options to its executive officers, including affiliates 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:

	<b>1<sup>st</sup> Grant</b>	<b>2<sup>nd</sup> Grant</b>	<b>3<sup>rd</sup> Grant</b>	<b>4<sup>th</sup> Grant</b>	<b>5<sup>th</sup> Grant</b>	<b>6<sup>th</sup> Grant</b>
<b>Before the modifications<sup>1</sup></b>						
Number of shares	498,000 shares	60,000 shares	22,000 shares	141,500 shares	218,600 shares	90,000 shares
Exercise price	₩98,400 per share	₩135,800 per share	₩115,600 per share	₩102,900 per share	₩151,700 per share	₩194,900 per share
<b>After the modifications<sup>1</sup></b>						
Grant date	July 23, 2001	April 27, 2002	September 18, 2002	April 26, 2003	July 23, 2004	April 28, 2005
Exercise price	₩98,900 per share	₩136,400 per share	₩116,100 per share	₩102,900 per share	₩151,700 per share	₩194,900 per share
Number of shares granted	453,576 shares	55,896 shares	20,495 shares	135,897 shares	214,228 shares	90,000 shares
Number of shares cancelled	19,409 shares					
Number of shares exercised	335,771 shares	13,971 shares	3,931 shares	51,246 shares		
Number of shares outstanding	98,396 shares	41,925 shares	16,564 shares	84,651 shares	214,228 shares	90,000 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
Settlement method	Cash or stock for the difference between the exercise price and fair market value of the option					

<sup>1</sup> 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.

The Company applied the intrinsic value method to calculate the compensation cost related to the stock options and such compensation cost is proportionally allocated and accounted for as stock compensation costs and other liabilities.

The compensation costs for stock appreciation rights granted to employees and executives for the nine-month period ended September 30, 2005, as well as for the future periods are as follows:

<i>(in millions of Korean won)</i>	<b>1<sup>st</sup> Grant</b>	<b>2<sup>nd</sup> Grant</b>	<b>3<sup>rd</sup> Grant</b>	<b>4<sup>th</sup> Grant</b>	<b>5<sup>th</sup> Grant</b>	<b>6<sup>th</sup> Grant</b>	<b>Total</b>
Prior periods	₩ 36,297	₩ 2,851	₩ 1,461	₩ 9,663	₩ 1,695	₩	₩ 51,967
Current period	5,372	1,770	615	5,286	7,777	596	21,416
Future periods					6,424	2,194	8,618
	₩ 41,669	₩ 4,621	₩ 2,076	₩ 14,949	₩ 15,896	₩ 2,790	₩ 82,001

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****20. Derivatives**

Details of the gains and losses on derivatives for the nine-month period ended September 30, 2005 are as follows:

Type of Transaction	Purpose of Transaction	Financial Institutions	Valuation Gain	Valuation Loss	Transaction Gain	Transaction Loss
Currency forward	Trading	SC First Bank and others	₩ 740	₩ 85	₩ 688	₩ 610
Nickel future	"	Sempra Metal Ltd.	730		273	637
			₩ 1,470	₩ 85	₩ 961	₩ 1,247

The derivative transactions made for the nine-month period ended September 30, 2005, are accounted for as trading purpose in accordance with KFAS Interpretation 53-70, *Accounting for Derivatives*.

**21. Cost of Goods Sold**

Cost of goods sold for the three-month and nine-month periods ended September 30, 2005 and 2004, consists of the following:

<i>(in millions of Korean won)</i>	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2005	2004	2005	2004
Finished goods, beginning of the period	₩ 980,577	₩ 667,089	₩ 766,872	₩ 562,196
Cost of goods manufactured	4,000,153	3,608,304	11,255,926	10,145,276
Transfer from (to) other accounts	(31,753)	44,561	(52,941)	(12,764)
Finished goods, end of the period	(1,114,382)	(712,830)	(1,114,382)	(712,830)
Refunded customs duties	(4,450)	(5,641)	(14,038)	(14,789)
Cost of goods sold for finished goods	3,830,145	3,601,483	10,841,437	9,967,089
Others	4,899	5,616	13,391	17,334
	₩ 3,835,044	₩ 3,607,099	₩ 10,854,828	9,984,423

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****22. Selling and Administrative Expenses**

Selling and administrative expenses for the three-month and nine-month periods ended September 30, 2005 and 2004, consist of the following:

<i>(in thousands of Korean won)</i>	<b>For the three-month periods</b>		<b>For the nine-month periods</b>	
	<b>ended September 30</b>		<b>ended September 30</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Selling expenses	₩ 120,732	₩ 122,956	₩ 350,103	₩ 363,779
Fees and charges	36,172	24,733	93,537	68,061
Salaries and wages	21,132	16,649	55,727	50,567
Advertising	19,873	8,167	63,900	28,270
Research and development (Note 9)	12,518	21,363	25,994	42,448
Depreciation (Notes 8, 9 and 28)	7,037	10,781	29,314	32,716
Rent	9,629	14,000	29,076	34,811
Welfare	30,527	34,127	65,848	58,814
Provision for severance benefits	4,387	3,077	13,980	10,205
Supplies	988	821	4,664	4,684
Travel	2,889	3,001	7,985	7,868
Training	3,851	2,559	9,822	6,745
Repairs	4,609	2,574	10,393	9,689
Communications	1,563	1,327	4,311	3,930
Vehicle expenses	1,095	1,050	3,078	2,794
Taxes and public dues	765	3,517	2,371	4,883
Entertainment	545	448	1,821	1,597
Subscriptions and printing	760	199	2,111	1,046
Utilities	294	309	777	769
Insurance	697	130	2,374	387
Stock compensation expense (Note 19)	19,412	18,502	21,416	15,387
Others	4,329	2,882	14,310	10,016
	₩ 303,804	₩ 293,172	₩ 812,912	₩ 759,466

**23. Donations**

Donations made by the Company for the three-month and nine-month periods ended September 30, 2005 and 2004, consist of the following:

<i>(in millions of Korean won)</i>	<b>For the three-month periods</b>		<b>For the nine-month periods</b>	
	<b>ended September 30</b>		<b>ended September 30</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>

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POSCO Educational Foundation	₩ 10,000	₩ 10,000	₩ 30,000	₩ 30,000
Employee benefit welfare			68,500	58,000
Others	960	241	4,254	4,289
	₩ 10,960	₩ 10,241	₩ 102,754	₩ 92,289

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****24. Income Taxes**

The statutory income tax rate applicable to the Company, including resident tax surcharges, was approximately 29.7% in 2004, and amended to 27.5% effective for the fiscal years beginning January 1, 2005, in accordance with the Corporate Income Tax Law enacted in December 2003.

Income tax expense for the nine-month periods ended September 30, 2005 and 2004, consist of the following:

<i>(in millions of Korean won)</i>	<b>2005</b>	<b>2004</b>
Current income taxes	₩ 1,261,618	₩ 982,898
Deferred income taxes	90,398	48,361
Items charged directly to shareholders' equity	(56,117)	(26,441)
	<b>₩ 1,295,899</b>	<b>₩ 1,004,818</b>

The following table reconciles the expected amount of income tax expense based on statutory rates to the actual amount of taxes recorded by the Company for the nine-month periods ended September 30, 2005 and 2004:

<i>(in millions of Korean won)</i>	<b>2005</b>	<b>2004</b>
Net income before income tax	₩ 4,927,360	₩ 3,651,322
Statutory tax rate (%)	27.5	29.7
Income tax expense computed at statutory rate	1,355,014	1,084,434
Tax credit	(121,470)	(94,627)
Others, net	62,355	15,011
Income tax expense	<b>₩ 1,295,899</b>	<b>₩ 1,004,818</b>
Effective rate (%)	26.30	27.52

**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

Components of deferred income taxes as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	<b>As of December 31, 2004</b>	<b>Increase (Decrease)</b>	<b>As of September 30, 2005</b>
Reserve for special repairs	₩ (137,394)	₩ (3,674)	₩ (133,720)
Allowance for doubtful accounts	13,949	3,631	10,318
Reserve for technology developments	(358,417)	20,625	(379,042)
Dividend income from related companies	60,219	(10,225)	70,444
Depreciation expense	16,809	(594)	17,403
Gain on valuation of equity method investments	(69,075)	88,024	(157,099)
Prepaid expenses	11,402	(297)	11,699
Impairment loss on property, plant and equipment	129,135		129,135
Gain on valuation of investment securities		167,510	(167,510)
Loss on valuation of investment securities		(162,489)	162,489
Others	73,207	(10,442)	83,649
Net deferred income liabilities	₩ (260,165)	₩ 92,069	₩ (352,234)

In relation to valuation on equity method, among temporary differences, if the Company is unlikely to dispose of investees' shares or receive dividend within five years, income tax effect is not recognized since it is more likely that the deferred tax asset will not be realized.

The entire income taxes for the nine-month period ended September 30, 2005, are attributed to ordinary income. For the nine-month period ended September 30, 2004, the income taxes for ordinary income and extraordinary income are ₩1,003,812 million and ₩1,006 million, respectively.

The effective income tax rate for income before income taxes for the nine-month period ended September 30, 2005, is 26.30% (for the nine-month period ended September 30, 2004: 27.52%).

In accordance with the SKFAS No. 17, *Deferred Income Taxes*, which became applicable to the Company on January 1, 2005, income tax effect of temporary differences in relation to an item in the shareholders' equity is recorded as part of the related shareholders' equity item. Due to the change in accounting policy, capital adjustment decreased by ₩5,021 million, deferred tax assets increased by ₩162,489 million and deferred tax liabilities increased by ₩167,510 million. There is no effect on net income.

**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****25. Earnings Per Share**

Basic earnings (ordinary income) per share is computed by dividing net income allocated to common stock, by the weighted-average number of common shares outstanding during the period.

<b>Period</b>	<b>Number of Shares</b>	<b>Number of Days Outstanding</b>	<b>Weighted Number of Shares</b>
For the three-month period ended September 30, 2005:			
Beginning balance <sup>1</sup>	78,759,934	92	7,245,913,928
Acquisition treasury stock	822,715	<sup>2</sup>	14,298,113
			7,260,212,041
For the nine-month period ended September 30, 2005:			
Beginning balance <sup>1</sup>	80,503,664	273	21,977,500,272
Acquisition treasury stock	2,566,445	<sup>2</sup>	(325,695,919)
			21,651,804,353

<b>Period</b>	<b>Weighted-Average Number of Common Shares</b>
For the three-month period ended September 30, 2005:	7,260,212,041 ÷ 92 = 78,915,348
For the nine-month period ended September 30, 2005:	21,651,804,353 ÷ 273 = 79,310,639

<sup>1</sup> Beginning balance of common shares excludes 8,426,901 treasury shares for the three-month period ended September 30,

2005 (for the nine-month period ended September 30, 2005: 6,683,171 treasury shares).

- <sup>2</sup> The Company's net acquisition of treasury shares is 822,715 during the three-month period ended September 30, 2005 (for the nine-month period ended September 30, 2005: 2,566,445 treasury shares), and for the computation of weighted average number of common shares outstanding, the number of treasury shares was excluded (Note 18).

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

Basic ordinary income and earnings per share are calculated as follows:

<i>(in millions of Korean won, except per share amounts)</i>	<b>For the six-month period ended June 30, 2005</b>	<b>For the three-month period ended September 30, 2005</b>	<b>For the nine-month period ended September 30, 2005</b>
Net income	₩ 2,569,874	₩ 1,061,588	₩ 3,631,462
Weighted-average number of common shares outstanding	79,511,560	78,915,348	79,310,639
Basic ordinary income and earnings per share	₩ 32,321	₩ 13,452	₩ 45,788

<i>(in millions of Korean won, except per share amounts)</i>	<b>For the six-month period ended June 30, 2004</b>	<b>For the three-month period ended September 30, 2004</b>	<b>For the nine-month period ended September 30, 2004</b>
Net income	₩ 1,634,460	₩ 1,012,043	₩ 2,646,504
Weighted-average number of common shares outstanding	80,707,945	81,409,806	80,943,606
Basic ordinary income and earnings per share	₩ 20,252	₩ 12,431	₩ 32,696

**Diluted earnings per share**

Diluted earnings per share for the periods on the table above are identical to the basic earnings per share, since there is no dilutive effect resulting from the stock appreciation right as of the respective balance sheet dates.

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****26. Assets and Liabilities Denominated in Foreign Currencies**

Monetary assets and liabilities denominated in foreign currencies and gain and loss on foreign currency translation as of September 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	Foreign currency	2005		Loss on Foreign Currency Translation	Gain on Foreign Currency Translation	2004	
		Won Equivalent	Won Equivalent			Won Equivalent	Won Equivalent
<b>Assets</b>							
Cash and cash equivalent and others <sup>1</sup>	US\$ 34,401,161	₩ 35,708	₩ 182	₩		₩ 35,075	
Trade accounts and notes receivable	US\$ 357,487,386	371,072	124		2,931	138,155	
	JPY 3,683,524,159	33,736	43		27	42,267	
	EUR 2,346,471	2,927	4		10	142	
Other receivables	US\$ 15,317,762	15,900	40		146	14,496	
	JPY 47,511					104	
Held-to-maturity securities <sup>2</sup>	US\$ 1,000,635	1,039	6			1,044	
Guarantee deposits	US\$ 211,412	219	14		2	283	
		₩ 460,601	₩ 413	₩	3,116	₩ 231,566	
<b>Liabilities</b>							
Trade accounts and notes payable	US\$ 326,931,922	₩ 339,355	₩ 2,934	₩	2	₩ 428,311	
	JPY 471,437,572	4,318			15	12,475	
	EUR 913,228	1,139	7		2	1,134	
Short-term borrowings	US\$					13,992	
Other accounts payable	US\$ 6,968,707	7,234	49			6,643	
	JPY 1,503,778,449	13,773	3		208	2,714	
	EUR 232,510	290			4	508	
Accrued expenses	US\$ 7,954,493	8,257				27,176	
	JPY 51,085,773	468					
	EUR 141,084	176					
Debentures <sup>2</sup>	US\$ 260,165,000	270,051	282		1,509	487,157	
	JPY 81,622,000,000	747,551			78,520	826,072	
Foreign currency borrowings	JPY 864,000,000	7,913			831	9,716	
Loans from foreign financial institutions	US\$ 21,312,145	22,122			124	24,470	
	EUR 23,267,662	29,025			4,084	36,146	



₩ 1,451,672    ₩ 3,275    ₩ 85,299    ₩ 1,876,514

<sup>1</sup> Includes short-term financial instruments.

<sup>2</sup> Presented at face value.

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****27. Related Party Transactions**

Significant transactions, which occurred in the ordinary course of business, with related companies for the nine-month periods ended September 30, 2005 and 2004, and the related account balances as of September 30, 2005 and December 31, 2004, follows:

<i>(in millions of Korean won)</i>	<b>Sales and others <sup>1</sup></b>		<b>Purchases and others <sup>1</sup></b>		<b>Receivables <sup>2</sup></b>		<b>Payables <sup>2</sup></b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
POSCO E&C Posteel Co., Ltd.	₩ 2,350	₩ 6,663	₩ 1,196,333	₩ 491,610	₩ 1,822	₩ 82,889	₩ 114,940	₩ 237,283
POSCON Co., Ltd.	766,199	660,370	51,287	48,925	136,354	122,260	1,561	1,876
Pohang Steel Co., Ltd.	80	95	157,694	112,803		15,172	11,484	43,050
POSCO Machinery & Engineering Co., Ltd.	338,663	200,215	938	339	38,036	43,021	71	1
POSDATA Co., Ltd.	22	145	120,058	69,804	1	2,270	15,995	27,879
POSCO Research Institute Seung Kwang Co., Ltd.	712	675	134,251	156,510	1	442	25,252	30,782
POS-AC Co., Ltd.			10,437	6,578			1,787	7,224
Changwon Specialty Steel Co., Ltd.			37	21	2,034	2,038		
POSCO Machinery Co., Ltd.	411	367	20,535	12,924			752	663
POSTECH Venture Capital Co., Ltd.	1	32	44,621	59,104		1	2,174	6,692
eNtoB Corporation	101	81	83,523	60,815		4,300	11,598	19,767
POSCO Refractories & Environment	47	44					53	
			122,405	88,863			2,158	3,286
	181	136	141,190	125,022	40	19	20,231	23,526

(POSREC) POSCO Terminal Co., Ltd.	6,279		235		1,115		60	
Dongwoosa Service Inc.	792		29,239				5,717	
Samjung Packing & Aluminum Co., Ltd.	12,639		217,077		1,193		20,898	
Pohang Steel America Corporation (POSAM)	68,018	18,462						
POSCO Australia Pty. Ltd. (POSA)	8,442		14,309	32,854	1,259		24	
POSCO Canada Ltd. (POSCAN)			72,602	40,712			16	
POSCO Asia Co., Ltd. (POA)	466,290	441,863	101,503	109,517	13,572	29,866	3,206	4,730
POSCO International Osaka, Inc. (PIO)		308,276		20,070				
VSC-POSCO Steel Corporation (VPS)							11	
DALIAN POSCO-CFM Coil Center Co., Ltd.		25,631						
Zhangjiagang Pohang Stainless Steel Co., Ltd.	561,454	498,969			108,605		16,486	
SHUNDE Pohang Coated Steel Co., Ltd.		22,668						

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)**

<i>(in millions of Korean won)</i>	<b>Sales and others<sup>1</sup></b>		<b>Purchases and others<sup>1</sup></b>		<b>Receivables<sup>2</sup></b>		<b>Payables<sup>2</sup></b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
POS-THAI Service Steel Co., Ltd.	₩ 7,972	₩	₩	₩	₩ 1,079	₩	₩	₩
KOBRASCO			138,666	81,787				2,584
USS POSCO Industries (UPI)	208,238	284,334						
POSCHROME			33,149	38,889				
POSVINA	7,991	8,636				4		
Posmmit Steel Centre SDN BHD (POS-MMIT)	9,280	4,450			686			
PT POSMI Steel Indonesia Qingdao Pohang Stainless Steel Co., Ltd.	198,619	5			81,465			
POSCO (SUZHOU) Automotive Processing Center Co., Ltd.	3,278							
MIDAS Information Technology., Ltd.				15				
POSCO China Holding Corp.		190	897					
POSCO Japan Co., Ltd.	420,143		56,295		16,613	18,751	5	1,722
	₩ 3,088,202	₩ 2,482,307	₩ 2,747,281	₩ 1,557,162	₩ 403,875	₩ 337,570	₩ 237,942	₩ 411,065

<sup>1</sup> Sales and others  
include sales

and  
non-operating  
income;  
purchases and  
others include  
purchases and  
overhead  
expenses.

<sup>2</sup> Receivables  
include trade  
and other  
accounts  
receivable;  
payables include  
trade accounts  
and other  
accounts  
payable.

As of September 30, 2005, the Company provided payment guarantees for affiliated companies and others amounting to ₩466,610 million (December 31, 2004: ₩225,188 million) (Note 15).

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**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)****28. Regional Information**

The Company has a plant in Pohang and another plant in Gwangyang in the Republic of Korea. General information on the operations of both plants as of September 30, 2005, follows:

	<b>Pohang Mill</b>	<b>Gwangyang Mill</b>
Major Products		
Hot Roll	HR coil, HR Sheet	HR coil
Cold Roll	CR coil, CR Sheet	CR coil, CR Sheet
Plate	Plate	
Electric iron	Electric iron coil	
Stainless	STS HR coil and others	
Semi-finished goods	Slab, Bloom	Slab
Major Facilities		
Furnaces	1-4 furnaces, F furnace, COREX	1-5 furnaces
Steel manufacturing	1-2 steel manufacturing	1-2 steel manufacturing
Hot Roll	1-2 HR	1-3 HR, Mini mill
Cold Roll	1-2 CR	1-4 CR
Others	HR, Steel plate, STS and others	
Number of employees	8,925	6,933

Regional financial status as of September 30, 2005 and December 31, 2004, and operating results for the nine-month periods ended September 30, 2005 and 2004, are as follows:

*(in millions of Korean won)*

<b>2005</b>	<b>Pohang</b>	<b>Gwangyang</b>	<b>Others</b>	<b>Total</b>
Sales <sup>1</sup>				
Domestic sales	₩ 6,292,996	₩ 5,334,197	₩ 28,496	₩ 11,655,689
Export	2,275,682	2,560,696		4,836,378
Total	₩ 8,568,678	₩ 7,894,893	₩ 28,496	₩ 16,492,067
Property, plant and equipment <sup>2</sup>	₩ 5,249,377	₩ 4,930,727	₩	₩ 10,180,104
Intangible assets <sup>2</sup>	170,595	116,816		287,411
Total	₩ 5,419,972	₩ 5,047,543	₩	₩ 10,467,515
Depreciation and amortization <sup>3</sup>	₩ 539,541	₩ 577,035	₩	₩ 1,116,576



**Table of Contents****POSCO****Notes to Non-Consolidated Financial Statements****September 30, 2005 and 2004, and December 31, 2004****(Unaudited)***(in millions of Korean won)*

<b>2004</b>	<b>Pohang</b>	<b>Gwangyang</b>	<b>Others</b>	<b>Total</b>
Sales <sup>1</sup>				
Domestic sales	₩ 5,627,536	₩ 4,176,847	₩ 31,211	₩ 9,835,594
Export	2,108,269	2,239,743		4,348,012
Total	₩ 7,735,805	₩ 6,416,590	₩ 31,211	₩ 14,183,606
Property, plant and equipment <sup>2</sup>	₩ 4,658,741	₩ 4,544,320	₩	₩ 9,203,061
Intangible assets <sup>2</sup>	218,844	144,400		363,244
Total	₩ 4,877,585	₩ 4,688,720	₩	₩ 9,566,305
Depreciation and amortization <sup>3</sup>	₩ 518,225	₩ 558,060	₩ 590	₩ 1,076,875

Regional financial status as of September 30, 2005 and December 31, 2004, and operating results for the three-month periods ended September 30, 2005 and 2004, are as follows:

*(in millions of Korean won)*

<b>2005</b>	<b>Pohang</b>	<b>Gwangyang</b>	<b>Others</b>	<b>Total</b>
Sales <sup>1</sup>				
Domestic sales	₩ 2,157,044	₩ 1,735,819	₩ 10,545	₩ 3,903,408
Export	686,951	867,874		1,554,825
Total	₩ 2,843,995	₩ 2,603,693	₩ 10,545	₩ 5,458,233
Property, plant and equipment <sup>2</sup>	₩ 5,249,377	₩ 4,930,727	₩	₩ 10,180,104
Intangible assets <sup>2</sup>	170,595	116,816		287,411
Total	₩ 5,419,972	₩ 5,047,543	₩	₩ 10,467,515
Depreciation and amortization <sup>3</sup>	₩ 169,682	₩ 183,922	₩	₩ 353,604

*(in millions of Korean won)*

<b>2004</b>	<b>Pohang</b>	<b>Gwangyang</b>	<b>Others</b>	<b>Total</b>
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Sales <sup>1</sup>				
Domestic sales	₩ 1,998,331	₩ 1,592,283	₩ 8,191	₩ 3,598,805
Export	736,787	808,614		1,545,401
Total	₩ 2,735,118	₩ 2,400,897	₩ 8,191	₩ 5,144,206
Property, plant and equipment <sup>2</sup>	₩ 4,658,741	₩ 4,544,320	₩	₩ 9,203,061
Intangible assets <sup>2</sup>	218,844	144,400		363,244
Total	₩ 4,877,585	₩ 4,688,720	₩	₩ 9,566,305
Depreciation and amortization <sup>3</sup>	₩ 166,438	₩ 178,533	₩ 18	₩ 344,989

<sup>1</sup> No inter-plant transactions between the two plants.

<sup>2</sup> Presented at book value.

<sup>3</sup> Includes depreciation expense for idle assets.

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September 30, 2005 and 2004, and December 31, 2004  
(Unaudited)****29. Professional Staff Development Costs**

The Company's expenditure on education and training fees in relation to the development of professional personnel for the three-month and nine-month periods ended September 30, 2005 and 2004, consist of the following:

<i>(in millions of Korean won)</i>	<b>For the three-month periods ended June 30</b>		<b>For the nine-month periods ended June 30</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Fees for studying abroad	₩ 724	₩ 2,012	₩ 2,123	₩ 2,430
Fees for education obtained outside the company premises	1,150	837	3,157	2,377
Tutorial fees	1,606	732	3,999	2,086
Others	3,985	2,472	9,580	7,252
	₩ 7,465	₩ 6,053	₩ 18,859	₩ 14,145

**30. Employees Welfare**

In order to enhance the welfare of employees, the Company provides fringe benefits to its employees, such as dining facilities, dispensary, scholarship, employee stock ownership plan, medical insurance, accident compensation, compensated absence and gymnasium facilities, among others. Employee benefits paid by the Company amounted to ₩595,014 million for the nine-month period ended September 30, 2005 (for the nine-month period ended September 30, 2004: ₩515,239 million).

**31. Issuance of POSCO ADRs**

As approved by the Board of Directors on July 12, 2005, the Company plans to issue 14,000,000 ADRs for 3,500,000 shares of the Company's common stocks. Each ADR represents the one-fourth of one share of common stock. The Korea Securities Depository will have the custody of underlying common stocks and the Bank of New York will be the depository of POSCO ADRs. POSCO ADRs will be listed on the Tokyo Stock Exchange, from which the Company received a listing approval on October 24, 2005. Subscription is scheduled for three days from November 16, 2005 to November 18, 2005, with the payment for subscription to be made on November 21, 2005. POSCO ADRs will be available for trading on the Tokyo Stock Exchange beginning November 22, 2005. In addition, and as discussed in Note 18, as part of issuing POSCO ADRs, the Company plans to acquire 3,500,000 shares of treasury stocks by October 14, 2005, which was also approved by Board of Directors on July 12, 2005, and as of September 30, 2005, the Company has acquired 3,024,072 shares.

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**Notes to Non-Consolidated Financial Statements**

**September 30, 2005 and 2004, and December 31, 2004**

**(Unaudited)**

**32. Reclassification of September 30, 2004 and December 31, 2004 financial statement presentation**

Certain amounts in the September 30, 2004 and December 31, 2004 financial statements have been reclassified to conform to the September 30, 2005 financial statement presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 14, 2005

**POSCO**

(Registrant)

By: /s/ Cho, Jae-Ku

(Signature)

Name: Cho, Jae-Ku

Title: General Manager of  
Finance Management Department