

POSCO  
Form 6-K  
April 10, 2003

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15D-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of April, 2003  
Commission File Number: 1-13368

**POSCO**

(Translation of registrant's name into English)

POSCO Center, 892 Daechi 4-dong, Kangnam-gu, Seoul, Korea, 135-777

(Address of principal executive office)

(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 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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POSCO is furnishing under cover of Form 6-K:

Exhibit 99.1: An English-language translation of documents with respect to the POSCO and Subsidiaries Audit Report for the Fiscal Year 2002.

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**POSCO  
AND SUBSIDIARIES**

**Audit Report 2002**

**As of December 31, 2001 and 2002 and for the three-year period ended December 31, 2002**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors and Shareholders of POSCO:

We have audited the accompanying consolidated balance sheets of POSCO and its subsidiaries (the Company ) as of December 31, 2001 and 2002, and the related consolidated statements of income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2001 and 2002, and the results of its operations and its cash flows for the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the Republic of Korea.

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As discussed in Note 2 the Company changed its method of accounting for special repairs.

Accounting principles generally accepted in the Republic of Korea vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter, after the restatement referred to in Note 30, would have affected the determination of consolidated net income for each of the three years in the period ended December 31, 2002 and determination of consolidated shareholders' equity at December 31, 2001 and 2002 to the extent summarized in Note 30 to the consolidated financial statements.

Samil Accounting Corp.  
Seoul, Korea  
March 6, 2003

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**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2001 and 2002**

	Millions of Korean Won		Thousands of US Dollars (Note 2)
	2001	2002	2002
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents (Notes 3, 12 and 27)	407,109	267,380	\$ 225,390
Short-term financial instruments (Notes 3, 12 and 27)	424,224	258,132	217,594
Marketable securities (Note 4)	530,403	1,202,676	1,013,804
Trade accounts and notes receivable, net of allowance for doubtful accounts and present value discount (Notes 5, 12, and 27)	1,479,911	1,739,605	1,466,413
Other accounts and notes receivable, net of allowance for doubtful accounts and present value discount (Notes 5 and 27)	105,793	72,739	61,316
Inventories (Notes 6 and 29)	1,737,251	1,671,446	1,408,957
Other current assets, net of allowance for doubtful accounts (Note 10)	276,245	185,499	156,368
	<u>4,960,936</u>	<u>5,397,477</u>	<u>4,549,842</u>
Total current assets	4,960,936	5,397,477	4,549,842
Property, plant and equipment, net (Notes 8, 12, 13 and 29)	10,600,766	10,324,573	8,703,172
Investment securities (Notes 7 and 29)	2,960,449	2,545,812	2,146,009
Intangible assets, net (Notes 9 and 29)	490,708	474,812	400,248
Long-term loans, net of allowance for doubtful accounts and present value discount (Notes 5 and 27)	86,107	117,260	98,845
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts and present value discount (Note 5)	51,310	44,863	37,817
Deferred income tax assets (Note 25)	98,101	51,659	43,546
Guarantee deposits (Note 27)	35,132	25,577	21,560
Long-term financial instruments (Notes 3, 12 and 27)	34,711	20,574	17,343
Other long-term assets, net of allowance for doubtful accounts and present value discount (Note 10)	87,114	74,242	62,583
	<u>19,405,334</u>	<u>19,076,849</u>	<u>\$ 16,080,965</u>
<b>TOTAL ASSETS</b>	<b>19,405,334</b>	<b>19,076,849</b>	<b>\$ 16,080,965</b>

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

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**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS, Continued**  
**December 31, 2001 and 2002**

	Millions of Korean Won		Thousands of US Dollars (Note 2)
	2001	2002	2002
<b>LIABILITIES AND SHAREHOLDERS</b>			
<b>EQUITY</b>			
Current liabilities:			
Trade accounts and notes payable (Note 27)	509,563	689,745	\$ 581,425
Short-term borrowings (Notes 11 and 27)	718,054	587,955	495,621
Current portion of long-term debt, net of discount on debentures issued (Notes 11, 13 and 27)	1,405,369	1,319,531	1,112,308
Accrued expenses (Note 27)	280,772	225,932	190,451
Other accounts and notes payable (Note 27)	162,041	146,567	123,550
Withholdings (Note 27)	46,359	66,048	55,675
Income tax payable	143,651	415,429	350,189
Dividends payable	166,151	253,906	214,032
Other current liabilities (Note 15)	186,958	260,376	219,486
	<u>3,618,918</u>	<u>3,965,489</u>	<u>3,342,737</u>
Total current liabilities			
Long-term debt, net of current portion and discount on debentures issued (Notes 12 and 27)	4,235,456	3,194,015	2,692,417
Accrued severance benefits, net (Note 14)	68,845	103,472	87,222
Reserve for special repairs (Note 2)	1,020,640		
Deferred income tax liabilities (Note 25)	16,899	135,564	114,275
Other long-term liabilities (Note 15)	93,788	103,879	87,566
	<u>9,054,546</u>	<u>7,502,419</u>	<u>\$6,324,217</u>
Total liabilities			

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

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**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS, Continued**  
**December 31, 2001 and 2002**

	Millions of Korean Won		Thousands of US Dollars (Note 2)
	2001	2002	2002
<b>LIABILITIES AND SHAREHOLDERS EQUITY,</b>			
<b>Continued</b>			
Commitments and contingencies (Note 16)			
Shareholders' equity:			
Common stock, Won 5,000 par value, authorized 200 million shares; issued and outstanding 93,589,485 shares in 2001 and 90,781,795 shares in 2002	482,403	482,403	\$ 406,645
Capital surplus (Note 17)	3,859,029	3,797,737	3,201,329
Retained earnings (Note 18) (Net income: Won 1,633,667 million in 2000, Won 845,679 million in 2001 and Won 1,089,288 million in 2002 Losses in excess of minority interest: Won 2,321 million in 2000, Won 2,037 million in 2001 and Won 2,495 million in 2002)	6,966,189	8,219,499	6,928,685
Capital adjustments, net (Note 20)	(1,125,004)	(1,204,374)	(1,015,235)
	<u>10,182,617</u>	<u>11,295,265</u>	<u>9,521,424</u>
Minority interest	168,171	279,165	235,324
Total shareholders' equity	<u>10,350,788</u>	<u>11,574,430</u>	<u>9,756,748</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<u>19,405,334</u>	<u>19,076,849</u>	<u>\$ 16,080,965</u>

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

**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**For the years ended December 31, 2000, 2001 and 2002**

	Millions of Korean Won			Thousands of US Dollars (Note 2)
	2000	2001	2002	2002
Sales (Note 29)	13,776,214	13,121,097	14,354,918	\$ 12,100,580
Cost of goods sold	10,751,648	10,679,735	11,338,260	9,557,667
Gross profit	3,024,566	2,441,362	3,016,658	2,542,913
Selling and administrative expenses (Note 23)	718,103	854,069	966,791	814,963
Operating income (Note 29)	2,306,463	1,587,293	2,049,867	1,727,950
Non-operating income:				
Interest and dividend income	134,029	134,934	72,792	61,361
Foreign exchange gains	167,860	209,138	261,120	220,113
Gain on valuation of marketable securities	10,847	11,505	6,366	5,366
Gain on disposal of marketable securities	69,409	41,886	49,938	42,096
Gain on disposal of property, plant and equipment	5,401	10,435	22,361	18,849
Gain on derivatives transaction (Note 22)	180	13,826	13,160	11,094
Gain on valuation of derivatives (Note 22)	14,966	168	569	480
Gain on valuation of equity method investments (Note 7)	13,719	5,086		
Gain on disposal of investments	45,384	2,851	6,454	5,440
Gain on disposal of scrap	23,449	26,213	52,221	44,020
Others	75,768	94,560	67,324	56,751
Total non-operating income	561,012	550,602	552,305	465,570
Non-operating expenses:				
Interest expense	463,614	450,546	331,776	279,673
Other bad debt allowance (Note 16)	3,222	1,662	187,337	157,917
Loss on impairment of property, plant and equipment (Note 8)	49,814	53,951	139,833	117,873
Foreign exchange losses	340,904	219,414	125,744	105,997
Loss on valuation of equity method investments (Note 7)	4,452	29,047	128,769	108,547
Donations (Note 24)	448,847	83,195	50,147	42,272
Loss on disposal of property, plant and equipment	24,990	25,008	38,215	32,214
Loss on valuation of derivatives (Note 22)	49,183	535	11,775	9,926
Loss on impairment of investment securities (Note 7)	4,666	12,575	27,041	22,794
Loss on derivatives transaction (Note 22)	44	21,045	3,376	2,846
Loss on valuation of inventories	3,570	21,231	1,178	993
Others	89,509	45,013	49,544	41,763
Total non-operating expense	1,482,815	963,222	1,094,735	922,815

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

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**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME, Continued**  
**For the years ended December 31, 2000, 2001 and 2002**

	Millions of Korean Won			Thousands of US Dollars (Note 2)
	2000	2001	2002	2002
Ordinary income	1,384,660	1,174,673	1,507,437	\$ 1,270,705
Extraordinary gain (Note 7)	959,110			
Extraordinary loss	12,689			
Net income before income tax expense and minority interest	2,331,081	1,174,673	1,507,437	1,270,705
Income tax expense (Note 25)	688,731	337,463	398,305	335,754
Net income before minority interest	1,642,350	837,210	1,109,132	934,951
Minority interest in income (losses) of consolidated subsidiaries	8,683	(8,469)	19,844	16,728
Net income	1,633,667	845,679	1,089,288	\$ 918,223
Basic and diluted earnings per share (Note 26) (in Korean Won and US Dollar)	19,131	10,366	13,295	\$ 11.21

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

**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**  
**For the years ended December 31, 2000, 2001 and 2002**

Millions of Korean Won

	Common stock		Capital surplus	Retained earnings	Capital adjustments	Minority interest	Total
	Shares	Amount					
<b>Balance at January 1, 2000</b>	96,480,625	482,403	3,799,991	5,193,185	(396,829)	121,333	9,200,083
Net income for 2000				1,633,667			1,633,667
Effect of change in percentage of ownership of investees			5,197	(38,692)	1,005	29,070	(3,420)
Asset revaluation of consolidated subsidiaries			60,954				60,954
Dividends (Note 19)				(204,704)		(1,949)	(206,653)
Losses in excess of minority interest				(2,047)		2,047	
Change in treasury stock					(996,952)		(996,952)
Overseas operations translation adjustment					36,713		36,713
Valuation gain (loss) on investment securities					(183,930)		(183,930)
Minority interest in income of consolidated subsidiaries						8,683	8,683
Others			(5,386)	14,061	40	439	9,154
<b>Balance as of December 31, 2000</b>	96,480,625	482,403	3,860,756	6,595,470	(1,539,953)	159,623	9,558,299
Net income for 2001				845,679			845,679
Effect of change in percentage of ownership of investees			(4,890)	3,288		10,850	9,248
Dividends (Note 19)				(204,048)		(8,093)	(212,141)
Losses in excess of minority interest				284		(284)	
Retirement of treasury stock (Note 20)	(2,891,140)			(290,071)	290,071		
Change in treasury stock					(4,572)		(4,572)
Overseas operations translation adjustment					(6,594)	15,234	8,640
Valuation gain (loss) on investment securities					135,374	(75)	135,299
Minority interest in losses of consolidated subsidiaries						(8,469)	(8,469)
Others			3,163	15,587	670	(615)	18,805
<b>Balance as of December 31, 2001</b>	93,589,485	482,403	3,859,029	6,966,189	(1,125,004)	168,171	10,350,788

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

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**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY, Continued**  
**For the years ended December 31, 2000, 2001 and 2002**

Millions of Korean Won

	Common stock		Capital surplus	Retained earnings	Capital adjustments	Minority interest	Total
	Shares	Amount					
<b>Balance as of January 1, 2002</b>	93,589,485	482,403	3,859,029	6,966,189	(1,125,004)	168,171	10,350,788
Net income for 2002				1,089,288			1,089,288
Cumulative effect of accounting policy change				717,510			717,510
Effect of change in percentage of ownership of investees			(70,419)	13,573		106,833	49,987
Dividends (Note 19)				(286,058)		(13,751)	(299,809)
Losses in excess of minority interest				(458)		458	
Retirement of treasury stock (Note 20)	(2,807,690)			(281,698)	281,698		(12,289)
Change in treasury stock					(12,289)		(12,289)
Overseas operations translation adjustment					(40,952)	(999)	(41,951)
Valuation loss on investment securities					(307,175)	(612)	(307,787)
Minority interest in income of consolidated subsidiaries						19,844	19,844
Others			9,127	1,153	(652)	(779)	8,849
<b>Balance as of December 31, 2002</b>	<b>90,781,795</b>	<b>482,403</b>	<b>3,797,737</b>	<b>8,219,499</b>	<b>(1,204,374)</b>	<b>279,165</b>	<b>11,574,430</b>

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

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**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY, Continued**  
**For the years ended December 31, 2000, 2001 and 2002**

Thousands of US Dollars (Note 2)

	Common stock		Capital surplus	Retained earnings	Capital adjustments	Minority interest	Total
	Shares	Amount					
<b>Balance as of January 1, 2002</b>	93,589,485	\$ 406,645	\$ 3,252,996	\$ 5,872,198	\$ (948,331)	\$ 141,761	\$ 8,725,269
Net income for 2002				918,223			918,223
Cumulative effect of accounting policy change				604,831			604,831
Effect of change in percentage of ownership of investees			(59,360)	11,441		90,056	42,137
Dividends (Note 19)				(241,134)		(11,591)	(252,725)
Losses in excess of minority interest				(386)		386	
Retirement of treasury stock	(2,807,690)			(237,460)	237,460		
Change in treasury stock					(10,359)		(10,359)
Overseas operations translation adjustment					(34,521)	(842)	(35,363)
Valuation loss on investment securities					(258,935)	(516)	(259,451)
Minority interest in income of consolidated subsidiaries						16,728	16,728
Others			7,693	972	(550)	(657)	7,458
<b>Balance as of December 31, 2002</b>	<b>90,781,795</b>	<b>\$ 406,645</b>	<b>\$ 3,201,329</b>	<b>\$ 6,928,685</b>	<b>\$ (1,015,236)</b>	<b>\$ 235,325</b>	<b>\$ 9,756,748</b>

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

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**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2000, 2001 and 2002**

	Millions of Korean Won			Thousands of US Dollars (Note 2)
	2000	2001	2002	2002
<b>Cash flows from operating activities:</b>				
Net income	1,633,667	845,679	1,089,288	\$ 918,223
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	1,240,070	1,316,516	1,453,253	1,225,029
Accrual of severance benefits	246,547	86,878	119,091	100,389
Provision for doubtful accounts	20,162	(56)	184,887	155,851
Loss (gain) on foreign currency translation, net	198,347	8,468	(105,716)	(89,115)
Gain on valuation of marketable securities	(10,847)	(11,505)	(6,366)	(5,366)
Loss on valuation of derivatives, net	34,217	367	11,206	9,446
Loss (gain) on derivatives transaction, net	(136)	7,219	(9,784)	(8,248)
Gain on disposal of marketable securities and investments, net	(98,153)	(42,334)	(52,713)	(44,434)
Loss on disposal of property, plant and equipment, net	19,589	14,573	15,854	13,365
Loss on valuation of inventories	3,570	21,231	1,178	993
Loss on impairment of investment securities and property, plant and equipment	54,480	66,526	166,874	140,667
Loss (gain) on valuation of equity method investments, net	(9,267)	23,961	128,769	108,547
Minority interest in income (loss) of consolidated subsidiaries	8,683	(8,469)	19,844	16,728
Stock compensation expense		1,790	6,497	5,477
Reserve for special repairs	137,362	46,278		
Extraordinary income	(956,583)			
Others	27,077	12,309	672	567
	<u>915,118</u>	<u>1,543,752</u>	<u>1,933,546</u>	<u>1,629,896</u>

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

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**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2000, 2001 and 2002**

	Millions of Korean Won			Thousands of US Dollars (Note 2)
	2000	2001	2002	2002
Changes in operating assets and liabilities:				
Decrease (increase) in trade accounts and notes receivable	163,511	367,157	(151,351)	\$ (127,583)
Decrease (increase) in inventories	(230,762)	173,755	69,950	58,965
Increase (decrease) in trade accounts and notes payable	(110,347)	(170,118)	151,699	127,876
Decrease (increase) in other accounts and notes receivable	(18,761)	67,312	28,938	24,394
Increase (decrease) in other accounts and notes payable	40,726	(453,022)	11,588	9,768
Decrease (increase) in accrued expenses	62,226	(121,445)	(61,507)	(51,848)
Increase (decrease) in income tax payable	(26,859)	(280,363)	271,347	228,734
Deferred income tax, net	12,558	12,828	(137,771)	(116,135)
Payment of severance benefits	(1,088,159)	(9,168)	(14,469)	(12,197)
Decrease (increase) in group retirement deposits	736,727	(189)		
Others	(35,137)	(66,697)	22,081	18,614
	(494,277)	(479,950)	190,505	160,588
Net cash provided by operating activities	2,054,508	1,909,481	3,213,339	2,708,707
<b>Cash flows from investing activities:</b>				
Disposal of marketable securities	11,375,253	9,058,501	11,547,221	9,733,812
Acquisition of marketable securities	(11,041,246)	(8,582,000)	(12,150,384)	(10,242,252)
Disposal of short-term financial instruments	3,687,669	3,640,112	1,317,099	1,110,258
Acquisition of short-term financial instruments	(3,671,484)	(3,621,042)	(1,140,400)	(961,308)
Acquisition of property, plant and equipment	(874,271)	(1,495,961)	(1,688,840)	(1,423,620)
Disposal of property, plant and equipment	43,075	35,175	91,238	76,909
Acquisition of investment securities	(2,172,650)	(661,248)	(117,790)	(99,292)
Disposition of investment securities	1,806,450	139,159	109,523	92,323
Proceeds from short-term loan	20,410	34,949	147,650	124,462
Short-term loans provided	(4,215)	(29,239)	(56,910)	(47,973)
Proceeds from long-term loan	132,499	61,444	3,019	2,545
Long-term loans provided	(1,576)	(68,654)	(46,162)	(38,912)
Acquisition of intangible assets	(119,851)	(97,547)	(96,676)	(81,494)
Others	20,227	27,615	(64,152)	(54,077)
Net cash used in investing activities	(799,710)	(1,558,736)	(2,145,564)	(1,808,619)

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

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**POSCO AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued**  
**For the years ended December 31, 2000, 2001 and 2002**

	Millions of Korean Won			Thousands of US Dollars (Note 2)
	2000	2001	2002	2002
<b>Cash flows from financing activities:</b>				
Payment of cash dividends	(239,732)	(228,736)	(214,277)	\$ (180,627)
Proceeds (payment) of short-term borrowings, net	177,666	(656,673)	(85,565)	(72,128)
Proceeds from long-term debt	1,683,754	1,450,904	646,848	545,266
Repayment of current portion of long-term debt	(1,383,717)	(1,234,520)	(1,299,970)	(1,095,819)
Repayment of long-term debt	(160,318)	(149,417)	(278,086)	(234,415)
Proceeds from minority interest	26,501	14,513	54,107	45,610
Purchase of treasury stock	(1,003,873)		(91,143)	(76,830)
Others	12,696	(19,700)	89,835	75,728
Net cash used in financing activities	(887,023)	(823,629)	(1,178,251)	(993,215)
Effect of exchange rate changes on cash and cash equivalents	15,104	6,365	(13,156)	(11,090)
Net decrease in cash and cash equivalents from changes of consolidated subsidiaries	(20,745)	(6,543)	(16,097)	(13,569)
Net decrease (increase) in cash and cash equivalents	362,134	(473,062)	(139,729)	(117,786)
Cash and cash equivalents, beginning of year	518,037	880,171	407,109	343,176
Cash and cash equivalents, end of year	880,171	407,109	267,380	\$ 225,390
<b>Supplemental disclosure of cash flow information:</b>				
Cash paid during the year for interest	433,920	423,809	327,575	\$ 276,131
Cash paid during the year for income taxes	703,032	604,998	264,729	\$ 223,155

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

**POSCO AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Consolidated Companies:**

General descriptions of POSCO, the controlling company, and its controlled subsidiaries (collectively referred to as the Company), including POSCO E & C and twelve other domestic subsidiaries and nineteen overseas subsidiaries, whose accounts are included in the consolidated financial statements, and thirteen equity method investees, which are excluded from the consolidation, are as follows:

The Controlling Company -

POSCO, the controlling company, was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea, to manufacture and distribute steel rolled products and plates in the domestic and overseas markets. Annual production capacity is 28,000 thousand tons; 12,200 thousand tons at the Pohang mill and 15,800 thousand tons at the Kwangyang mill. The shares of POSCO have been listed on the Korea Stock Exchange since 1988. POSCO operates two plants and one office in Korea, and one branch and six liaison offices overseas. The principal market for POSCO's products is the domestic market in Korea, while export and overseas sales are concentrated in Japan, China and other countries in the Asia Pacific region.

In accordance with the approval of shareholders on March 15, 2002, POSCO changed its name from POHANG IRON & STEEL Co., Ltd. to POSCO.

As of December 31, 2002, POSCO's shareholders are as follows:

	Number of shares	Percentage of shares (%)
Pohang University of Science and Technology	3,028,200	3.34
Nippon Steel Corporation	2,894,435	3.19
National Pension Corporation	2,126,767	2.34
The Industrial Bank of Korea	2,125,461	2.34
Treasury stock	9,043,276	9.96
Other foreign investors	52,902,442	58.27
Other domestic investors	18,661,214	20.56
	90,781,795	100.00

As of December 31, 2002, the shares of POSCO are listed on the Korea Stock Exchange and its depository receipts are listed on the New York and London Stock Exchanges.

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**POSCO AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**1. Consolidated Companies, Continued:**

Consolidated Subsidiaries -

The following table sets forth certain information with regard to consolidated subsidiaries as of December 31, 2002.

Subsidiaries	Primary business	Capital (Millions of Korean Won)	Number of outstanding shares	Number of shares			Percentage of ownership (%)(a)	Location	Percentage of ownership of subsidiaries
				POSCO	Subsidiaries	Total			
Domestic:									
POSCO E & C (POSEC)	Engineering and construction	693,640	30,000,000	27,281,080		27,281,080	90.94	Pohang	
Posteel Co., Ltd.	Steel sales and service	281,311	18,000,000	17,155,000		17,155,000	95.31	Pohang	
POSCON Co., Ltd.	Electronic control devices manufacturing	75,720	3,435,000	3,098,610		3,098,610	90.21	Pohang	
Pohang Coated Steel Co., Ltd.	Coated steel manufacturing	238,663	6,000,000	4,000,000		4,000,000	66.67	Pohang	
POSCO Machinery & Engineering Co., Ltd.	Steel work maintenance	29,502	1,700,000	1,700,000		1,700,000	100.00	Pohang	
POSDATA Co., Ltd.	Computer hardware and software distribution	96,408	6,155,160	4,000,000		4,000,000	64.99	Sungnam	
POSCO Research Institute	Economic research and consulting	23,435	4,000,000	3,800,000	200,000	4,000,000	99.33	Seoul	POSCO E & C (1.25), POSTEEL (2.50), POSDATA (1.25)

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**POSCO AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**1. Consolidated Companies, Continued:**

Consolidated Subsidiaries, Continued -

Subsidiaries	Primary business	Capital (Millions of Korean Won)	Number of outstanding shares	Number of shares			Percentage of ownership (%)(a)	Location	Percentage of ownership of subsidiaries
				POSCO	Subsidiaries	Total			
Seung Kwang Co., Ltd.	Athletic facilities operation	40,329	4,145,000	2,737,000	1,208,000	3,945,000	92.53	Suncheon	POSCO E & C (29.14)
POS-AC Co., Ltd.	Architecture and consulting	7,018	130,000	130,000		130,000	100.00	Seoul	
Changwon Specialty Steel Co., Ltd.	Specialty steel manufacturing	354,935	30,000,000	26,000,000	4,000,000	30,000,000	99.04	Changwon	POSTEEL (6.67), POSCON (6.67)
POSCO Machinery Co., Ltd.	Machinery installation	20,207	1,000,000	1,000,000		1,000,000	100.00	Kwangyang	
POSTECH Venture Capital Co., Ltd.	Investment in venture companies	33,962	6,000,000	5,700,000		5,700,000	95.00	Pohang	
POSCO Refractories & Environment (POSREC)	Manufacturing	74,757	5,907,000	3,544,200		3,544,200	60.00	Pohang	
Foreign: POSCO America Corp. (POSAM)	Steel trading	148,780	283,284	281,529	1,755	283,284	99.97	U.S.A	POSCAN (0.62)
POSCO Australia Pty. Ltd. (POSA)	Steel trading	49,566	761,775	761,775		761,775	100.00	Australia	

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**POSCO AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**1. Consolidated Companies, Continued:**

Consolidated Subsidiaries, Continued -

Subsidiaries	Primary business	Capital (Millions of Korean Won)	Number of outstanding shares	Number of shares			Percentage of ownership (%)(a)	Location	Percentage of ownership of subsidiaries
				POSCO	Subsidiaries	Total			
POSCO Canada Ltd. (POSCAN)	Coal mining	41,229	1,099,885		1,099,885	1,099,885	95.31	Canada	POSTEEL (100.00)
POSCO Asia Co., Ltd. (POA)	Steel trading	9,305	9,360,000	9,360,000		9,360,000	100.00	Hongkong	
POSCO International Osaka, Inc. (PIO)	Steel trading	4,606	800		800	800	95.31	Japan	POSTEEL (100.00)
VSC POSCO Steel Corporation (VPS)	Steel manufacturing	17,663	N/A	N/A	N/A	N/A	39.77	Vietnam	POSTEEL (5.00) (b)
DALIAN POSCO-CFM Coated Steel Co., Ltd.	Coated steel manufacturing	47,943	N/A	N/A	N/A	N/A	54.30	China	POSTEEL (15.00) (b)
POS-Tianjin Coil Center Co., Ltd.	Steel service center	12,471	N/A	N/A	N/A	N/A	67.19	China	POSTEEL (60.00) (b)
POSMETAL Co., Ltd.	Steel service center	4,573	6,000		3,000	3,000	47.66	Japan	PIO (50.00)

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**POSCO AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**1. Consolidated Companies, Continued:**

Consolidated Subsidiaries, Continued -

Subsidiaries	Primary business	Capital (Millions of Korean Won)	Number of outstanding shares	Number of shares			Percentage of ownership (%)(a)	Location	Percentage of ownership of subsidiaries
				POSCO	Subsidiaries	Total			
Shanghai Real Estate Development Co., Ltd.	Real estate rental	61,743	N/A	N/A	N/A	N/A	90.94	China	POSCO E & C (100.00) (b)
IBC Corporation	Real estate rental	11,522	N/A	N/A	N/A	N/A	54.56	Vietnam	POSCO E & C (60.00) (b)
POSLILAMA Steel Structure Co., Ltd.	Steel structure fabrication and sales	(6,951)	N/A	N/A	N/A	N/A	64.10	Vietnam	POSCO E & C (60.00), POSTEEL (10.00) (b)
Zhangjiagang Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	178,033	N/A	N/A	N/A	N/A	82.48	China	(b)
SHUNDE Pohang Coated Steel Co., Ltd.	Coated steel manufacturing	33,203	N/A	N/A	N/A	N/A	93.50	China	(b)
POS-THAI Service Steel Center Co., Ltd.	Steel service center	6,329	4,091,570	477,288	2,136,208	2,613,496	61.43	Thailand	POSTEEL (52.21)

*Continued;*

**POSCO AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

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**1. Consolidated Companies, Continued:**

Consolidated Subsidiaries, Continued -

Subsidiaries	Primary business	Capital (Millions of Korean Won)	Number of outstanding shares	Number of shares			Percentage of ownership (%)(a)	Location	Percentage of ownership of subsidiaries
				POSCO	Subsidiaries	Total			
Qingdao Pohang Stainless Steel Co., Ltd.	Stainless steel manufacturing	10,999	N/A	N/A	N/A	N/A	80.00	China	(b)
Myanmar-POSCO Co., Ltd.	Steel manufacturing	6,558	19,200	13,440		13,440	70.00	Myanmar	
Zhangjiagang POSHA Steel Port Co., Ltd.	Depot service	8,818	N/A	N/A	N/A	N/A	76.35	China	POSCO E & C (25.00), Zhangjiagang Pohang Stainless Steel (65.00) (b)
POSCO Investment Co., Ltd.	Finance	33,816	2,000,000	2,000,000		2,000,000	100.00	Hongkong	

(a) Percentage of ownership is the sum of direct and indirect ownership.

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

**POSCO AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**1. Consolidated Companies, Continued:**

Equity Method Investees -

The following table sets forth certain information with regard to equity method investees as of December 31, 2002.

Investees	Primary business	Capital (Millions of Korean Won)	Number of shares			Percentage of ownership (%) <sup>(a)</sup>	Location	Percentage of ownership of subsidiaries
			POSCO	Subsidiaries	Total			
Domestic:								
Korea Daily News	Newspaper	58,139	1,863,949		1,863,949	22.40	Seoul	POSDATA (5.00)
eNtoB Corporation	E-business	10,918	560,000	160,000	720,000	21.57	Seoul	and others
Foreign:								
POSVEN	Steel manufacturing	(145,714)	4,480	2,240	6,720	58.63	Venezuela	POSCO E & C (10.00), POSTEEL (10.00) (c)
KOBRASCO	PELLET	(36,432)	2,010,719,185		2,010,719,185	50.00	Brazil	(d)
Fujiura Butsuruyu Center Co., Ltd.	Warehousing	1,856		600	600	28.59	Japan	PIO (30.00)
USS -POSCO Industries (UPI)	Material processing	239,956	N/A	N/A	N/A	49.99	U.S.A	POSAM (50.00) (b)(d)
Suzhou Dongshin Color Metal Sheet Co., Ltd.	Coloring	12,194	N/A	N/A	N/A	28.59	China Republic of South Africa	POSTEEL (30.00) (b)
POSCHROME	Fe-Cr	18,595	21,675		21,675	25.00		

*Continued;*

**POSCO AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**1. Consolidated Companies, Continued:**

Equity Method Investees, Continued -

Investees	Primary business	Capital (Millions of Korean Won)	Number of shares			Percentage of ownership (%)(a)	Location	Percentage of ownership of subsidiaries
			POSCO	Subsidiaries	Total			
Shunde Xingpu Steel Center Co., Ltd.	Industrial processing	15,047	N/A	N/A	N/A	20.51	China	POSTEEL (10.50) (b)
POS-HYUNDAI STEEL	Industrial processing	4,824	2,345,558	4,573,838	6,919,396	28.58	India	POSTEEL (19.50)
POSCO Bioventures LP	Investment in bio-tech ventures	10,020	N/A	N/A	N/A	79.98	U.S.A	POSAM (80.00) (b)(d)
Marubeni Steel Processing Indonesia (MSPI)	Steel service center	1,644	743	2,229	2,972	35.40	Indonesia	POSTEEL (27.52) (d)
Posmmit Steel Centre SDN BHD (POS-MMIT)	Steel service center	7,418	4,200,000		4,200,000	30.00	Malaysia	

(a) Percentage of ownership is the sum of direct and indirect ownership.

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

(c) POSVEN was excluded from the consolidated financial statements since the company is undergoing liquidation procedures as of December 31, 2002.

(d) The Company owns over 30% of equity interest in KOBRASCO, UPI, and MSPI, however, the Company is not the major shareholder of these companies. The Company owns over 79.98% of equity interest in POSCO Bioventures. LP., however, due to an agreement with POSCO Bioventures. LP., which prohibits the Company to engage in management activities, POSCO Bioventures. LP. was excluded from consolidation.

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**POSCO AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

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**1. Consolidated Companies, Continued:**

Change of Scope in Consolidation -

The consolidated financial statements include the accounts of POSCO and its controlled subsidiaries.

The consolidated financial statements include the accounts of POSREC, which was excluded from consolidation as of December 31, 2001, due to the acquisition of additional shares of POSREC representing over 50% ownership in 2002. Also, the consolidated financial statements include the accounts of Qingdao Pohang Stainless Steel Co., Ltd., which was excluded from consolidation as of December 31, 2001, since the company was newly incorporated in 2002. The consolidated financial statements exclude POSVEN, which was included in consolidation as of December 31, 2001, since the company is undergoing liquidation procedures as of December 31, 2002.

*Continued;*

**POSCO AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

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**1. Consolidated Companies, Continued:**

Subsidiaries Excluded from the Consolidated Financial Statements -

The following companies have been excluded from the consolidation and are accounted for under the cost method:

Subsidiaries	Primary business	Shareholders' equity (Millions of Korean Won)	Number of shares			Percentage of ownership (%)(a)	Location	Percentage of ownership of
			POSCO	Subsidiaries	Total			