

HFF, Inc.
Form 4
February 16, 2017

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Tepedino Michael

(Last) (First) (Middle)

C/O HFF, INC., ONE OXFORD CENTRE, 301 GRANT STREET, SUITE 1100

(Street)

PITTSBURGH, PA 15219

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
HFF, Inc. [HF]

3. Date of Earliest Transaction (Month/Day/Year)
02/14/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___ 10% Owner
 Officer (give title below) ___ Other (specify below)
Executive Managing Director

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
				(A) or (D)	Price		
				Code	V	Amount	
Class A common stock	02/14/2017		A	(1)	\$ 3,249	136,696	D
Class A common stock	02/14/2017		A	(2)	\$ 10,162	146,858	D
Class A common stock	02/14/2017		A	(3)	\$ 6,377	153,235	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned (Instr. 5)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Tepedino Michael C/O HFF, INC., ONE OXFORD CENTRE 301 GRANT STREET, SUITE 1100 PITTSBURGH, PA 15219			Executive Managing Director	

Signatures

/s/ Eric O. Conrad, as attorney-in-fact 02/16/2017
 __Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Represents grant of restricted stock units of Class A common stock of the Company under the Company's Executive Bonus Plan, one-third of which will vest on each of February 14, 2018, February 14, 2019, and February 14, 2020.
- (2) Represents grant of restricted stock units of Class A common stock of the Company under the Company's Firm Profit Participation Bonus Plan, one-third of which will vest on each of February 14, 2018, February 14, 2019, and February 14, 2020.
- (3) Represents grant of restricted stock units of Class A common stock of the Company under the Company's Office Profit Participation Bonus Plan, one-third of which will vest on each of February 14, 2018, February 14, 2019, and February 14, 2020.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. TD>

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Current and deferred income taxes recognized directly to equity:

Capital adjustment arising from equity method investments

(122,226) 27,120 (95,106) (33,626) 7,473 (26,153)

Gain on valuation of available-for-sale securities

(374,973) (350,021) (724,994) (103,118) (96,256) (199,374)

Loss on valuation of available-for-sale securities

591,159 (240,952) 350,207 162,569 (66,409) 96,160

Others

454 (454) 125 (125)

94,414 (564,307) (469,893)

25,950 (155,317) (129,367)

Sub total

(184,003) (187,796) (371,799)

Tax effect on elimination of intercompany profit and others

41,292 177,563 218,855

~~₩~~ (142,711) ~~₩~~

(10,233) ~~₩~~ (152,944)

F-68

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****26. Earnings Per Share**

Basic earnings per share is computed by dividing net income allocated to common stock by the weighted average number of common shares outstanding during the year.

	2007	2006	2005
Number of shares issued(1)	77,592,942	80,090,770	80,503,664
Acquisition of treasury shares	1,640,073	1,396,589	1,305,529
Weighted-average number of common shares	75,952,869	78,694,181	79,198,135

(1) The number of shares issued excludes the number of treasury shares as of January 1, 2007, 2006 and 2005.

Basic earnings per share for the years ended December 31, 2007, 2006 and 2005, is calculated as follows:

	2007	2006	2005
	(In millions of Korean won, except per share amounts)		
Net income attributable to controlling interest	₩ 3,558,660	₩ 3,314,181	₩ 4,022,492
Weighted-average number of common shares outstanding	75,952,869	78,694,181	79,198,135
Basic earnings per share	₩ 46,854	₩ 42,115	₩ 50,790

Diluted Earnings Per Share

Diluted earnings per share for the years ended December 31, 2007, 2006 and 2005, are identical to basic earnings per share, since there is no dilutive effect resulting from the stock option plan as of December 31, 2007, 2006 and 2005.

27. Comprehensive income

The details of comprehensive income for the years ended December 31, 2007, 2006 and 2005, are as follows:

	2007	2006	2005
	(In millions of Korean won)		
Net income	₩ 3,677,964	₩ 3,353,082	₩ 4,006,993
Accumulated other comprehensive income:	575,179	398,019	259,142
Gain on valuation of available-for-sale securities(1)	498,711	432,469	324,757

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Capital adjustment arising from equity method investments(2)	(7,455)	11,636	(35,364)
Foreign currency translation adjustments(3)	87,957	(46,086)	(30,251)
Gain on valuation of derivative instruments(4)	(4,034)		
	₩ 4,253,143	₩ 3,751,101	₩ 4,266,135
Comprehensive income attributable to controlling interest	₩ 4,118,011	₩ 3,721,622	₩ 4,277,958
Comprehensive income attributable to minority interest	₩ 135,132	₩ 29,479	₩ (11,823)

(1) Includes income tax effects of ~~₩~~(-)192,094 million (2006: ~~₩~~(-)169,652 million, 2005: ~~₩~~59,005 million).

(2) Includes income tax effects of ~~₩~~(-)34,698 million (2006: ~~₩~~1,705 million, 2005: ~~₩~~(-)14,883 million).

(3) Includes income tax effects of ~~₩~~(-)11,451 million (2006: ~~₩~~5,753 million, 2005: ~~₩~~(-)18,727 million).

(4) Includes income tax effects of ~~₩~~1,331 million.

F-69

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****28. Assets and Liabilities Denominated in Foreign Currencies**

Monetary assets and liabilities denominated in foreign currencies as of December 31, 2007 and 2006, are as follows:

		2007		2006
		Foreign Currency(3)	Won Equivalent	Won Equivalent
		(In millions of Korean won, other currencies in thousands)		
Assets				
Cash and cash equivalents(1)	US\$	231,556	₩ 217,246	₩ 288,671
	JPY	74,355	620	22
	EUR	27	37	
	Overseas subsidiaries (US\$)	430,853	404,226	300,339
Trade accounts and notes receivable	US\$	323,175	303,203	216,285
	JPY	6,042,643	50,355	18,438
	EUR	7,796	10,768	9,157
	Overseas subsidiaries (US\$)	773,033	725,259	431,449
Other accounts and notes receivable	US\$	5,235	4,499	28,011
	JPY	16,960	141	133
	EUR	11	15	
	Overseas subsidiaries (US\$)	73,300	68,770	63,009
Short-term and long-term loans receivable	Overseas subsidiaries (US\$)	186,380	174,862	38,184
Long-term trade accounts and notes receivable	Overseas subsidiaries (US\$)	71	66	
Investment securities(2)	Overseas subsidiaries (US\$)	205,885	193,161	40,557
Guarantee deposits	US\$	427	401	151
	JPY			42
	EUR	41	57	
	Overseas subsidiaries (US\$)	6,955	6,526	23,851
Total			₩ 2,160,212	₩ 1,458,299

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

		2007		2006
		Foreign Currency(3)	Won Equivalent	Won Equivalent
		(In millions of Korean won, other currencies in thousands)		
Liabilities				
Trade accounts and notes payable	US\$	410,215	₩ 384,863	₩ 48,922
	JPY	1,509,059	12,576	13,194
	EUR	1,042	1,440	3,864
	Overseas subsidiaries (US\$)	520,780	488,595	314,976
Other accounts and notes payable	US\$	45,304	42,505	17,306
	JPY	636,330	5,302	6,326
	EUR	446	617	7,196
	Overseas subsidiaries (US\$)	44,335	41,595	39,444
Accrued expenses	US\$	2,552	2,394	87
	Overseas subsidiaries (US\$)	27,297	25,610	15,023
Short-term borrowings	US\$	194,394	182,380	14,112
	Overseas subsidiaries (US\$)	1,355,638	1,271,860	1,098,220
Withholdings	US\$	5,122	4,805	21
	JPY	145,910	1,216	
	EUR	2,047	2,828	369
	Overseas subsidiaries (US\$)	2,864	2,687	2,852
Debentures(2, 4)	US\$	390,000	365,898	278,880
	JPY	101,622,000	846,847	794,512
Loans from foreign financial institutions(4)	US\$	34,829	32,677	31,875
	JPY	384,000	3,200	4,503
	Overseas subsidiaries (US\$)	538,323	505,055	289,809
Foreign currency loans(4)	US\$			13,868
	EUR	5,237	7,234	21,378
			₩ 4,232,184	₩ 3,016,737

(1) Includes cash and cash equivalents, short-term financial instruments and long-term financial instruments.

(2) Presented at face value.

(3) Currencies other than US dollars, Japanese yen, and Euros are converted into US dollars. The amounts of overseas subsidiaries are converted into US dollars.

(4) Includes current portion of long-term debts.

F-71

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****29. Related Party Transactions**

Significant transactions, which occurred in the ordinary course of business, with consolidated subsidiaries for the years ended December 31, 2007, 2006 and 2005, and the related account balances as of December 31, 2007 and 2006, are as follows:

	Sales and Others(1)			Purchases and Others(1)		
	2007	2006	2005	2007	2006	2005
	(In millions of Korean won)					
POSCO E&C Posteel Co., Ltd.	₩ 20,000	₩ 12,134	₩ 3,758	₩ 984,030	₩ 1,618,205	₩ 1,732,462
POSCON Co., Ltd.	1,072,032	966,254	1,030,276	220,459	93,315	86,005
Pohang Steel Co., Ltd.	120	177	131	244,365	219,602	235,232
POSCO Machinery & Engineering Co., Ltd.	436,206	367,443	426,007	1,327	853	1,105
POSDATA Co., Ltd.	157	1,908	92	152,844	125,996	160,787
POSCO Research Institute	4,516	2,290	1,009	173,660	175,046	182,149
Seung Kwang Co., Ltd.	3			17,280	18,553	14,350
POS-AC Co., Ltd.				69	6	110
POSCO Specialty Steel Co., Ltd.	862	732	566	24,298	30,546	29,554
POSCO Machinery Co., Ltd.	5,175	2,844	3,440	88,258	70,299	53,618
POSCO Refractories & Environment (POSREC)	3,480	1,929	121	114,378	76,189	107,648
POSTECH Venture	250	166	261	213,753	211,122	195,329
	94	77	63			

Capital Co., Ltd. POSCO America Corporation (POSAM)	130,150	84,227	97,920	686	277	
POSCO Australia Pty. Ltd. (POSA)	18,206	17,821	10,163	231	2,235	31,305
POSCO Canada Ltd. (POSCAN)	40			71,120	91,502	102,841
POSCO Asia Co., Ltd. (POA)	600,059	440,078	552,694	121,098	73,353	130,871
Zhangjiagang Pohang Stainless Steel Co., Ltd.	22,474	487,037	723,522			
POSCO Japan Co., Ltd.	831,711	566,208	544,636	50,939	75,170	75,604
Others	273,214	328,329	317,176	271,594	253,698	338,718
	₩ 3,418,749	₩ 3,279,654	₩ 3,711,835	₩ 2,750,389	₩ 3,135,967	₩ 3,477,688

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

	Receivables(2)		Payables(2)	
	2007	2006	2007	2006
	(In millions of Korean won)			
POSCO E&C	₩ 186	₩ 7,933	₩ 105,178	₩ 77,678
Posteel Co., Ltd.	104,624	69,539	12,386	3,198
POSCON Co., Ltd.	7	1	24,842	18,016
Pohang Steel Co., Ltd.	40,431	41,029	119	94
POSCO Machinery & Engineering Co., Ltd.	6	4	20,431	13,211
POSDATA Co., Ltd.	10	1	31,614	26,639
POSCO Research Institute	1		6,394	3,766
Seung Kwang Co., Ltd.		2,034		
POS-AC Co., Ltd.	1		2,001	1,177
POSCO Specialty Steel Co., Ltd.	40		8,067	3,103
POSCO Machinery Co., Ltd.	50	30	10,445	11,203
POSCO Refractories & Environment (POSREC)	9	9	24,265	23,742
POSTECH Venture Capital Co., Ltd.			66	
POSCO America Corporation (POSAM)	4,447	401		
POSCO Australia Pty. Ltd. (POSA)				
POSCO Canada Ltd. (POSCAN)	21	13	9,635	14,166
POSCO Asia Co., Ltd. (POA)	24,323	20,827	1,922	1,277
Zhangjiagang Pohang Stainless Steel Co., Ltd.		6		
POSCO Japan Co., Ltd.	30,952	20,685	6	5,428
Others	18,974	9,430	25,711	23,396
	₩ 224,082	₩ 171,942	₩ 283,082	₩ 226,094

(1) Sales and others include sales, non-operating income and others; purchases and others include purchases, overhead expenses and others.

(2) Receivables include trade accounts, other accounts receivable and others; payables include trade accounts, other accounts payable and others.

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

Significant transactions, which occurred in the ordinary course of business, with equity method investees for the years ended December 31, 2007 and 2006, and related account balances as of December 31, 2007, 2006 and 2005, are as follows:

	Sales and Others(1)			Purchases and Others(1)		
	2007	2006	2005	2007	2006	2005
	(In millions of Korean won)					
eNtoB Corporation	₩	₩	₩	₩ 216,920	₩ 134,703	₩ 170,258
KOBRASCO				72,514	141,859	202,262
POSCHROME	35			41,735	35,009	45,043
POSVINA	5,056	2,684	11,239			
USS POSCO Industries (UPI)	245,814	356,190	312,377			
Guangdong Xingpu Steel Conter Co., Ltd.	3,094	10,295				
SNNC Co., Ltd.	343					
	₩ 254,342	₩ 369,169	₩ 323,616	₩ 331,169	₩ 311,571	₩ 417,563

	Receivables(2)		Payables(2)	
	2007	2006	2007	2006
	(In millions of Korean won)			
eNtoB Corporation	₩	₩	₩ 2,999	₩ 1,917
KOBRASCO			4,048	9,737
POSCHROME				
POSVINA				
USS POSCO Industries (UPI)		8		
Guangdong Xingpu Steel Conter Co., Ltd.	4,276	2,337		
SNNC Co., Ltd.	1			
	₩ 4,285	₩ 2,337	₩ 7,047	₩ 11,654

(1) Sales and others include sales, non-operating income and others; purchases and others include purchases, overhead expenses and others.

(2) Receivables include trade accounts, other accounts receivable and others; payables include trade accounts, other accounts payable and others.

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

Eliminations of intercompany revenues and expenses for the years ended December 31, 2007 and 2006, are as follows:

	Revenues			Expenses			
	2007	2006	2005	2007	2006	2005	
	(In millions of Korean won)						
Sales	₩ 8,111,931	₩ 7,670,446	₩ 8,293,069	Cost of goods sold	₩ 7,957,616	₩ 7,332,282	₩ 8,094,089
Interest income	24,104	694	1,322	Interest expense	5,608	3,912	3,778
				Selling and administrative expenses	171,400	259,038	156,157
Dividend income	4,883	1,273	1,014	Others	18,703	85,288	44,455
Others	12,409	8,107	3,074				
	₩ 8,153,327	₩ 7,680,520	₩ 8,298,479		₩ 8,153,327	₩ 7,680,520	₩ 8,298,479

Eliminations of significant intercompany receivables and payables as of December 31, 2007 and 2006, are as follows:

	Receivables		Payables		
	2007	2006	2007	2006	
	(In millions of Korean won)				
Trade accounts and notes receivable	₩ 740,252	₩ 709,207	Trade accounts and notes payable	₩ 468,811	₩ 494,980
Short-term loans receivable	117,938	41,642	Short-term borrowings	136,750	71,630
Other accounts and notes receivable	11,673	8,431	Other accounts and notes payable	263,149	173,648
Long-term loans receivable	54,192	56,613	Long-term debts	24,443	25,121
Other assets	201,439	113,497	Other liabilities	232,341	164,011
	₩ 1,125,494	₩ 929,390		₩ 1,125,494	₩ 929,390

30. Segment and Regional Information

The following table provides information on the significant financial status of each operating segment of the consolidated subsidiaries as of and for the year ended December 31, 2007:

	Steel	Engineering and Construction	Trading (In millions of Korean won)	Others	Consolidation Adjustment	Consolidated
Statement of income						
Sales	₩ 27,910,722	₩ 3,801,882	₩ 4,018,003	₩ 3,989,066	₩ (8,111,932)	₩ 31,607,741
Less: Inter-segment	(4,738,741)	(1,092,309)	(874,520)	(1,406,362)	8,111,932	
Net sales	₩ 23,171,981	₩ 2,709,573	₩ 3,143,483	₩ 2,582,704	₩	₩ 31,607,741
Operating profit	₩ 4,523,589	₩ 284,632	₩ 31,068	₩ 198,225	₩ (117,653)	₩ 4,919,861
Depreciation and amortization	1,919,594	16,188	5,591	160,778	24,578	2,126,729
Balance sheet						
Inventories	₩ 4,258,206	₩ 454,338	₩ 126,182	₩ 145,708	₩ (82,418)	₩ 4,902,016
Investments	8,205,751	565,983	333,688	775,105	(4,641,501)	5,239,026
Property, plant and equipment	15,110,911	142,157	198,856	1,341,015	(1,211,174)	15,581,765
Intangible assets	246,932	25,152	897	166,992	130,806	570,779
Goodwill				75,556		75,556

F-75

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

The following table provides information on the significant financial status of each operating segment of the consolidated subsidiaries as of and for the year ended December 31, 2006:

	Steel	Engineering and Construction	Trading	Others	Consolidation Adjustment	Consolidated
	(In millions of Korean won)					
Statement of income						
Sales	₩ 23,727,533	₩ 3,752,233	₩ 3,046,127	₩ 2,986,879	₩ (7,670,446)	₩ 25,842,326
Less: Inter-segment	(3,984,759)	(1,631,547)	(632,841)	(1,421,299)	7,670,446	
Net sales	₩ 19,742,774	₩ 2,120,686	₩ 2,413,286	₩ 1,565,580	₩	₩ 25,842,326
Operating profit	₩ 4,078,997	₩ 282,489	₩ 24,202	₩ 252,283	₩ (248,824)	₩ 4,389,147
Depreciation and amortization	1,712,672	12,284	5,967	141,114	(89,299)	1,782,738
Balance sheet						
Inventories	₩ 3,550,674	₩ 225,378	₩ 127,600	₩ 217,963	₩ (103,410)	₩ 4,018,205
Investments	5,867,366	434,047	276,560	527,388	(3,393,443)	3,711,918
Property, plant and equipment	14,075,709	75,712	201,797	1,358,874	(1,068,972)	14,643,120
Intangible assets	258,874	25,889	430	125,147	146,742	557,082
Goodwill				90,105		90,105

The following table provides information on the significant financial status of each operating segment of the consolidated subsidiaries as of and for the year ended December 31, 2005:

	Steel	Engineering and Construction	Trading	Others	Consolidation Adjustment	Consolidated
	(In millions of Korean won)					
Statement of income						
Sales	₩ 24,886,534	₩ 3,993,961	₩ 3,373,587	₩ 2,340,775	₩ (8,293,069)	₩ 26,301,788
Less: Inter-segment	(3,974,711)	(1,845,747)	(990,742)	(1,481,869)	8,293,069	
Net sales	₩ 20,911,823	₩ 2,148,214	₩ 2,382,845	₩ 858,906	₩	₩ 26,301,788
Operating profit	₩ 5,879,972	₩ 244,910	₩ 24,453	₩ 190,378	₩ (256,437)	₩ 6,083,276

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Depreciation and amortization	1,604,241	11,874	7,626	70,693	(81,880)	1,612,554
Balance sheet						
Inventories	₩ 3,275,723	₩ 205,622	₩ 102,569	₩ 314,233	₩ (105,553)	₩ 3,792,594
Investments	4,662,747	348,143	273,938	468,074	(2,611,346)	3,141,556
Property, plant and equipment	12,223,681	63,747	213,681	571,320	(800,719)	12,271,710
Intangible assets	326,780	26,712	505	110,527	(10,815)	453,709

F-76

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

Substantially all of the Company's operations are for the production of steel products. Net sales for the years ended December 31, 2007, 2006 and 2005, and non-current assets by geographic location as of December 31, 2007 and 2006, are as follows:

Customer Location	Sales(1)			Long Lived-Asset	
	2007	2006	2005	2007	2006
	(In millions of Korean won)				
Korea	₩ 19,969,637	₩ 17,250,163	₩ 18,566,060	₩ 15,603,437	₩ 14,658,557
Japan	1,741,972	1,311,685	1,371,510	114,190	59,540
China	4,503,900	3,070,422	3,117,909	1,153,915	1,102,657
Asia/Pacific, excluding Japan and China	2,041,587	1,486,331	1,502,205	131,998	164,018
North America	732,002	610,240	550,331	387	88,794
Others	2,618,644	2,113,485	1,193,773	228,986	48,866
Consolidation adjustments				(1,080,368)	(922,230)
	₩ 31,607,742	₩ 25,842,326	₩ 26,301,788	₩ 16,152,545	₩ 15,200,202

(1) Represents revenues, net of consolidation adjustments, incurred based on customers' locations instead of the Company and subsidiaries' locations.

Condensed consolidated balance sheets as of December 31, 2007 and 2006, categorized by type of business are as follows:

Assets	Non-Financial Institution		Financial Institution	
	2007	2006	2007	2006
	(In millions of Korean won)			
Current assets	₩ 14,315,689	₩ 12,161,686	₩ 77,844	₩ 75,267
Non-Current assets	21,748,269	18,776,636	132,961	135,484
Investment assets	5,109,363	3,576,481	129,663	135,437
Property, plant and equipment	15,581,387	14,643,073	378	47
Intangible assets	570,724	557,082	55	
Other non-current assets	486,795		2,865	
Total Assets	₩ 36,063,958	₩ 30,938,322	₩ 210,805	₩ 210,751

Liabilities

Current liabilities	₩ 6,533,867	₩ 4,994,824	₩ 90,748	₩ 87,471
Non-Current liabilities	4,532,167	3,664,895	241	141
Total Liabilities	₩ 11,066,034	₩ 8,659,719	₩ 90,989	₩ 87,612

F-77

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

Condensed consolidated statements of income for the years ended December 31, 2007 and 2006, categorized by type of business are as follows:

	Non-Financial Institution		Financial Institution	
	2007	2006	2007	2006
	(In millions of Korean won)			
Sales	₩ 31,594,856	₩ 25,832,162	₩ 12,885	₩ 10,164
Cost of goods sold	24,896,387	19,891,544	6,276	5,220
Selling and administrative expenses	1,781,474	1,553,868	3,743	2,547
Operating income	4,916,995	4,386,750	2,866	2,397
Non-operating income	805,060	743,536	13,447	5,687
Non-operating expenses	834,844	851,338	4,593	2,441
Net income before income tax expense	4,887,211	4,278,948	11,720	5,643
Income tax expense	1,273,328	921,382	898	569
Net income of Subsidiaries before purchasing	(53,259)	9,558		
Net income	₩ 3,667,142	₩ 3,348,008	₩ 10,822	₩ 5,074
Net income attributable to controlling interest	₩ 3,547,838	₩ 3,309,107	₩ 10,822	₩ 5,074
Net income attributable to minority interest	₩ 119,304	₩ 38,901	₩	₩

31. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the years ended December 31, 2007, 2006 and 2005, are as follows:

	2007	2006	2005
	(In millions of Korean won)		
Noncash financing activities:			
Reclassification of current portion of loans from foreign financial institutions	₩ 879	₩ 8,797	₩ 9,065
Reclassification of current portion of long-term debt	22,858	164,370	54,933
Reclassification of current portion of debentures	460,192	231,100	991,609
Reclassification of current portion of held-to-maturity securities	192,393	153,476	2,688

Certain amounts in consolidated financial statements as of and for the year ended December 31, 2006 and 2005, have been reclassified to conform to the December 31, 2007 consolidated financial statement presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.

32. Professional Staff Development Costs

The Company's expenditures on education and training fees in relation to the development of professional personnel for the years ended December 31, 2007, 2006 and 2005, are as follows:

	2007	2006	2005
	(In millions of Korean won)		
Fees for studying abroad	₩ 6,314	₩ 3,999	₩ 3,319
Fees for offsite training	3,025	4,498	4,217
Tutorial fees	3,905	3,778	5,548
Others	13,782	11,783	14,275
	₩ 27,026	₩ 24,058	₩ 27,359

F-78

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****33. Employees Welfare**

In order to enhance the welfare of employees, the Company provides fringe benefits to its employees, such as dining facilities, dispensary, scholarships, employee stock ownership plan, medical insurance, accident compensation, compensated absence and gymnasium facilities, among others. Employee benefits paid by the Company amounted to ₩481,713 million for the year ended December 31, 2007 (2006: ₩537,242 million, 2005: ₩714,157 million).

34. The Effect from Adjustment of Accounting Policy in Consolidated Subsidiaries

The accounting policy and estimates of the consolidated subsidiaries have been adjusted to confirm that of the Company. The effect of adjustments for the years ended December 31, 2007 and 2006, are as follows:

	2007		
	Net Assets Value before	Adjustment Amount	Net Assets Value after Adjustment
	(In millions of Korean won)		
Posteel Co., Ltd.	₩ 324,736	₩ (626)	₩ 324,110
POSCON Co., Ltd.	149,729	901	150,630
Pohang Coated Steel Co., Ltd.	275,322	(2,821)	272,501
POSCO Asia Co., Ltd.(POA)	20,861	(544)	20,317
Zhanjiagang Pohang Stainless Steel Co.,Ltd (ZPSS)	569,173	(42,750)	526,423
POSCO Investment Co., Ltd.	68,609	(1,574)	67,035
POSCO Refractories & Environment Company Ltd.(POSREC)	132,953	6,451	139,404
Qingdao Pohang Stainless Steel Co., Ltd.	83,558	(6,215)	77,343
POSCO-Japan Co., Ltd.	58,188	(545)	57,643
Samjung Packing & Aluminum Co., Ltd.	77,793	2,362	80,155
POSCO Power Corp.	523,318	(1,509)	521,809

	2006		
	Net Assets Value before	Adjustment Amount	Net Assets Value after Adjustment
	(In millions of Korean won)		

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Posteel Co., Ltd.	₩	293,447	₩	(650)	₩	292,797
POSCON Co., Ltd.		129,593		(769)		128,824
Pohang Coated Steel Co., Ltd.		267,016		(2,922)		264,094
POSCO Asia Co., Ltd.(POA)		18,353		(349)		18,004
Zhanjiagang Pohang Stainless Steel Co.,Ltd (ZPSS)		481,471		(32,705)		448,766
POSCO Investment Co., Ltd.		64,793		(1,556)		63,237
POSCO Refractories & Environment Company Ltd.(POSREC)		120,342		(5,403)		114,939
Qingdao Pohang Stainless Steel Co., Ltd.		63,728		(4,309)		59,419
POSCO-Japan Co., Ltd.		49,481		(337)		49,144
Samjung Packing & Aluminum Co., Ltd.		68,955		(1,501)		67,454

F-79

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****35. Significant Differences between Korean GAAP and U.S. GAAP*****Reconciliation to U.S. Generally Accepted Accounting Principles***

The consolidated financial statements of the Company are prepared in accordance with generally accepted accounting principles in the Republic of Korea (Korean GAAP), which differs in certain material respects from generally accepted accounting principles in the United States of America (U.S. GAAP). Application of U.S. GAAP would have affected the balance sheets as of December 31, 2007, 2006 and 2005 and the net income for each of the three year periods ended to the extent described below.

A description of the material differences between Korean GAAP and U.S. GAAP as they relate to the Company are discussed in detail below.

(a) Reconciliation of net income from Korean GAAP to U.S. GAAP

	Adjustments before Income Tax	Income Tax Effect	Adjustments after Income Tax
	(In millions of Korean won, except share data)		
For the year ended December 31, 2007			
Net income under Korean GAAP			₩ 3,558,660
Adjustments:			
Fixed asset revaluation	₩ 16,985	₩ (4,671)	12,314
Capitalized costs	23,853	(6,560)	17,293
Capitalized repairs	(882)	243	(639)
Investment securities	511	(141)	370
Amortizing of goodwill	29,160	(8,019)	21,141
Derivatives	(71,011)	19,529	(51,482)
Others, net	10,193	(2,803)	7,390
	₩ 8,809	₩ (2,422)	₩ 6,387
Net income as adjusted in accordance with U.S. GAAP			₩ 3,565,047
Basic and diluted earnings per share, as adjusted, in accordance with U.S. GAAP			₩ 46,938
Weighted-average shares outstanding			75,952,869

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

	Adjustments before Income Tax (In millions of Korean won, except share data)	Income Tax Effect	Adjustments after Income Tax
For the year ended December 31, 2006			
Net income under Korean GAAP			₩ 3,314,181
Adjustments:			
Fixed asset revaluation	₩ 20,152	₩ (5,542)	14,610
Capitalized costs	35,435	(9,745)	25,690
Capitalized repairs	(1,269)	349	(920)
Investment securities	54,070	(14,869)	39,201
Amortizing of goodwill	25,322	(6,964)	18,358
Others, net	(4,588)	1,263	(3,325)
	₩ 129,122	₩ (35,508)	₩ 93,614
Net income as adjusted in accordance with U.S. GAAP			₩ 3,407,795
Basic and diluted earnings per share, as adjusted, in accordance with U.S. GAAP			₩ 43,304
Weighted-average shares outstanding			78,694,181

	Adjustments before Income Tax (In millions of Korean won, except share data)	Income Tax Effect	Adjustments after Income Tax
For the year ended December 31, 2005			
Net income under Korean GAAP			₩ 4,022,492
Adjustments:			
Fixed asset revaluation	₩ 19,301	₩ (5,222)	14,079
Capitalized costs	15,381	(4,230)	11,151
Capitalized repairs	(5,312)	1,461	(3,851)
Investment securities	81,659	(22,456)	59,203
Amortizing of goodwill	8,875	(2,441)	6,434
Others, net	4,187	(12,097)	(7,910)
	₩ 124,091	₩ (44,985)	₩ 79,106

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Net income as adjusted in accordance with U.S. GAAP	₩	4,101,598
Basic and diluted earnings per share, as adjusted, in accordance with U.S. GAAP	₩	51,789
Weighted-average shares outstanding		79,198,135

F-81

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****(b) Reconciliation of shareholders' equity from Korean GAAP to U.S. GAAP**

	Adjustments before Income Tax	Income Tax Effect	Adjustments after Income Tax
	(In millions of Korean won)		
As of December 31, 2007			
Total shareholders' equity under Korean GAAP			₩ 25,117,740
Minority interest			(633,657)
			24,484,083
Adjustments:			
Fixed asset revaluation	₩ (136,471)	₩ 15,041	(121,430)
Capitalized costs	345,496	(95,011)	250,485
Capitalized repairs	1,573	(433)	1,140
Investment securities	(71,762)	19,735	(52,027)
Amortization of goodwill	63,356	(17,423)	45,933
Derivatives	(71,011)	19,529	(51,482)
Others, net	5,664	(1,558)	4,106
	₩ 136,845	₩ (60,120)	₩ 76,725
Shareholders' equity, as adjusted, in accordance with U.S. GAAP			₩ 24,560,809

	Adjustments before Income Tax	Income Tax Effect	Adjustments after Income Tax
	(In millions of Korean won)		
As of December 31, 2006			
Total shareholders' equity under Korean GAAP			₩ 22,401,742
Minority interest			(489,208)
			21,912,534
Adjustments:			
Fixed asset revaluation	₩ (155,755)	₩ 19,986	(135,769)
Capitalized costs	321,643	(88,452)	233,191
Capitalized repairs	2,455	(675)	1,780
Investment securities	(84,269)	23,174	(61,095)

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Amortizing of goodwill	34,196	(9,404)	24,792
Cumulative effect of FAS 123R	(4,097)	1,127	(2,970)
Others, net	(431)	119	(312)
	₩ 113,742	₩ (54,125)	₩ 59,617
Shareholders' equity, as adjusted, in accordance with U.S. GAAP			₩ 21,972,151

F-82

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

	Adjustments before Income Tax	Income Tax Effect	Adjustments after Income Tax
	(In millions of Korean won)		
As of December 31, 2005			
Total shareholders' equity under Korean GAAP			₩ 19,873,677
Minority interest			(384,670)
			19,489,007
Adjustments:			
Fixed asset revaluation	₩ (175,907)	₩ 25,528	(150,379)
Capitalized costs	286,208	(78,707)	207,501
Capitalized repairs	3,724	(1,024)	2,700
Investment securities	(66,594)	18,313	(48,281)
Amortization of goodwill	8,875	(2,441)	6,434
Others, net	60	(8,873)	(8,813)
	₩ 56,366	₩ (47,204)	₩ 9,162
Shareholders' equity, as adjusted, in accordance with U.S. GAAP			₩ 19,498,169

(c) Fixed asset revaluation

Under Korean GAAP, certain fixed assets were subject to upward revaluations in accordance with the Asset Revaluation Law, with the revaluation increment credited to capital surplus. As a result of this revaluation, depreciation expense on these assets was adjusted to reflect the increased basis. Under U.S. GAAP, such a revaluation is not permitted and depreciation expense should be based on historical cost. When assets are sold, any revaluation surplus related to those assets under Korean GAAP would be reflected in income as additional gain on sale of assets under U.S. GAAP.

(d) Capitalized costs

Under Korean GAAP, the Company capitalizes certain foreign exchange gains and losses on borrowings associated with property, plant and equipment during the construction period. Under U.S. GAAP, all foreign exchange gains and losses are included in the results of operations for the current period. No foreign exchange gains and losses have been capitalized for the years ended December 31, 2007, 2006 and 2005 under Korean GAAP. Depreciation of net capitalized foreign exchange gains and losses carried forward from prior periods amounted to ₩1,048 million, ₩(2,099) million and ₩8,097 million for the years ended December 31, 2007, 2006 and 2005, respectively.

In addition, effective from the period beginning after December 31, 2002, under Korean GAAP, interest costs that would have been theoretically avoided had expenditures not been made for assets which require a period of time to prepare them for their intended use are generally expensed as incurred, except when certain criteria are met for capitalization. The Company has adopted this application and expensed financing costs subject to the capitalization. Under U.S. GAAP, the Company is required to capitalize such amount. Capital projects that have had their progress halted would suspend the capitalization of interest and would also delay the accumulation of depreciation during the suspense period.

F-83

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

Capitalized interest for the years ended December 31, 2007, 2006 and 2005 are as follows:

	2007	2006	2005
	(In millions of Korean won)		
Capitalized interest	₩ 104,014	₩ 123,350	₩ 86,269
Depreciation of capitalized interest	(73,888)	(72,034)	(60,581)
Net income impact	₩ 30,126	₩ 51,316	₩ 25,688

Under Korean GAAP, research and development costs, organization costs and internal use software costs have been recorded as intangible assets and amortized over a period not exceeding 20 years. Under U.S. GAAP, organization costs as well as research and developments costs are generally expensed as incurred. In addition, certain costs incurred for software developed for internal use, U.S. GAAP requires that costs incurred in the preliminary project stage be expensed as incurred. External direct costs such as material and service, payroll or payroll related costs for employees who are directly associated with the project, and interest costs incurred when developing computer software for internal use, should be capitalized and amortized on a straight-line method over the estimated useful life. Training costs, data conversion costs and general administrative costs should be expensed as incurred.

U.S. GAAP reconciliation adjustments for the capitalization and amortization of intangible assets which arose mostly from research and development cost for the years ended December 31, 2007, 2006 and 2005, are as follows:

	2007	2006	2005
	(In millions of Korean won)		
Net income impact	₩ (7,321)	₩ (13,782)	₩ (18,404)

(e) Capitalized repairs

Under Korean GAAP, major repair costs associated with the Company's furnaces had been expensed as incurred, regardless of the nature of the expenditure until 2001. U.S. GAAP requires that repairs which extend an asset's useful life or significantly increase its value be capitalized when incurred and depreciated. Routine maintenance and repairs are expensed as incurred. Depreciation of capitalized repairs carried forward from prior periods has been recorded.

(f) Guarantees

Under Korean GAAP, the guarantor is required to disclose guarantees, including indirect guarantees of indebtedness of others. Under U.S. GAAP, the guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee for guarantees issued or modified after December 31, 2002. As of December 31, 2007, the guarantees issued or modified after December 31, 2002 by the Company for the

repayment of loans amounts to ₩147,100 million, excluding guarantees issued either between parents and their subsidiaries or between corporations under common control (Note 16). The fair value of the liability recorded at the inception is amortized into income over the life of the guarantee contract. The Company has recognized the fair value of liabilities net of amortization amounting to ₩(566) million and ₩(417) million and ₩1,732 for the years ended December 31, 2007, 2006 and 2005, respectively. This adjustment is included in Others, net.

(g) *Stock Appreciation Rights*

Under Korean GAAP, the Company accounted for stock-based compensation in accordance with the intrinsic value method for awards that call for settlement in cash, shares, or a combination of both measures. Stock compensation liabilities at the end of each period are determined as the amount by which the moving weighted average of quoted market value of the shares of the enterprise's stock covered by a grant exceeds the option price.

F-84

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

The moving weighted average of quoted market value is calculated based on the weighted average market price of last one week, last one month and last two months of each period.

Under U.S. GAAP, Statement of Financial Accounting Standards (SFAS) No. 123(R) is effective as of the beginning of the first interim or annual reporting period that begins after December 15, 2005, which applies to new awards and to awards modified, repurchased or cancelled after effective date. The Company adopted FAS 123(R) on January 1, 2006 using the modified prospective method. The compensation expense for the portion of the awards for which the requisite service period has not been rendered that are outstanding at December 31, 2005 needs to be remeasured from its intrinsic value to its fair value on the adoption date, and any difference to be reflected as the cumulative effect of change in accounting principle, net of any related tax effect. Also, reflected in the cumulative effect of change in accounting principle is the net cumulative impact of estimating future forfeitures in the determination of periodic expense, rather than recording forfeitures when they occur as previously permitted. Prior to adoption of FAS 123(R), the Company applied APB 25, intrinsic value method, as permitted under FAS 123 and recorded stock compensation liabilities under intrinsic value method using the quoted market value of the shares of the Company's stock covered by a grant exceed the option price.

The Company remeasured the value of its stock appreciation rights as of January 1, 2006 and applied the estimated future forfeitures, which resulted in a cumulative effect of change in accounting principle, net of tax, totaling ₩(2,970) million.

The following table illustrates the effect on Net Income and Earnings per Share if the Company had applied the fair value recognition provisions of SFAS No. 123(R) to stock-based employee compensation for the year ended December 31, 2005:

	2005
	(In millions of Korean won, except per-share amounts)
Net Income, as reported	₩ 4,101,598
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	4,574
Deduct: Stock-based employee compensation expense determined under the fair value method, net of related tax effects	(6,457)
Pro forma net earnings	4,099,715
Earning per share-basic:	
As reported	51,789
Pro forma	51,765
Earning per share-diluted:	
As reported	51,789
Pro forma	51,765

As the share appreciation right is classified as liability awards, the fair value of stock options granted was remeasured as of the reporting date using a Black-Scholes option-pricing model with the following weighted average assumptions:

	2007
Dividend yield range	1.74 ~2.98 %
Expected volatility range	34.44 ~49.38 %
Risk-free interest rate range	5.52 ~5.89 %
Expected lives (in years)	0.45 ~3.51

F-85

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

U.S. GAAP reconciliation adjustments for stock appreciation rights granted to employees and executives recognized for the years ended December 31, 2007, 2006 and 2005 are included in Others, net and are as follows:

	2007	2006	2005
	(In millions of Korean won)		
Net income impact	₩ 10,759	₩ (4,171)	₩ 2,455

The total stock compensation expense, in accordance with U.S. GAAP, for the years ended December 31, 2007, 2006 and 2005 amounts to ₩113,122 million, ₩54,056 million and ₩15,782 million, respectively.

(h) Investment Securities

The differences in accounting for investment securities relate to (i) recognition of an impairment loss under U.S. GAAP but not under Korean GAAP and (ii) Recognition of gain or loss on disposal of investments due to different classification under Korean GAAP and US GAAP.

(i) Recognition of an impairment loss

Under Korean GAAP, if the fair value of investments classified as either available-for-sale or held to maturity permanently declines compared to its acquisition cost as evidenced by events such as bankruptcy, liquidation, negative net asset values and cessation of operations, the carrying value of the debt or equity security is adjusted to fair value, with the resulting impairment loss charged to current operations. If the fair value of the security subsequently recovers, a gain is recognized up to the amount of previously recognized impairment loss.

Under U.S. GAAP, if the decline in fair value of investments classified as either available-for-sale or held to maturity is determined to be other-than-temporary, the cost basis of the individual security is written down to fair value as the new cost basis and the amount of the impairment loss is charged to current operations. In addition, U.S. GAAP prohibits gain recognition based on subsequent recoveries of previously impaired investments.

Both Korean GAAP and U.S. GAAP requires that all unrealized gains and losses arising from available-for-sale securities be recorded in accumulated other comprehensive income.

No other-than-temporary impairment is recorded for available-for-sale or held-to-maturity securities for the years ended December 31, 2007, 2006 and 2005.

(ii) Recognition of gain on disposal of available for sale investments

The Company disposed certain securities that had been previously impaired under U.S. GAAP purposes. The fair value of these securities subsequently recovered resulting in the reversal of the impairment under Korean GAAP. As a result, the Company's cost basis relating to those securities was higher under Korean GAAP than under U.S. GAAP. This difference in cost basis resulted in a gain of ₩511 million under U.S. GAAP upon disposal.

A summary of the U.S. GAAP adjustments relating to investment securities for the years ended December 31, 2007, 2006 and 2005 are as follows:

	2007	2006	2005
	(In millions of Korean won)		
Impairment loss	₩	₩ (1,026)	₩ (7,882)
Recognition of gains on disposal	511	55,096	89,541
Net income impact	₩ 511	₩ 54,070	₩ 81,659

F-86

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

Information with respect to available-for-sale debt and equity securities as of December 31, 2007, 2006 and 2005 is as follows:

Investment Securities:

	2007	2006	2005
	(In millions of Korean won)		
Book value at prior yearend plus investment acquired during current year	₩ 4,049,311	₩ 2,420,474	₩ 1,864,297
Unrealized gains and losses incurred during current year	498,711	443,097	328,276
Permanent impairment loss incurred during current year	(4,340)	(1,970)	(11,605)
Fair value (Korean GAAP)	4,543,682	2,861,601	2,180,968
Accumulated other-than-temporary impairment	(73,851)	(86,357)	(68,682)
Fair value (US GAAP)	₩ 4,469,831	₩ 2,775,244	₩ 2,112,286

(i) Goodwill

Under Korean GAAP, goodwill is amortized over the useful life during which future economic benefits are expected to flow to the enterprise, not exceeding twenty years. The Company amortizes goodwill over five years using straight-line method. Under U.S. GAAP, goodwill is not subject to amortization rather an impairment test is required at least annually.

(j) Embedded Derivatives

The Company issued exchangeable bonds in 2003. The exchangeable bonds are exchangeable into SK Telecom American Depositary Receipts at the option of the holders. The exchangeable right is considered an embedded derivative instrument. Both Korean GAAP and U.S. GAAP requires that an embedded derivative instrument shall be separated from the host contract and accounted for as a derivative instrument if all of the specific criteria are met.

The difference between Korean GAAP and U.S. GAAP in accounting for embedded derivatives relates to condition of readily convertible to cash when determining it could be settled net (net settlement condition which is one of characteristics of derivative).

Under Korean GAAP, when the total number of shares to be converted in the contract is significant compared to the daily transaction volume, this embedded equity conversion option to shares does not regarded as an embedded derivative because it could not meet the characteristics of readily convertible to cash which is one of criteria in determining net settlement condition.

Under U.S. GAAP, in assessing whether a contract, which can contractually be settled in increments, meets definition of net settlement, an entity must determine whether or not the quantity of the asset to be received from the settlement of one increment is considered readily convertible to cash. If the contract can be settled in increments and those increments are considered readily convertible to cash, the entire contract meets the definition of net settlement.

(k) Deferred Income Taxes

In general, accounting for deferred income taxes is substantially the same between Korean GAAP and U.S. GAAP. The Company is also required to recognize the additional deferred tax effects that result from differences between the reported Korean GAAP and U.S. GAAP amounts.

F-87

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****36. Additional Financial Information in Accordance with U.S. GAAP****(a) Deferred taxes in accordance with U.S. GAAP**

The tax effects of temporary differences that resulted in significant portions of the deferred tax assets and liabilities at December 31, 2007, 2006 and 2005, computed under U.S. GAAP, and a description of the consolidated financial statement items that created these differences are as follows:

	2007	2006	2005
	(In millions of Korean won)		
Deferred tax assets:			
Fixed asset revaluation	₩ 15,041	₩ 19,986	₩ 25,528
Investment securities		221,139	77,984
Impairment loss on fixed assets	121,483	129,264	129,135
Impairment loss on investment securities	19,735	45,979	23,078
Allowance for doubtful accounts	80,532	91,478	61,142
Allowance for severance benefits	32,399	21,964	101,867
Depreciation expense		2,168	18,980
Capital expenditures		74	
Research and development expense			12,988
Deferred taxes related to OCI		12,141	182,824
Denied accrual expenses		78,402	120,198
Derivatives	19,529		
Others	292,116	45,172	86,287
Total deferred tax assets	580,835	667,767	840,011

	2007	2006	2005
	(In millions of Korean won)		
Deferred tax liabilities:			
Gain on valuation of equity method investments	178,171	118,895	134,441
Reserve for repairs	82,982	110,930	132,120
Accrued income	2,313	16,446	917
Reserve for technology	303,756	397,375	388,117
Capitalized repairs	433	675	1,024
Capitalized costs	95,011	89,361	78,707
Deferred taxes related to OCI	372,366	141,155	162,434
Others			30,159

Total deferred tax liabilities	1,035,032	874,837	927,919
Net deferred tax assets (liabilities)	₩ (454,197)	₩ (207,070)	₩ (87,908)

(b) Comprehensive income

Under U.S. GAAP, comprehensive income and its components are required to be presented under the provisions of SFAS No. 130, Reporting Comprehensive Income. Comprehensive income includes all changes in shareholders' equity during the period except those resulting from investments by, or distributions to owners,

F-88

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

including certain items not included in the current year's results of operations. Comprehensive income for the years ended December 31, 2007, 2006 and 2005 is summarized as follows:

	2007	2006	2005
	(In millions of Korean won)		
Net income, as adjusted, in accordance with U.S GAAP	₩ 3,565,047	₩ 3,407,795	₩ 4,101,598
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	74,982	(51,838)	(7,150)
Change in a fair value of a derivative instrument	(4,034)		
Unrealized gains (losses) on investments	521,124	351,307	85,195
Reclassification adjustment for losses (gains) included in income	(658)	43,135	(1,665)
Comprehensive income, as adjusted, in accordance with U.S. GAAP	₩ 4,156,461	₩ 3,750,399	₩ 4,177,978

F-89

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

Accumulated other comprehensive income as of December 31, 2007, 2006 and 2005, is summarized as follows:

	Foreign Currency Translation Adjustments	Change in a Fair Value of a Derivative Instrument (In millions of Korean won)	Unrealized Gains (Losses) on Investments	Accumulated Other Comprehensive Income
Balance, December 31, 2004	₩ 11,536	₩	₩ 177,723	₩ 189,259
Foreign currency translation adjustments, net of tax benefit of ₩2,712 million	(7,150)			(7,150)
Unrealized gains on investments, net of tax expense of ₩(32,316) million			85,195	85,195
Less: Reclassification adjustment for net realized gain included in income, net of tax expense of ₩632 million			(1,665)	(1,665)
Current period change	(7,150)		83,530	76,380
Balance, December 31, 2005	₩ 4,386	₩	₩ 261,253	₩ 265,639
Foreign currency translation adjustments, net of tax benefit of ₩19,663 million	(51,838)			(51,838)
Unrealized gains on investments, net of tax expense of ₩(147,661) million			351,307	351,307
Add: Reclassification adjustment for net realized losses included in income, net of tax benefit of ₩(16,362) million			43,135	43,135
Current period change	(51,838)		394,442	342,604
Balance, December 31, 2006	₩ (47,452)	₩	₩ 655,695	₩ 608,243
Foreign currency translation adjustments, net of tax expense of ₩(28,441) million	74,982			74,982
Change in a fair value of a derivative instrument, net of tax benefit of ₩1,530 million		(4,034)		(4,034)
Unrealized gains on investments, net of tax expense of ₩(197,667) million			521,124	521,124
Add: Reclassification adjustment for net realized losses included in income, net of tax benefit of ₩249 million			(658)	(658)

Current period change	74,982	(4,034)	520,466	591,414
Balance, December 31, 2007	₩ 27,530	₩ (4,034)	₩ 1,176,161	₩ 1,199,657

(c) Fair Value of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

(i) Cash and cash equivalents, short-term financial instruments, trading securities, trade accounts and notes receivable, trade accounts and notes payable, and short-term borrowings

F-90

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

The carrying amount approximates fair value due to the short-term nature of those instruments.

(ii) Investment Securities

The fair value of market-traded investments such as listed company's stocks, public bonds and other marketable securities are based on quoted market prices for those investments. Investments in non-listed companies' stock, for which there are no quoted market prices, estimate of fair value is based on acquisition cost less impairment if any.

(iii) Long-Term loans, trade account and notes receivable

Loans receivable, accounts and notes receivable are reported net of specific and general provisions for impairment as well as present value discount factor. As a result, the fair values of long-term loans approximate their carrying values.

(iv) Long-Term debt

The fair value of long-term debt is based on quoted market prices, where available. For those notes where quoted market prices are not obtainable, a discounted cash flow model is used based on the current rates for issues with similar maturities.

The estimated fair values of the Company's financial instruments stated under Korean GAAP as of December 31, 2007 and 2006 are summarized as follows:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions of Korean won)			
Cash and cash equivalents	₩ 1,292,581	₩ 1,292,581	₩ 936,288	₩ 936,288
Short-term financial instruments	1,743,079	1,743,079	867,310	867,310
Trading securities	1,286,939	1,286,939	2,000,647	2,000,647
Trade accounts and notes receivable, including long-term loans	3,819,857	3,819,857	3,845,106	3,845,106
Investment securities	5,178,723	5,178,723	3,165,055	3,165,055
Short-term borrowings	1,572,020	1,572,020	1,238,749	1,238,749
Trade accounts and notes payable	2,246,890	2,246,890	1,507,227	1,507,227
Long-term debt, including current portion	3,789,889	3,808,261	3,129,914	3,189,205

(d) Minority interest

Minority interests in consolidated subsidiaries are disclosed within the shareholders' equity section of the balance sheet. Under U.S. GAAP, minority interests are recorded between the liability section and the shareholders' equity section in the consolidated balance sheet.

(e) Classification differences in the Consolidated Statements of Income

Certain income and expense items in the Company's Consolidated Statements of Income including: (i) gains and losses on disposal of property, plant and equipment; (ii) impairment of property, plant and equipment; (iii) gains on recovery of allowance for doubtful accounts; (iv) other bad debt expenses; (v) and provision for early retirement benefits have been classified as non-operating under Korean GAAP and excluded from the determination of operating income. Under U.S. GAAP, the above noted income and expense items would be included in the determination of operating income. After reclassification of those items, operating income under U.S. GAAP

F-91

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

would be ₩4,990,642 million and ₩4,306,707 million and ₩5,725,875 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Components of Other non-operating expenses

Other non-operating expenses disclosed within the Korean GAAP Consolidated Statements of Income are comprised of the following:

	2007	2006	2005
	(In millions of Korean won)		
Loss on disposal of investments	₩ 17,660	₩ 66,116	₩ 121,474
Loss on impairment of property, plant and equipment	1,011	2,740	
Provision for early retirement benefits(1)		14,672	418,567
Additional payment of income tax		13,472	194,506
Others	77,097	107,847	119,543
Total	₩ 95,768	₩ 204,847	₩ 854,090

(1) In 2000, the Company initiated an ongoing plan to offer special termination benefits to employees who voluntarily accept early retirement and received applications for early retirement from employees. The Company recorded no expense for the year ended December 31, 2007 and recorded an expense amounting to ₩14,672 million and ₩418,567 million, for the years ended December 31, 2006 and 2005, respectively, which represents lump sum early retirement benefits which were either paid or accrued for the applicants who were notified of acceptance and approval of their applications at each year end. The employees were terminated effective on or before December 31, 2006 and all liabilities associated with these early retirement benefits were settled by December 2006.

(f) Consolidated statement of cash flows

Under both Korean GAAP and US GAAP, cash flows are classified under operating activities, investing activities and financing activities.

Under U.S. GAAP, cash flows related to purchases and sales of trading securities are classified as cash flows from operating activities. However, under Korean GAAP, they are classified as cash flows from investing activities. Net cash flows from purchases and sales of trading securities are ₩891,031 million, ₩806,341 million and ₩221,705 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Table of Contents**POSCO and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****Components of Others financing activities**

Others financing activities disclosed within the Korean GAAP Consolidated Statements of cash flows are comprised of the following:

	2007	2006	2005
	(In millions of Korean won)		
Proceeds from other current liabilities	₩	₩ 88,907	₩ 2,289
Repayment of other current liabilities			(1,640)
Dividends paid by subsidiaries	(13,765)	(7,530)	(11,300)
Issuance of new shares by subsidiaries	1,996	67,431	39,675
Additional acquisition of interest of subsidiaries(*)	(142,778)	(42,165)	(308,887)
Proceeds from disposal of interest of subsidiaries	11,338		
Total	₩ (143,209)	₩ 106,643	₩ (279,863)

(*) Additional acquisition of minority interests in a subsidiary is classified as investment activities under US GAAP, while it is required to be classified as financing activities under Korean GAAP.

(g) Segment

The following table provides information on reconciliation of total assets of the reportable segments under Korean GAAP as of December 31, 2007:

	Steel	Construction	Trading	Others	Subtotal before Elimination	Reconciling Adjustments	Consolidated
	(In millions of Korean won)						
Segments							
Total							
assets	₩ 33,869,372	₩ 3,246,818	₩ 1,195,492	₩ 4,295,711	₩ 42,607,393	₩ (6,332,630)	₩ 36,274,763

37. Recent Accounting Pronouncements**U.S. GAAP**

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157 (SFAS 157) Fair Value Measurement. SFAS 157 defines fair value, establishes a framework for measuring

fair value in generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, except as amended by FASB position (FSP) SFAS 157-1 and FSP SFAS 157-2 as described further below. Earlier application is encouraged, provided that the reporting entity has not yet issued financial statements for that fiscal year, including financial statements for an interim period within that fiscal year. The provisions of SFAS 157 should be applied prospectively as of the beginning of the fiscal year in which it is initially applied except for certain cases where it should be applied retrospectively. The Company is currently evaluating the impact that SFAS 157 may have on the consolidated financial position, results of operations or cash flows. This statement will be effective for the Company for the fiscal year beginning on January 1, 2008. In February 2008, the FASB issued FSP SFAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Its Related Interpretive Accounting Pronouncements That Address Leasing Transactions and FSP SFAS 157-2, Effective Date of FASB Statement No. 157. FSP SFAS 157-1 removes leasing from the scope of SFAS No. 157, Fair Value Measurements. FSP SFAS 157-2 delays the effective date of SFAS No. 157 from 2008 to 2009 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

In February 2007, the FASB issued SFAS Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This statement permits companies and not-for-profit organizations to make a one-time

Table of Contents

POSCO and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

election to carry eligible types of financial assets and liabilities at fair value, even if fair value measurement is not required under GAAP. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is in the process of evaluating the impact that SFAS 159 may have on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R)). Under SFAS No. 141(R), companies are required to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. This statement further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. In addition, acquired in-process research and development (IPR&D) is capitalized as an intangible asset and amortized over its estimated useful life. The Company is in the process of evaluating the impact that SFAS 141 (revised 2007) may have on the consolidated financial statements. This statement will be effective for the Company for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period that begins on or after December 15, 2008.

In December 2007, the FASB issued FAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* an amendment of Accounting Research Bulletin No. 51 (FAS 160). FAS 160 requires all entities to report noncontrolling interests in subsidiaries (also known as minority interests) as a separate component of equity in the consolidated statement of financial position, to clearly identify consolidated net income attributable to the parent and to the noncontrolling interest on the face of the consolidated statement of income and to provide sufficient disclosure that clearly identifies and distinguishes between the interest of the parent and the interests of noncontrolling owners. FAS 160 also establishes accounting and reporting standards for changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. FAS 160 is effective as of January 1, 2009. The Company is in the process of evaluating the impact that FAS 160 may have on the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* an amendment of FASB Statement No. 133. FAS 161 requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company is in the process of evaluating the impact that SFAS 161 may have on the consolidated financial statements. This statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption.

Table of Contents

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

POSCO

(Registrant)

/s/ Lee, Ku-Taek

Name: Lee, Ku-Taek

Title: Chief Executive Officer

and Representative Director

Date: June 24, 2008

Table of Contents

Exhibit Index

- 1.1 Articles of incorporation of POSCO (English translation) (incorporated by reference to Exhibit 1.1 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2006)*
- 2.1 Form of Common Stock Certificate (including English translation) (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement No. 33-81554)*
- 2.2 Form of Deposit Agreement (including Form of American Depositary Receipts) (incorporated by reference to the Registrant's Registration Statement (File No. 33-84318) on Form F-6)*
- 2.3 Letter from ADR Depository to the Registrant relating to the Pre-release of American Depositary Receipts (incorporated by reference to the Registrant's Registration Statement (File No. 33-84318) on Form F-6)*
- 7.1 Computation of ratio of earnings to fixed charges
- 8.1 List of consolidated subsidiaries
- 12.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 12.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 13.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 15.1 Consent of Samil PricewaterhouseCoopers, the Korean member firm of PricewaterhouseCoopers

* Filed previously