

posco

2Q 2010 Operating Performance

July 13, 2010



► 2Q Operating Performance

- Activities & Accomplishments
- Steel Industry Environment
- 2010 Business Plan



Figures provided in this presentation are based on unaudited financial statements of the Company. Certain contents in this presentation are subject to change during the course of auditing process.

Production - Sales

- Production continued to increase with improved productivity
- Sales grew due to solid domestic demand & emerging mkt. export

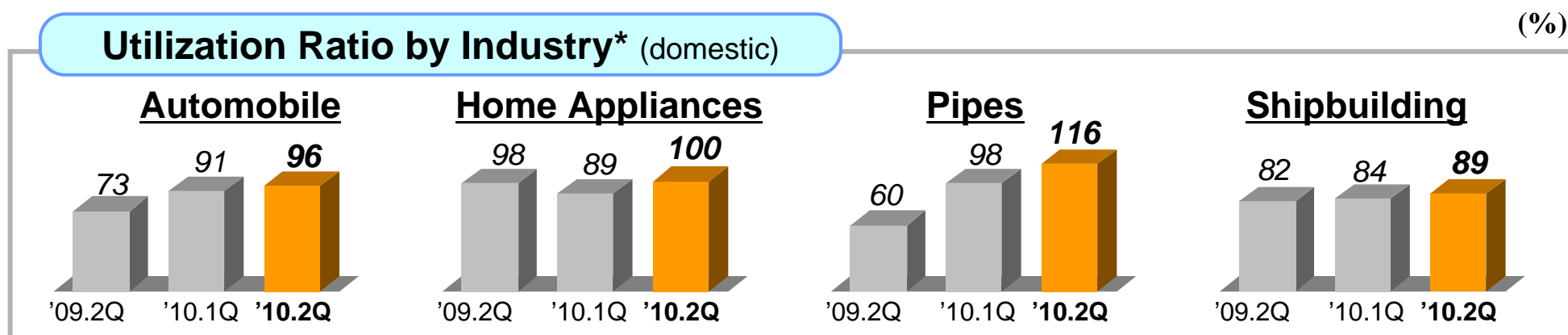
(in thousand tons)

	'09.2Q	'10.1Q	'10.2Q	YoY	QoQ
Crude Steel	7,132	8,228	8,363	17.3%	1.6%
Blast Furnace	6,787	7,457	7,601	12.0%	1.9%
High-Mill	18	318	318	1,666.7%	-
S T S	327	453	444	35.8%	△2.0%
Finished Product	6,796	7,694	7,902	16.3%	2.7%
F/P Sales Volume	7,012	7,475	7,831	11.7%	4.8%
Domestic	4,274	5,025	5,214	22.0%	3.8%
Export	2,738	2,450	2,617	△4.4%	6.8%
(%)	(39.0)	(32.8)	(33.4)	-	-
F/P Inventory	443	578	593	33.9%	2.6%

※ Export by Region : S.E.A 22%, China 20%, Japan 21%, America / E.U 8%, India / Mid-East 29%

Sales by Product

- Increase in major products due to strong key consuming industries



* Compared to the quarter peak : automobile '09.4Q, home App. '09.3Q, pipes '09.4Q, shipbuilding '08.2Q

(in thousand tons)

	'09.2Q	'10.1Q	'10.2Q	YoY	QoQ
Hot Rolled	1,782	1,730	1,987	11.5%	14.9%
Plate*	1,225	1,120	1,092	△10.9%	△2.5%
Wire Rod	506	503	499	△1.4%	△0.8%
Cold Rolled	2,678	3,148	3,179	18.7%	1.0%
Electrical Steel	205	239	258	25.9%	7.9%
S T S	308	411	409	32.8%	△0.5%
Others	308	324	407	32.1%	25.6%
Total	7,012	7,475	7,831	11.7%	4.8%

※ Major maintenance : P) #2 plate (Jun.1st ~ 12th), #3 wire rod (Jun.22nd ~ 29th)

* Includes HR Plates

Income Summary

- Op. Income surged, but net income declined with weaker KRW

Average Sales Price

(in thousand KRW/t)	'09.2Q	'10.1Q	'10.2Q
Carbon Steel	810	798	870
Export (U\$/t)	574	706	751
S T S	2,292	2,607	2,964

Exchange Rates Trend

	'09/E	'10.3/E	'10.6/E	QoQ
₩ / US\$	1,167.6	1,130.8	1,200.3	+6.1%
₩ / ¥	12.63	12.12	13.65	+12.6%

(in billion KRW)

	'09.2Q	'10.1Q	'10.2Q	YoY	QoQ
Revenue	6,344	6,950	7,933	25.0%	14.1%
CoGs	5,893	5,155	5,734	△2.7%	11.2%
Operating Income	170	1,447	1,836	980.0%	26.9%
OP Margin	2.7%	20.8%	23.1%	-	-
Net Income	431	1,437	1,196	177.5%	△16.8%
* EBITDA	679	1,986	2,378	250.2%	19.7%

Summarized Statement of Income (Parent Only)

(in billion KRW)

	'09.2Q	'10.1Q	'10.2Q	YoY	QoQ
Revenue	6,344	6,950	7,933	25.0%	14.1%
Gross income	451	1,794	2,199	387.6%	22.6%
(Gross Margin)	(7.1%)	(25.8%)	(27.7%)	-	-
G G & A	280	347	363	29.6%	4.6%
Operating income	170	1,447	1,836	980.0%	26.9%
(OP Margin)	(2.7%)	(20.8%)	(23.1%)	-	-
Non-op income (expense)	275	265	△341	-	-
Interest income	△35	△1	△9	-	-
Dividend income	3	68	7	133.3%	△89.7%
Equity method gain	124	55	68	△45.2%	23.6%
FX related gain	197	134	△443	-	-
Others	△14	8	36	-	350.0%
Net income	431	1,437	1,196	177.5%	△16.8%
(Profit Margin)	(6.8%)	(20.7%)	(15.1%)	-	-

Financial Structure

- **Asset grew due to inventory increase & continued investment**
 - Accounts receivable · inventory grew with rising steel price & raw mat'l cost
 - L-to-E ratio rose due to increase in exchange rates & short-term borrowing

(in billion KRW)

	'09.2Q	'10.1Q	'10.2Q	YoY	QoQ
Assets	37,638	41,167	44,475	18.2%	8.0%
Current	12,578	13,584	15,677	24.6%	15.4%
Non-current	25,060	27,583	28,798	14.9%	4.4%
Liabilities	9,329	9,239	11,459	22.8%	24.0%
Debt	7,132	6,162	7,542	5.7%	22.4%
Equity	28,309	31,928	33,016	16.6%	3.4%
* Liab. / Equity	25.9%	28.9%	34.7%	-	-

* 2Q Major Financing Activities :
 Domestic CP issuance (KRW 580bn), Foreign S-T borrowing (U\$262mn), Korea EXIM Bank Raw Mat'l Fund (U\$77mn)

Summarized Statement of Financial Position (Parent Only)

(in billion KRW)

	'09.2Q	'10.1Q	'10.2Q	YoY	QoQ
Current assets	12,578	13,584	15,677	24.6%	15.4%
Cash equivalent assets	5,988	6,633	7,001	16.9%	5.5%
Notes receivable	2,505	2,793	3,073	22.7%	10.0%
Inventory	3,590	3,398	5,026	40.0%	47.9%
Long-term assets	25,060	27,583	28,798	14.9%	4.4%
Investment securities	9,325	10,312	10,485	12.4%	1.7%
Fixed assets	15,507	17,062	17,636	13.7%	3.4%
Total assets	37,638	41,167	44,475	18.2%	8.0%
Liabilities	9,329	9,239	11,459	22.8%	24.0%
Current liabilities	2,939	3,081	5,421	84.5%	75.9%
Long-term liabilities	6,390	6,158	6,038	△5.5%	△ 1.9%
Interest bearing debt	7,132	6,162	7,542	5.7%	22.4%
Equity	28,309	31,928	33,016	16.6%	3.4%
Total liability & Equity	37,638	41,167	44,475	18.2%	8.0%

Consolidated Financial Summary

- Strong steel & steel support division lead to revenue increase

No. Consolidated Subsidiaries

	'09.2Q	'10.1Q	'10.2Q
Total	110	122	126
Domestic	37	41	45
Overseas	73	81	81

Crude Steel Production

(in thousand tons)

	'09.2Q	'10.1Q	'10.2Q
POSCO	7,132	8,228	8,363
Zhangjiagang	200	208	211
POSCO SS	182	203	212

(in billion KRW)

		'09.2Q	'10.1Q	'10.2Q	YoY	QoQ
I/S	Revenue	8,922	9,881	11,013	23.4%	11.5%
	OP Income	350	1,530	1,959	459.7%	28.0%
	(OP Margin)	(3.9%)	(15.5%)	(17.8%)	-	-
	Net Income	427	1,451	1,173	174.7%	△19.2%
B/S	Assets	47,632	52,092	57,446	20.6%	10.3%
	Liabilities	18,640	19,346	23,486	26.0%	21.4%
	Equity	28,992	32,746	33,960	17.1%	3.7%

Consolidated Financial Summary

Income by Sector

(in billion KRW)

	Revenue			Operating Income		
	'09.2Q	'10.1Q	'10.2Q	'09.2Q	'10.1Q	'10.2Q
Steel	7,460	8,709	9,893	194	1,511	1,916
E & C	2,069	1,918	2,262	84	71	95
ICT	227	161	211	10	3	6
Energy	77	209	199	18	18	17
Steel Support	1,938	2,354	2,909	45	77	132
Consolidated	8,922	9,881	11,013	350	1,530	1,959

Financial Structure by Sector

(in billion KRW)

	Assets		Liabilities		Equity	
	'10.1Q	'10.2Q	'10.1Q	'10.2Q	'10.1Q	'10.2Q
Steel	46,283	50,059	12,134	14,668	34,149	35,391
E & C	6,133	7,316	3,837	4,934	2,296	2,382
ICT	624	612	375	360	249	252
Energy	2,267	2,400	1,417	1,581	850	819
Steel Support	6,989	7,960	3,904	4,586	3,085	3,374
Consolidated	52,092	57,446	19,346	23,486	32,746	33,960

* Includes inter-company transactions

- 2Q Operating Performance

▶ **Activities & Accomplishments**

- Steel Industry Environment
- 2010 Business Plan



Activities & Accomplishments

■ Facility addition - upgrade for 41Mt domestic capacity

• Capacity Expansion

- P) New steelmaking plant (~Sept.'10, progress 92%) : 4.65Mt/yr, +1.95Mt
- G) New steelmaking & plate plant (~Jul.'10, progress 99%) : +2Mt/yr
- P) #2 CCL #2 caster rationalization (Jun. ~ Oct. '10) : +600Kt/yr

• High-value-added product capacity increase

- P) #2 CR Mill #3 CAL (Mar. ~ Apr.) rationalization : high-function CRc +98Kt/yr
- G) Plate heat-treatment facility installment (Apr.'10 ~ Oct.'11) : high-function plate +200Kt/yr

※ 3Q facility upgrade schedule

- P) #4 blast furnace rationalization (Jul. ~ Sept.) : capacity increase (3,795 → 5,500m³)

■ Invest for global growth

• Overseas integrated steel mills

- India Orissa (1st 4Mt) : socio-economic-survey (Jun.), initiate ground work (2H)
- India SAIL JV (1st 3Mt) : approval in principle by SAIL BOD (May), Joint F/S (Jul. ~ Aug.)
- Indonesia Krakatau JV (1st 3Mt) : finalizing JVA terms, initiate ground work (3Q)

• Daewoo International acquisition (May 14th, selected as preferred bidder)

- Enhance global (emerging mkt.) sales network / secure resource development opportunity
 - Due diligence (May 31st ~ Jul 5th), stock trade agreement (Sept.), cash payment/share transfer (Sept.-Oct.)

• Strengthen global marketing infrastructure

- Extend sales network : open Thailand POSCO-South Asia (Apr), Egypt Cairo Office (Apr)
- Expand global SCM : India ICPI (completed), China CLPC / Vietnam VHPC#2 (initiated)
 - SCM Base ('10.6/E total 45) : China 16, S.E.A 11, Japan 6, India 5, EU 5, Mexico 2

■ **Raw material & comprehensive material investment**

• **Invest in raw material mine development**

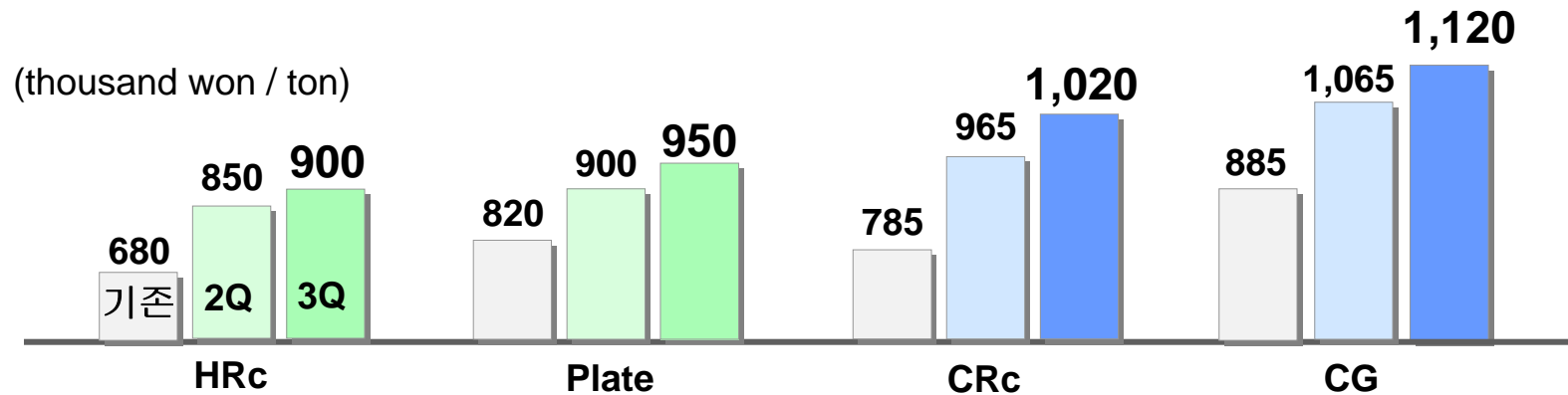
- Australia Roy Hill iron-ore mine : increase stake up to 15% (~Dec.'10), secure 10Mt/yr ('14~)
- Mozambique Revuboe coal mine : acquired 7.8% stake (May)
- Australia Sutton Forest coal mine : acquired 70% stake (Jul.), secure 1.3Mt/yr ('16~)

• **Lay basis for comprehensive material business**

- Construct Gwangyang Fe-Mn Plant (Apr.'10 ~ Sept.'11) : high purity Fe-Mn 75Kt/yr
- Signed for JV foundation with UKTMP to build Titanium slab plant in Kazakhstan (Apr.)
- MOU with KEPCO for localization of core nuclear plant material, Zr, etc. (May)
- MOU with Zimbabwe Anchor Holdings for resource development, Silica, etc. (Jun.)

■ Operate quarterly product pricing system

- Flexible policy as raw material price negotiation process changed



- 2Q Price (Announced 4.29) : orders from May 3rd '10
- 3Q Price Increase (announced 6.23) : orders from Jul. 1st '10

■ Continue cost savings activity

- **Cost saving in '10.1H : 680.4bn KRW (progress 59%, '10 target 1,150bn)**
 - Major activities : expand use of cheaper raw material and by-products, etc.
 - Category : raw material 553.5bn, energy 64.1bn, etc.

Subsidiaries' Key Activities

Steel

- **POSCO SS, new steelmaking plant construction (Jun.'10 ~ Feb.'12)**
 - 60t electric furnace & wide bloom casting facility : capacity increase +240Kt/yr
- **POSCO C&C, No.1 CGL facility upgrade (~Aug.'10)**
 - Expand advanced product (AL-ST5 409L,etc) : ALCOSTA capacity +200Kt/yr

E&C

(POSCO E&C)

- **Received orders expanded for overseas plant · infrastructure**
 - Peru thermal plant (290), Bahamas oil terminal (245), Uzbekistan highway (132)
* in million USD

Energy

(POSCO Power)

- **Start construction of 100MW fuel-cell stack plant (Apr. ~ Dec. '10)**
- **Construction of power generating plants**
 - Incheon 1,200MW LNG (~Jun.'11, Progress 93%), G)300MW Power (~Mar.'11, Progress 96%)

ICT

(POSCO ICT)

- **Supply safety-control-facilities for nuclear power plant, Ul-Jin #1,2 (May)**
- **Set up JV for LED light business (signed MOU, Apr.)**

- 2Q Operating Performance
- Activities & Accomplishments

▶ **Steel Industry Environment**

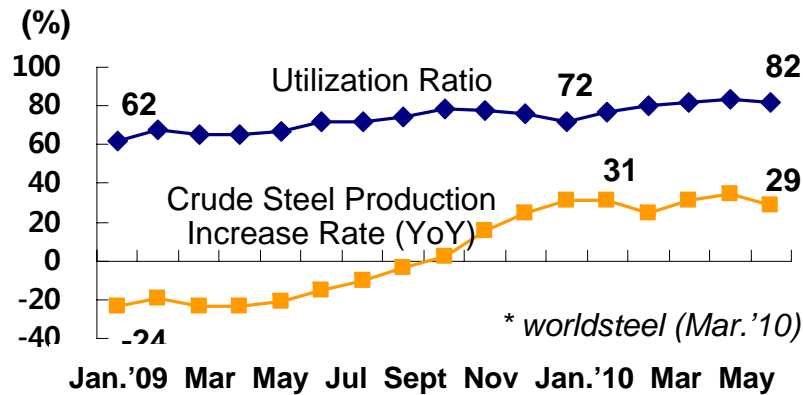
- 2010 Business Plan



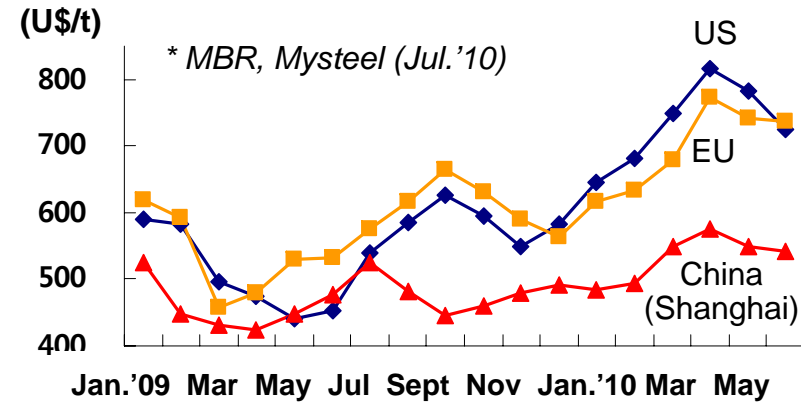
Global Steel Market Trend & Outlook

- Production rate - utilization grew, but price correction since May

Prod'n growth rate & Utilization Ratio

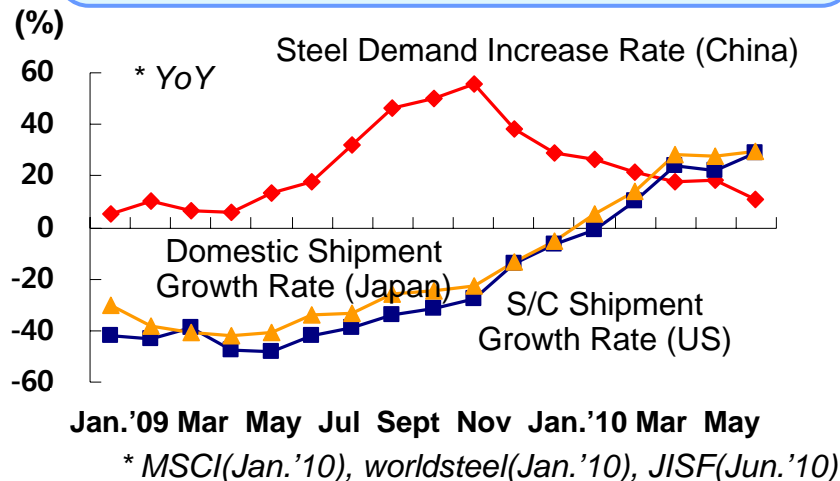


Regional HRc Spot Price



- 12% increase in demand forecasted due to economic recovery

Demand Trend in Major Countries



Demand Forecasts by Country

(in million tons)

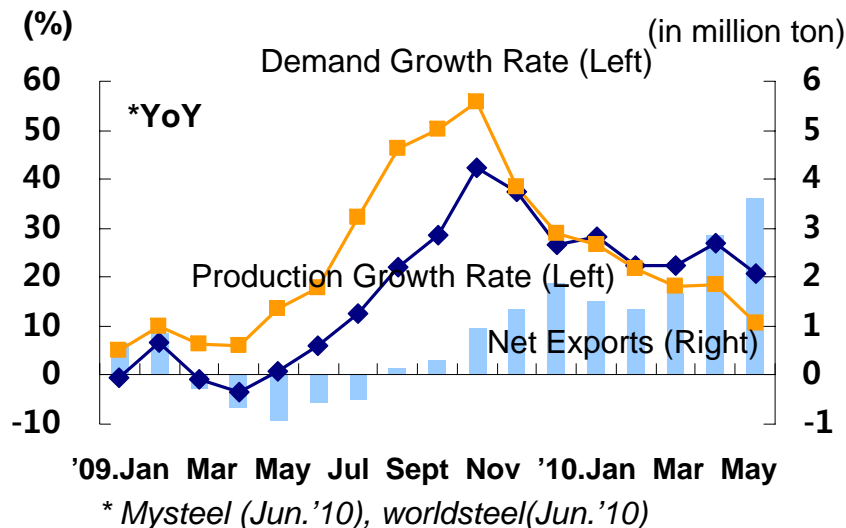
	2008	2009	2010	YoY
USA	98	57	73	27%
EU	183	117	137	17%
China	435	542	587	8%
India	51	55	63	14%
Russia	35	25	27	11%
World	1,204	1,120	1,255	12%

* worldsteel(Apr.'10), POSRI(Jul.'10)

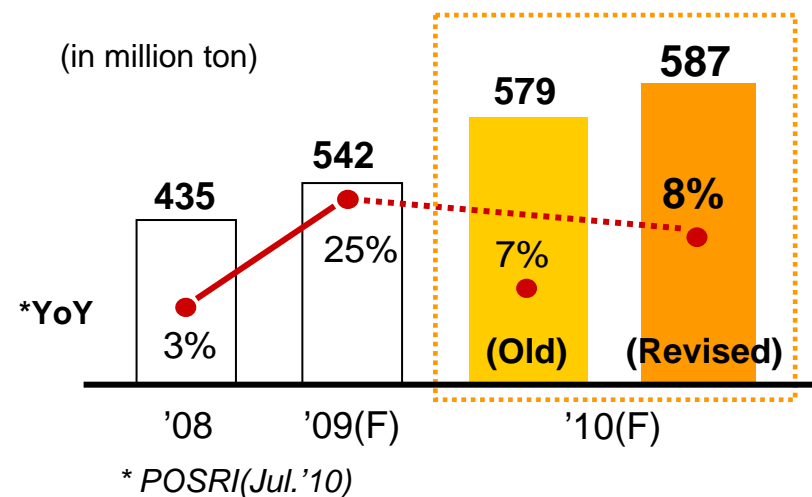
China Steel Market Trend & Outlook

- Net export grew & inventory control delayed w/ production growth**
 - Net export increased since Apr. (in million ton) : 1.7 (Mar.) → 2.9 (Apr.) → 3.6 (May)**
 - ※ Limited increase in exports forecasted during 2H due to repeal of tax rebate
 - Inventory remained high (in million ton, month end) : 15.4 (Apr.) → 15.8 (May) → 15.7 (Jun.)**
- Expect solid steel demand growth in 2H led by economy growth**
 - Demand forecasts by industry (YoY) : auto +18%, construction +8%, home app. +6%**
 - WSD expects nominal demand to grow by 8%, real demand to grow by 9% (Jun.)**

Steel Price vs. Iron-ore Price



Steel Demand Forecast



Domestic Steel Market Outlook

Consumption to grow by 16% as consuming industries recover

* POSRI(Jul.'10)

Consuming Industry Outlook

Auto

- **Prod'n growth by 7.5% w/ recovery of exports, despite soft domestic mkt.**
 - Auto Production (in thousand unit) : 3,513 ('09) → 3,777 ('10, Org.) → 3,837 (Revised)

Home Appliance

- **Prod'n growth by 29.2% due to strong domestic · overseas market**
 - Production ('07=100) : 107 ('09) → 138 ('10) * 5 Major products (LCD TV, Fridge, Laundry, etc.)

Ship-building

- **Improved outlook in number of orders**
 - Shipbuilding (in million GT) : 29.4 ('09) → 23.9 ('10, Org.) → 27.5 (Revised)

New capacity leads supply increase by 16%

* POSRI(Jul.'10)

Supply & Demand Forecast

(in thousand ton)

	2008	2009	1H	2H	2010	YoY
Apparent Demand	58,571	45,411	26,483	26,044	52,527	15.7%
Export	20,787	20,541	11,013	10,995	22,008	7.1%
Production	64,357	56,919	32,524	33,506	66,030	16.0%
Import	15,001	9,033	5,082	3,549	8,631	-4.4%
Incl. semi-products	28,941	20,578	13,186	10,100	23,286	13.2%

Raw Material

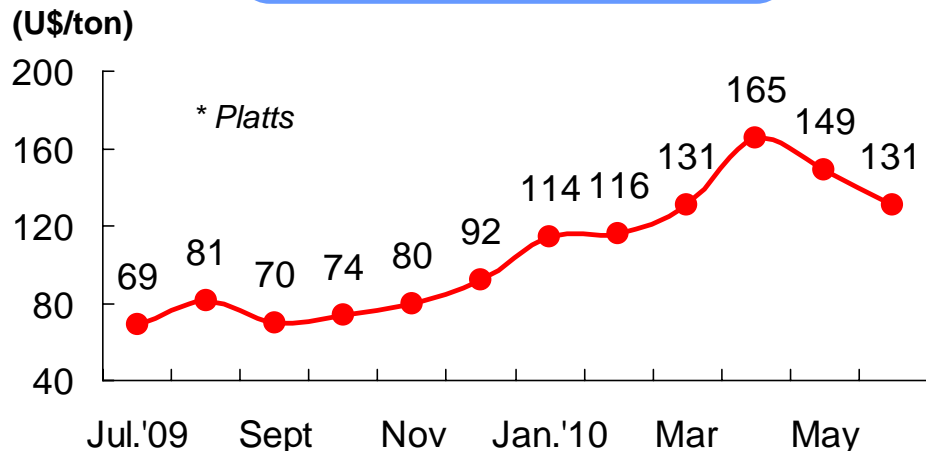
Iron Ore

- '10.3Q price agreed with Major 3
 - Approx. 26% increase over 2Q price
 - ※ Prices get adjusted based on quarterly index & Different conditions apply per supplier
- Drop in spot price since late April
 - Decrease in iron-ore imports due to tax rebate & Chinese steel market condition

Coal

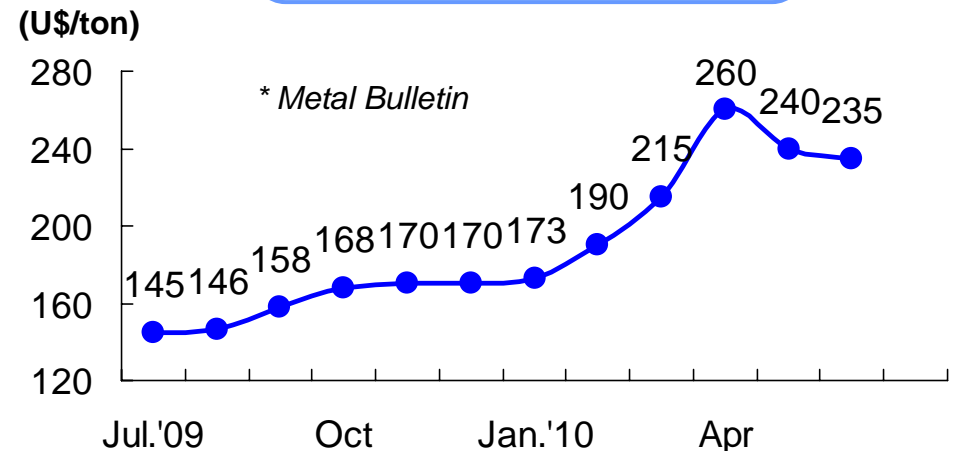
- '10.3Q contract price agreed
 - HCC : \$225/t (+12.5%)
 - Semi-soft : \$172/t (+3.0%)
 - PCI \$180/t (+5.9%)
- Decline in HCC spot price continue
 - Imports decline due to high inventory in steelmakers & drop in China domestic coal price

Iron Spot Price



* Latest spot price (Jul.8th '10) : U\$ 114/mt, FOB

Coal Spot Price



* Latest spot price (Jul.8th '10) : U\$ 212/mt, FOB

Stainless Steel Market Trend

STS

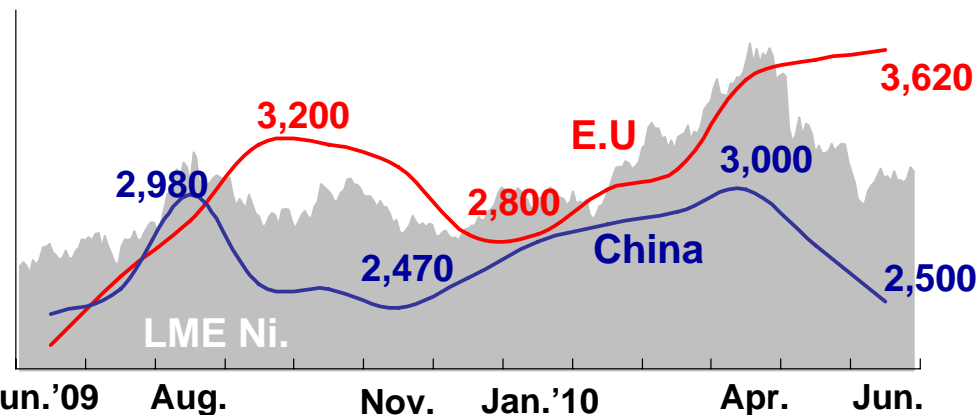
- **Condition stabilizes in China & S.E.A despite weak global price since April**
 - E.U : high spot price due to high cost
 - China : 10% increase in June
*U\$ 2,350 (Jun 1st) → U\$2,600 (Jun. 30th), +U\$250
- **Demand recovery expected upon stabilization of Nickel price in 2H**

Nickel - Chrome

- **Nickel**
 - Price dropped due to slow STS market recovery, & global financial crisis
 - Expect price range of U\$17 ~ 20K/t in 2H
- **Chrome**
 - Weak price in anticipation of economic downturn
 - Price turnaround expected after 4Q as suppliers cut production

STS CR Spot Price

(U\$/t)



Ni - Cr S/D Forecast

(in thousand ton)

		2007	2008	2009	2010
Ni.	Demand (a)	1,366	1,277	1,311	1,441
	Supply (b)	1,417	1,377	1,335	1,400
	(b) - (a)	51	100	24	-41
Cr.	Demand (a)	7,598	6,781	6,541	8,133
	Supply (b)	7,692	7,544	5,783	8,046
	(b) - (a)	94	763	-758	-87

* Source: BrookHunt (Jun.'10), CRU (Jun.'10)

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- Steel Industry Environment

▶ **2010 Business Plan**



2010 Business Plan

(in million ton, trillion KRW)	2009	2010	YoY
• Crude Steel Production	29.5	34.4	17%
- Consolidated Production	31.1	36.1	16%
• Sales Volume	28.4	32.3	14%
• Revenue	27.0	33.5	24%
- Consolidated Revenue	37.0	46.5	26%
• Operating Profit	3.1	5.6	81%
- Consolidated Op. Profit	3.9	6.2	59%
• Total Investments	4.9	10.4	112%
- Domestic Steel	4.2	4.9	17%
- Overseas/Raw Materials	0.3	1.5	400%
- New Growth (inc. M&A)	0.4	4.0	900%

The data above represents the company's internal objectives, thus should not be used as a basis for investment decisions.



posco

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