

posco

2007 CEO FORUM

2007.1.11



Agenda

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2006 Operating Performance

2

2007 Business Plan

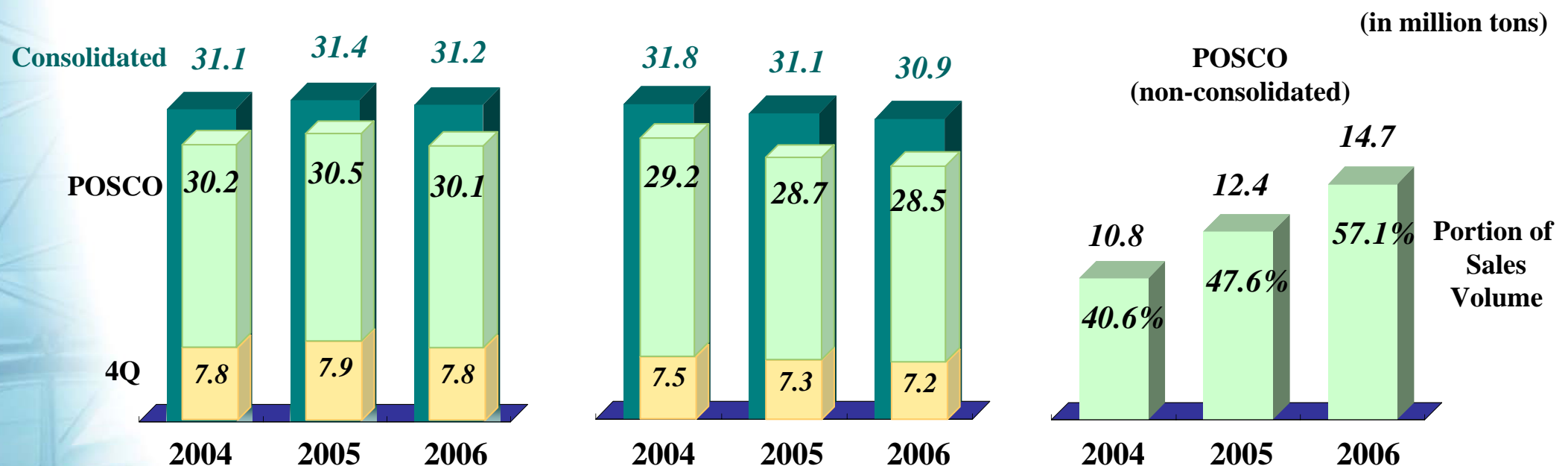
Figures provided in this presentation are based on unaudited financial statements of the Company. Certain contents in this presentation are subject to change during the course of auditing process.

- Consolidated production 31.2mt, from POSCO, Changwon, Zhangjiagang
- Despite Zhangjiagang STS, sales down due to major maintenance, incl. No.3 BF in 1H
- High VA product continued to rise, as focus of product mix shift to strategic products

Crude steel production

Finished product sales

Strategic product sales

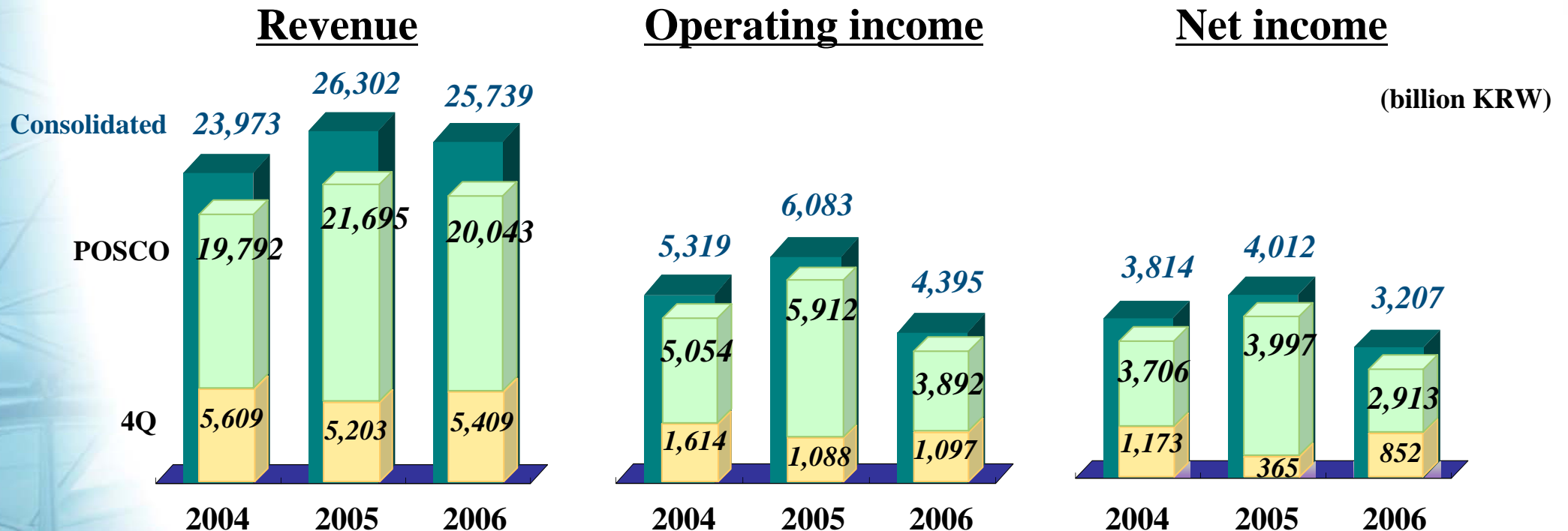


*Disclosures are to be based on consolidated financial statements from FY07, POSCO prepared key results in consolidated terms

☞ Consolidated companies : 69 companies (consolidated 52, equity-method 17 / domestic 23, overseas 46)

□ Solid results from increased high VA product sales and cost reduction

- Automotive steel sales up by 600K ton, advanced CR by 310K ton, TMCP by 340K ton
- Cost saving maximized (KRW 1.1tn) by increased use of low cost raw material and Global Sourcing procurements



* POSCO net income
: excludes equity method gains

* TMCP : Thermo Mechanical Controlled Process

* Consolidated results for 2006 are subject to change with adjustments in internal transactions

Summarized Income Statement (POSCO)

2006 Operating Performance

(billion KRW)

| | 2004 | 2005 | 2006 | YoY(%) |
|---|-------------------------|-------------------------|-------------------------|--------------|
| Revenue | 19,792 | 21,695 | 20,043 | -7.6 |
| Gross income (Gross margin) | 6,085 (30.7%) | 6,992 (32.2%) | 5,010 (25.0%) | -28.3 |
| S G & A | 1,031 | 1,080 | 1,118 | 3.5 |
| Operating income (Operating margin) | 5,054 (25.5%) | 5,912 (27.2%) | 3,892 (19.4%) | -34.2 |
| Non-op income (expense) | 177 | (558) | 226 | - |
| -interest income | (64) | (25) | 3 | - |
| -dividend income | 43 | 73 | 61 | -16.4 |
| -equity method gains | 165 | 47 | 311 | 562 |
| -FX related gain | 182 | 143 | 75 | -47.6 |
| -others | (149) | (796) | (224) | 71.9 |
| Net income (Profit margin) | 3,826 (19.3%) | 3,995 (18.4%) | 3,207 (16.0%) | -19.7 |

*2006 equity method gains: domestic KRW 149.8bn (Changwon 46.9, PoscoE&C 41.4)
overseas KRW 161.1bn (Zhangjiagang 57.4, Qingdao 22.4)

□ Assets increased due to profit generated and new investments

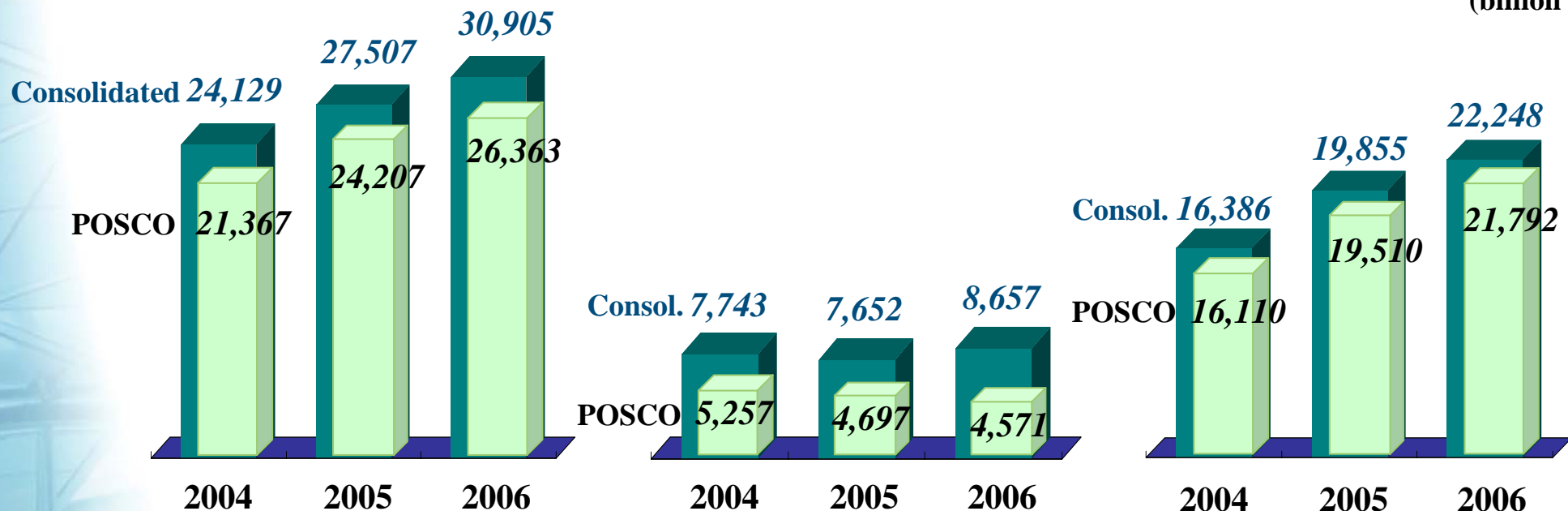
○ Despite increased debt for share buyback and new investments, debt ratio improved

Total assets

Liabilities

Shareholders' equity

(billion KRW)



* Changes in debt '06 (POSCO)
 - repayment at maturity: KRW 1.0tn
 - issue of new debt: KRW 1.7tn

Summarized Balanced Sheets (POSCO)

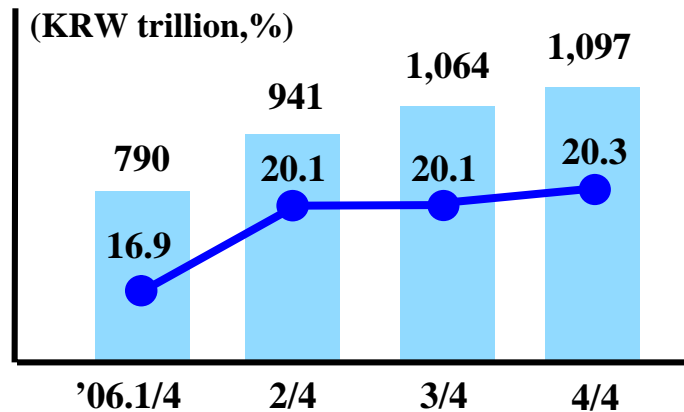
2006 Operating Performance

(billion KRW)

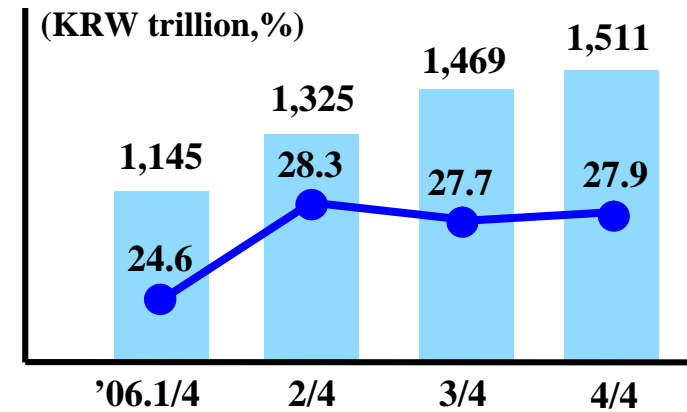
| | 2004 | 2005 | 2006 | YoY(%) |
|---|---------------|---------------|---------------|-------------|
| Current assets | 7,742 | 8,399 | 7,871 | -6.3 |
| Cash equivalent assets* | 3,564 | 3,351 | 3,213 | -4.1 |
| Notes receivable | 1,985 | 2,110 | 1,804 | -14.5 |
| Inventory | 2,109 | 2,719 | 2,735 | 0.6 |
| Long-term assets | 13,625 | 15,808 | 18,492 | 17.0 |
| Investment securities | 4,059 | 4,631 | 5,796 | 25.2 |
| Fixed assets | 9,203 | 10,899 | 12,466 | 14.4 |
| Total assets | 21,367 | 24,207 | 26,363 | 8.9 |
| Liabilities | 5,257 | 4,697 | 4,571 | -2.7 |
| Current liabilities | 3,221 | 3,777 | 1,747 | -53.7 |
| Long-term liabilities | 2,036 | 920 | 2,824 | 207.0 |
| (Interest bearing debt) | (2,490) | (1,414) | (2,146) | 51.8 |
| Shareholders' equity | 16,110 | 19,510 | 21,792 | 11.7 |
| Total liabilities and S/H equity | 21,367 | 24,207 | 26,363 | 8.9 |

* Cash equivalent assets: Cash & cash equivalent, short-term financial instruments, trading securities

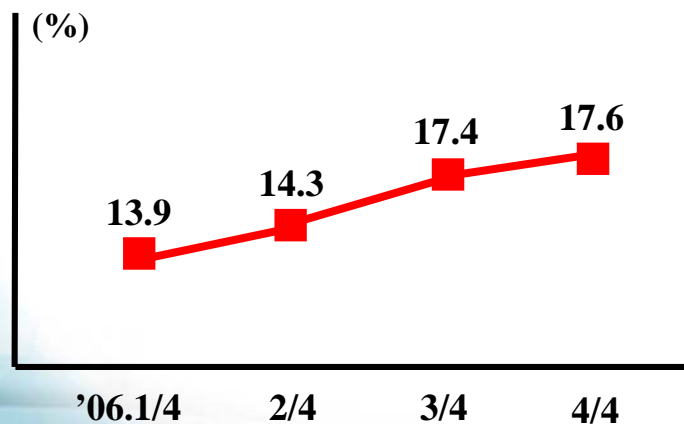
Operating Income



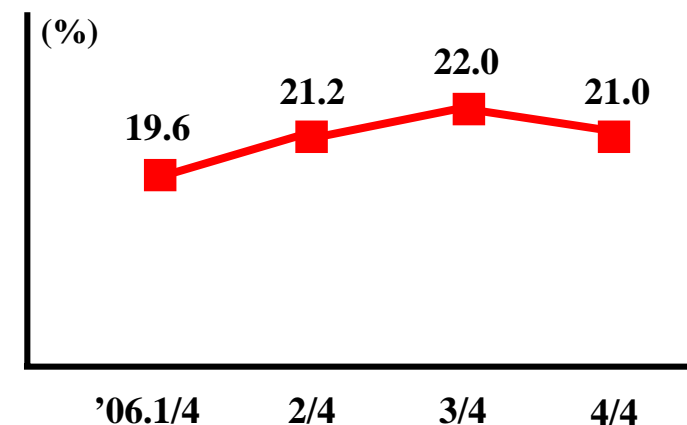
EBITDA



Return on Equity



Liabilities-to-Equity Ratio



□ Increased global growth investment

○ Completion of integrated stainless steel mill in Zhangjiagang, China ('06.7)

- Completed operational capacity: Pohang 2.0mn ton, Zhangjiagang 800K ton
- Equity purchase to secure stainless CR manufacturing customers: Taihan (19.9%) & Thainox (15%)

○ Progress on India project

- Mine: Prospecting license applied(1H.'06), approved and recommended to central gov't ('06.12)
- Land: 1,135 acre gov't land purchased ('06.6), in principle approval of SEZ by central gov't ('06.9)
- Infra: Equity participation on railroad construction project('06.10)

○ Strengthen overseas production, processing and marketing base

- Resolved CR Mill in Vietnam('06.12): CR 1.2mn ton/yr(Phase 1) → HR 3.0mn ton/yr(Phase 2)
- Resolved CGL in Mexico('06.12): CGL for automobile (400Kt/yr)
- Increase overseas processing centers to 14: add'n to Japan, Thailand, India (capacity 1.8mn ton/yr)

○ Investment on overseas raw material mines and construction of nickel refinery

- JV for New Caledonia nickel mine & Gwangyang refinery ('06.5): stable, cheap 30K ton/year supply
- Equity share in Australian Newpac Coal Mine ('06.12): up to 500K ton/yr supply secured

□ Increase production capacity and upgrade facilities

- Revamping Pohang No.3 BF ('06.5): production increase 450K ton/yr
- Upgrade Pohang No.2 HR & add'n continuous rolling ('06.5): capacity increase 400K ton/yr
- Completion of Gwangyang No.6 CGL for auto-steel ('06.6): capacity 400K ton/yr
- Upgrade Electrical Steel Mill ('06.6): Capacity 1mn ton/yr
- Expansion of TWB ('06.8): Capacity 5.5 → 6.7 mn sheets/yr

□ Enter into new businesses for future growth engine

- Completed acquisition of Posco Power ('06.3)
- Began construction Magnesium Sheet factory ('06.8): production capacity 3,000 ton/yr
- Progress on Fuel Cell development for power generation
: 250kW Field Test & adoption of advanced technology

□ Strengthen strategic alliance with overseas steel company

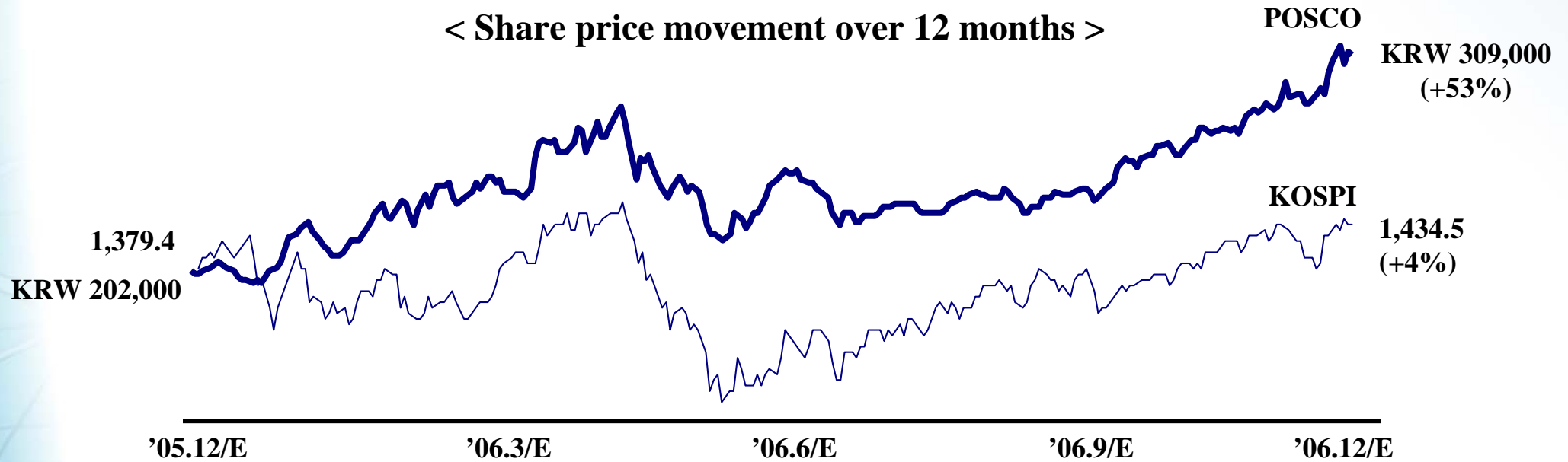
- Strategic alliance with NSC expanded ('06.10)
 - Exchange slabs, cooperate on by-product recycling, jointly invest on raw mat'l development

□ Total investment in 2006: KRW 3.8tn

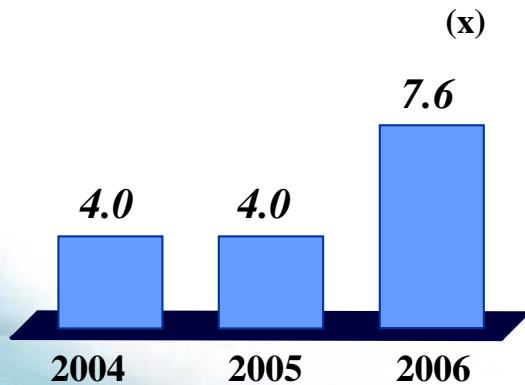
(trillion KRW)

| Category | Investment | Major projects |
|-------------------------------------|------------|--|
| Increase strategic product | 0.9 | Upgrade Pohang No.2 HR & Elec. Steel Mill |
| Increase production capacity | 1.2 | Finex, re-vamping of Pohang No. 3 BF |
| Maintenance, cost cut, env't | 1.0 | Gwangyang sinter gas purification facility |
| Overseas steel, alliance, raw mat'l | 0.4 | Vietnam, Nickel, processing centers, NSC |
| Energy, new business | 0.3 | Posco Power |

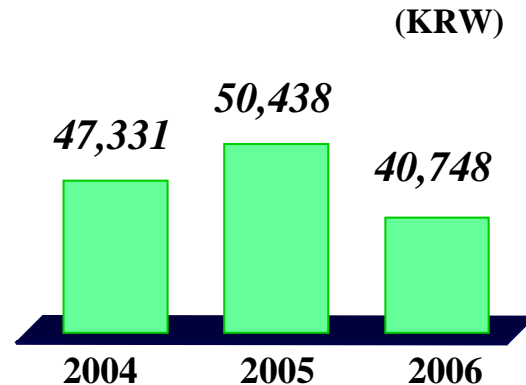
□ Large increase in share price over KOSPI



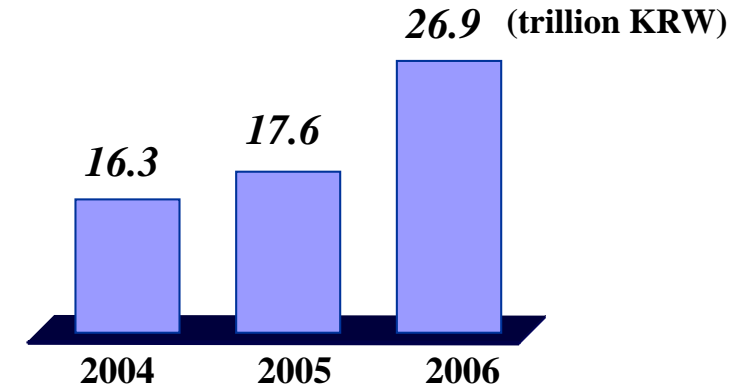
< PER >



< EPS >



< Market Cap. >



□ Improved corporate governance and management efficiency

- Separation of Representative Director and BoD Chairperson
- Establishment of CEO Candidate Recommendation Committee
- Realigning organization into 5 divisions to enhance responsible divisional management

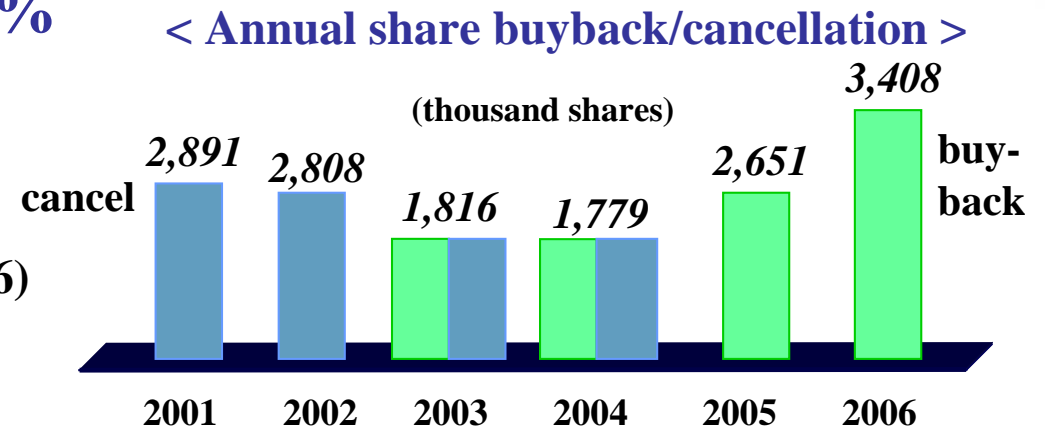
□ '06 Shareholder Return Ratio 45.9%

○ Buyback/cancel for 6 consecutive years

- Total 4% share buyback in '06
- ※ No. treasury shares: 9,594K (as of Dec.06)

○ '06 dividend plan (tentative)

- KRW 8,000/share (incl. interim ₩2,000)
- Dividend yield: 2.6% (over closing price '06)
- Dividend payout ratio: 19.4%



< Annual dividends > (KRW)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-----------|-------|-------|---------|---------|---------|---------|
| Dividend | 2,500 | 3,500 | 6,000 | 8,000 | 8,000 | 8,000 |
| (interim) | (500) | (500) | (1,000) | (1,500) | (2,000) | (2,000) |

※ SRR (Shareholder Return Ratio) : (cash dividend+share buyback/cancellation)/net income

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□ Changes in Steel Industry Paradigm

- **M&A continue:** Premium steel mills continue strategic alliance/M&A
- **Competition for raw mat'l:** Increase in iron ore self-sufficiency and joint-development of mines
- **Global steel growth continue:** Developed countries slow but emerging markets lead growth
 - ※ **Global steel consumption:** 1,029('05) → 1,121('06,+8.9%) → 1,179mn tons('07,+5.2%)

(IISI, '06.10)

□ Chinese Steel Industry Overview

- **Oversupply remain:** Crude steel production 462mn ton in 2007(+10% yoy), export 33mn ton
- **Protectionism revives:** Potential trade dispute led by US & EU
- **China begin restructuring** by focusing on few targets and adjusting export taxes

□ Domestic Steel Industry Overview

- **Market share of Chinese import rise:** China 46%(+10%), Japan 39%, Others 15% ('06)
- **Domestic consumption to increase:** +3.1% in 2007 with better auto, ship, machine industry
 - ※ **Domestic consumption:** 47.1('05) → 49.2('06,+4.5%) → 50.8mm tons('07,+3.1%)

(POSRI, '06.11)

□ Slow in 1H07, but to recover in 2H07 as supply & demand improve

- US/EU: Weak with slow economy & rising import, but production discipline to take effect in 2Q
- China: Despite rising production, stable due to low inventory & mills' effort to stabilize market

< '07 US/EU steel consumption >

| (mm tons) | '06(E) | '07(F) | YoY |
|-----------|--------|--------|------|
| U.S. | 116.4 | 114.9 | -1.0 |
| EU(25) | 171.5 | 169.6 | -1.1 |

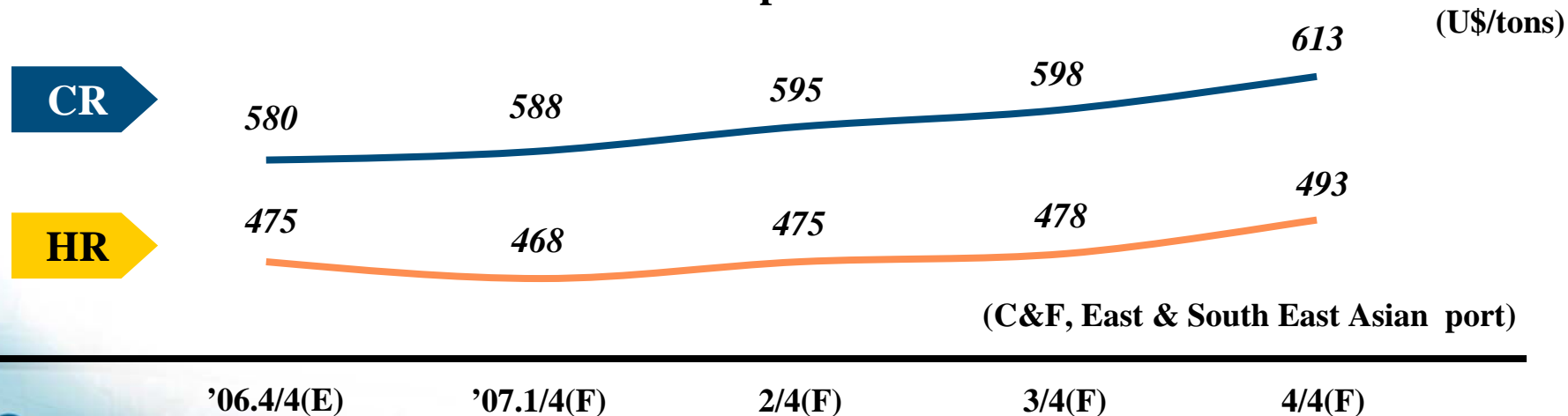
*IISI ('06.10)

< 1Q07 steel price index >

| | '06.4Q | '07.1Q | QoQ |
|--------|--------|--------|------|
| U.S. | 151.9 | 135.2 | -11% |
| EU(25) | 171.5 | 161.1 | -6% |

*CRU ('06.11): benchmark Apr.94 price of 6 key prod.

< '07 Asia steel price forecast >



*CRU ('06.10)

□ Aggressively pursue Global Growth Investment

- **India Project: acquisition of mining rights and landsite**
 - Approval of prospecting license for mine in Khandadhar area by central gov't('07.3)
 - Complete land purchase('07.9), begin port and site preparation('07.10)
 - Complete construction of 1st Phase with 4mn ton capacity ('10.E)
- **Ground breaking for Vietnam CR and Mexico CGL ('07.10)**
 - Vietnam: 1st Phase with CR 1.2mn ton/yr (completion '09.12)
 - Mexico: automotive steel 400K ton/yr (completion '09.6)
- **Extend alliances with major steel mills and invest in raw material development**
 - Mining right in New Caledonia and ground breaking of Gwangyang refinery ('07.5)

□ Complete commercialization of proprietary innovative Technology

- Complete construction of No.1 FINEX ('07.4) and begin commercial operation
- Focus on stable casting and rolling technology development for poStrip

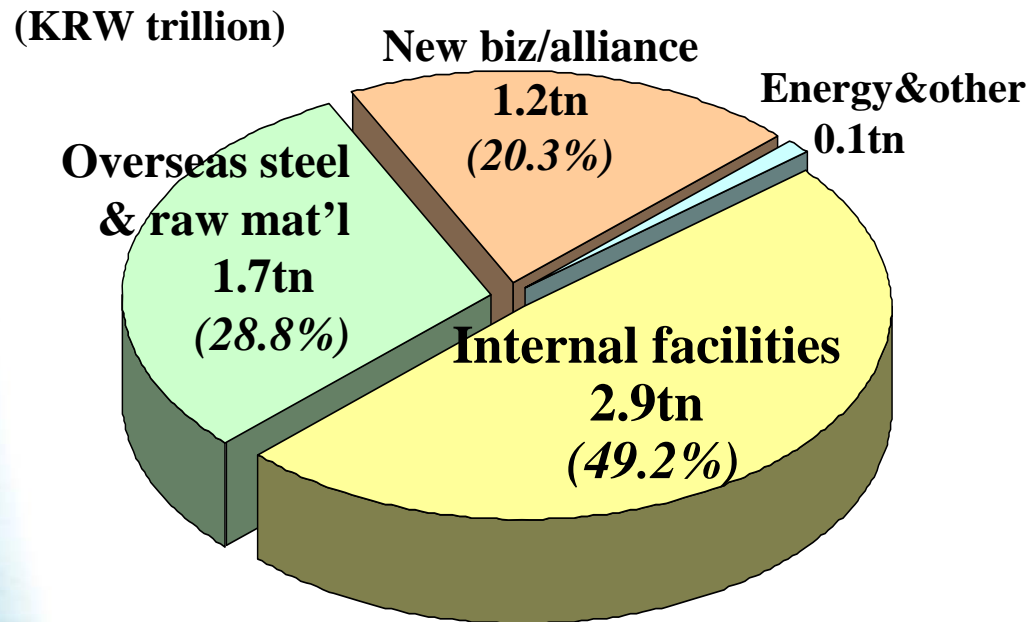
❑ Establish high value-added, low cost production structure

- Rationalization of Gwangyang No.3 BF and downstream facilities
 - Revamp Gwangyang No.3 BF: capacity increase 670K ton/yr ('07.10~12)
 - Rationalize No.2 Continuous Casting ('07.8~12), No.3 HR ('07.10~11), No.4 CR ('07.10~11)
- Strengthen sales capability for strategic product
 - '07 target for strategic product sales : 57%('06) → 63%('07 target)
 - Add 11 overseas processing centers: 14 in 6 countries('06) → 25 in 8 countries('07)
- Cost Reduction
 - '07 target : KRW 500bn
 - Raw material 364bn, secondary material 41bn, energy 35bn, etc

❑ Strengthen “POSCO Way” and consolidated-based management

- Refine PSSM (POSCO style 6 sigma + QSS + BPM)
- Pursue mutual growth with affiliates and develop new growth engine

< Posco: KRW 5.9tn >



< Consolidated: KRW 7.4tn >

(KRW trillion)

| Target | Invest | % |
|----------------|------------|--------------|
| Steel | 6.7 | 90.5 |
| E&C | 0.2 | 2.7 |
| Energy & other | 0.5 | 6.8 |
| Total | 7.4 | 100.0 |

- Posco's domestic steel investment (KRW 2.9tn)
 - Strategic Product 1.2tn, Capacity expansion 0.7tn
 - Maintenance 0.7tn, Cost savings 0.2tn
 - Environment 0.1tn

□ 32mn ton capacity with No.1 FINEX and Zhangjiagang STS

- Crude steel production: POSCO 30.6mn ton, Changwon 0.9mn, Zhangjiagang 0.9mn
- Revenue (simple add'n by division): Steel ₩ 32.6tn, E&C 3.5, Energy 0.7tn, IT/etc 0.6tn

| in million tons, trillion KRW | 2006 | | 2007 | |
|----------------------------------|--------------|-------------|--------------|-------------|
| | Consolidated | POSCO | Consolidated | POSCO |
| Crude Steel Prod. | <i>31.2</i> | <i>30.1</i> | <i>32.4</i> | <i>30.6</i> |
| Sales Volume | <i>30.9</i> | <i>28.5</i> | <i>31.7</i> | <i>29.1</i> |
| Revenue | <i>25.7</i> | <i>20.0</i> | <i>29.8</i> | <i>21.3</i> |
| Operating Income | <i>4.4</i> | <i>3.9</i> | <i>4.9</i> | <i>4.1</i> |
| Investments | <i>4.9</i> | <i>3.8</i> | <i>7.4</i> | <i>5.9</i> |

The above data represents Company's internal objectives, and should not be used as a basis for investment decisions

posco

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