
CEO Forum 2004

POSCO
Growth and Innovation

January 14, 2004

Contents

1. '03 Performance

2. Industry Overview & Company Strategy

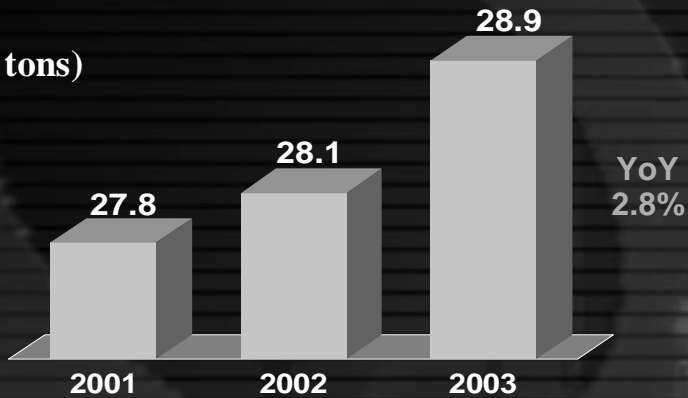
3. '04 Business Plan

The figures provided in this presentation are based on unaudited financial statements. Certain numbers may be presented differently once audited and the company takes no responsibility and accepts no liability for such changes.

'03 Performance

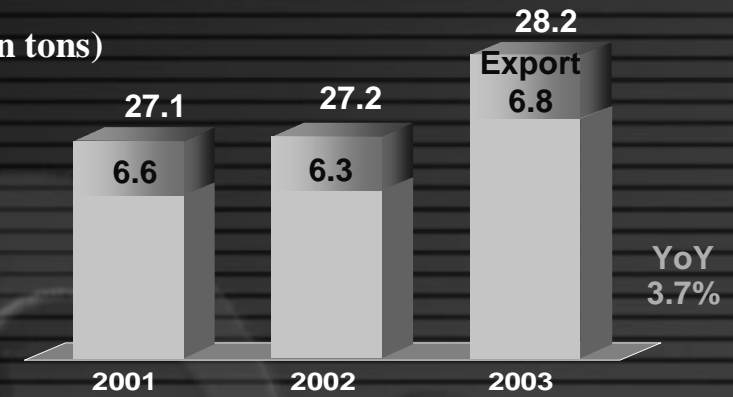
Crude Steel Production

(mn tons)



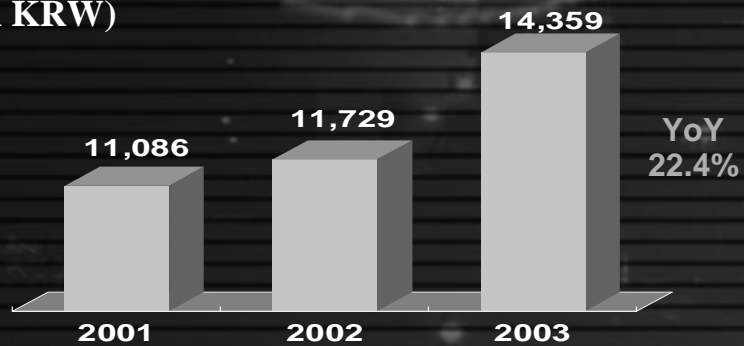
Sales Volume

(mn tons)



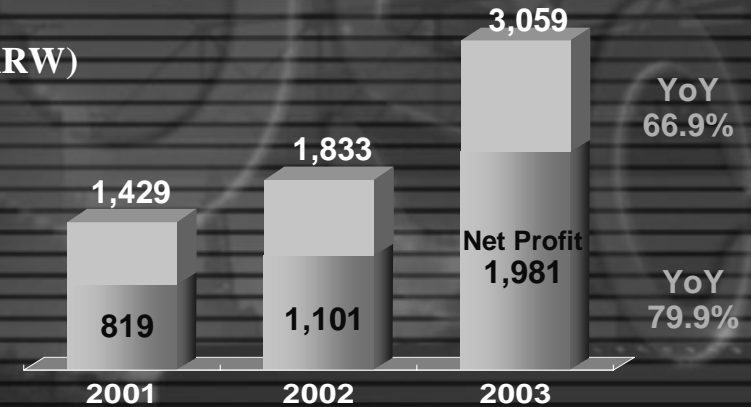
Revenue

(bn KRW)



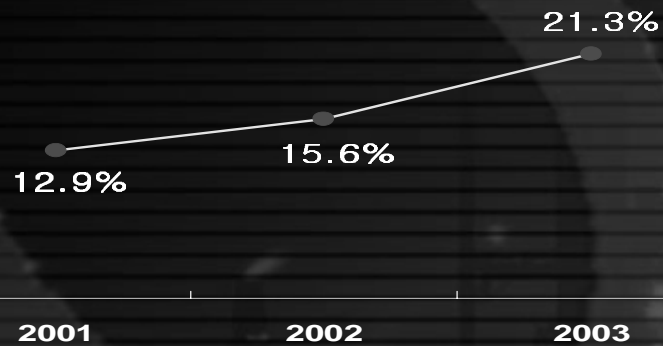
Operating Profit / Net Profit

(bn KRW)

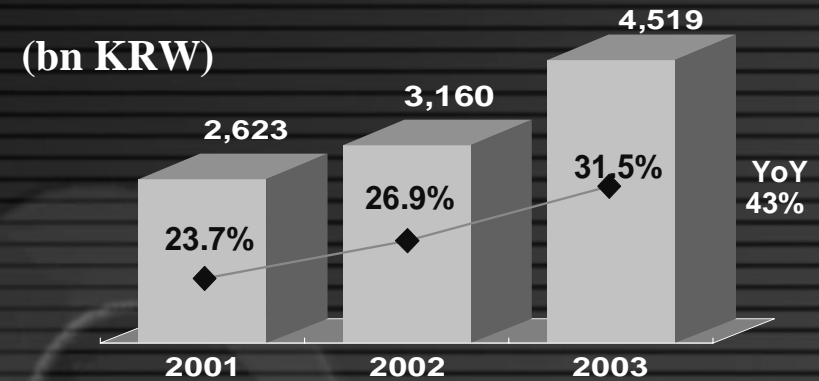


Key Financial Ratios

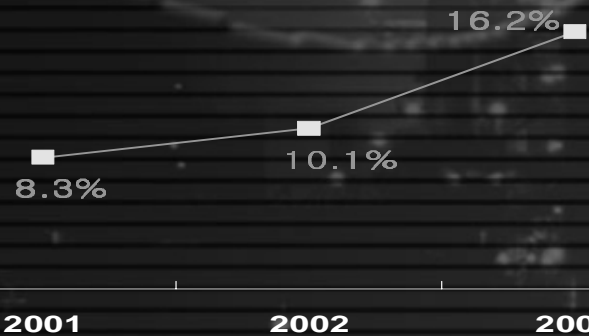
Operating Margin



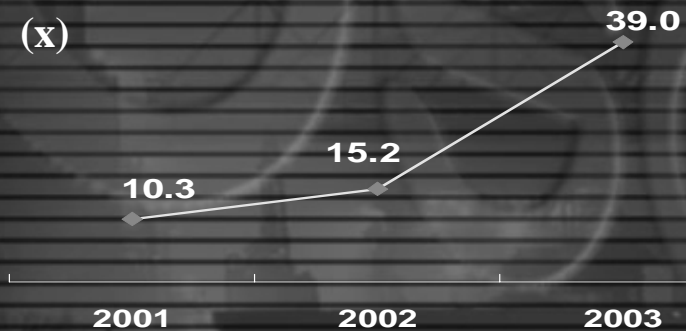
EBITDA and EBITDA Margin



ROE



EBITDA / Net Interest Expense



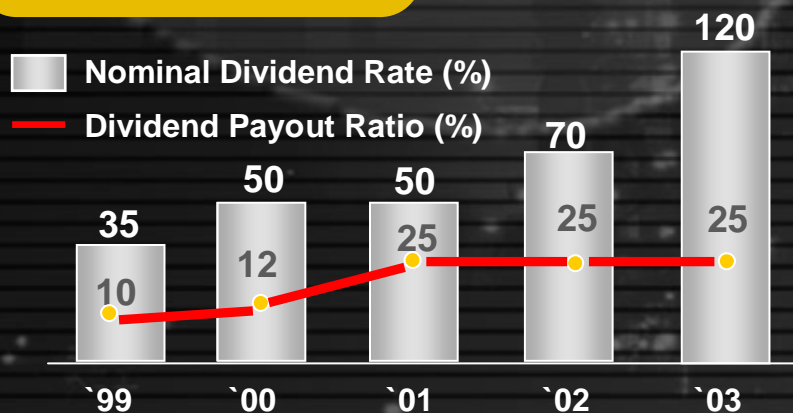
Increase Shareholder Value

Higher Cash Dividend & Share Cancellation

Share Cancellation

- Bought back & cancelled 2% of total outstanding shares : 253.4 bn KRW
- ※ Cancelled 3% each in '01, '02 : 571.7 bn KRW in total

Dividend Payout

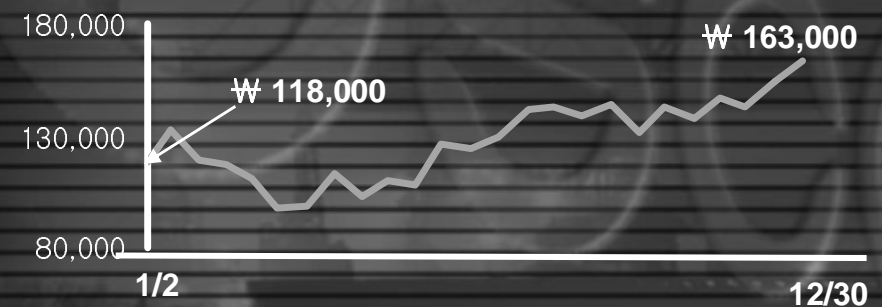


※ Interim Dividend Included

EB Issue with SKT Shares

- Size: 2% of issued SKT shares (51.9bn Yen)
- Maturity: 5 years
- Coupon Rate: 0% (YTM: Δ 0.1%)

※ 2003 Share Price Performance
- 38% increase vs. 28% for KOSPI



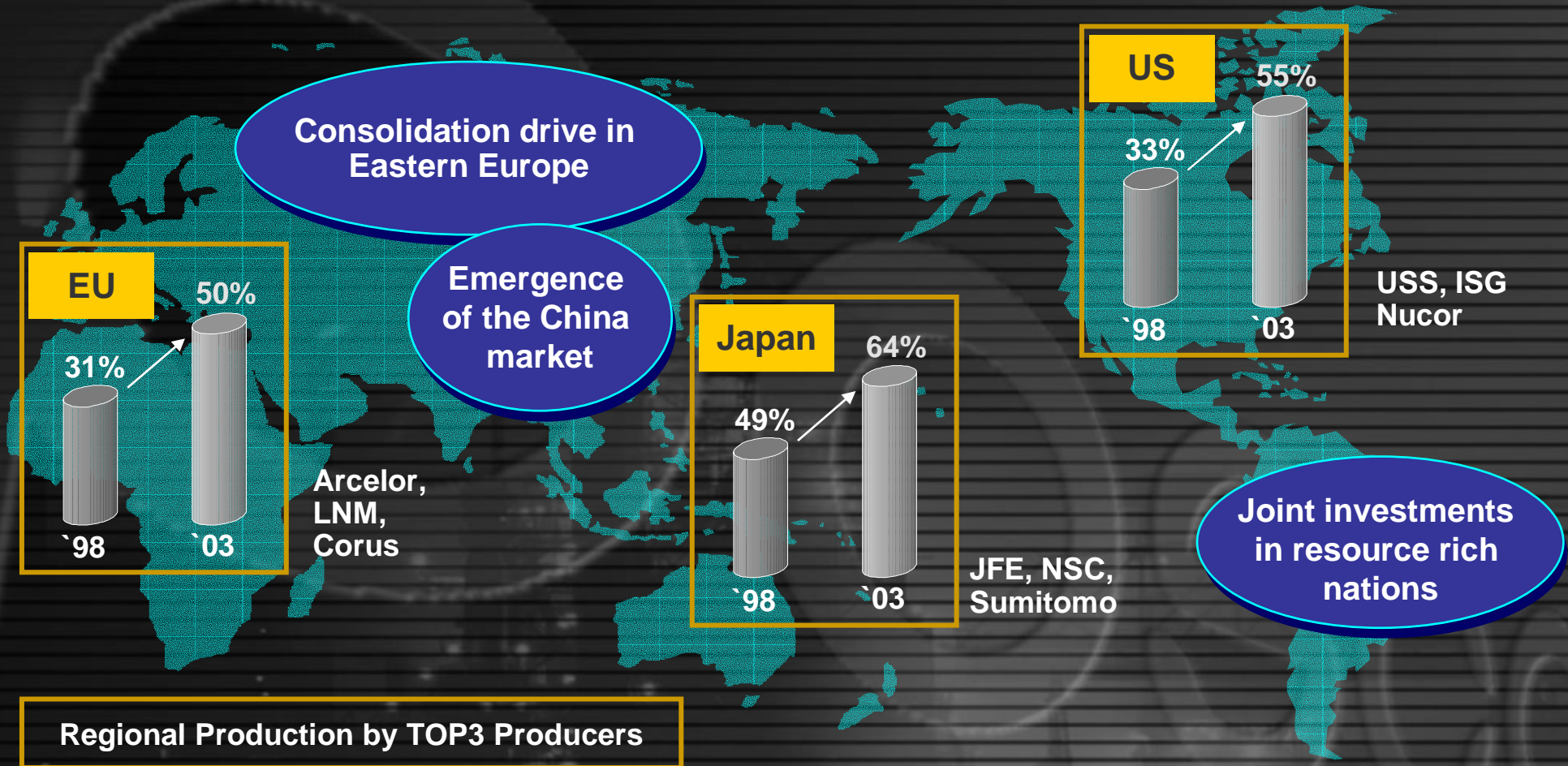
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Industry Consolidation & Globalization

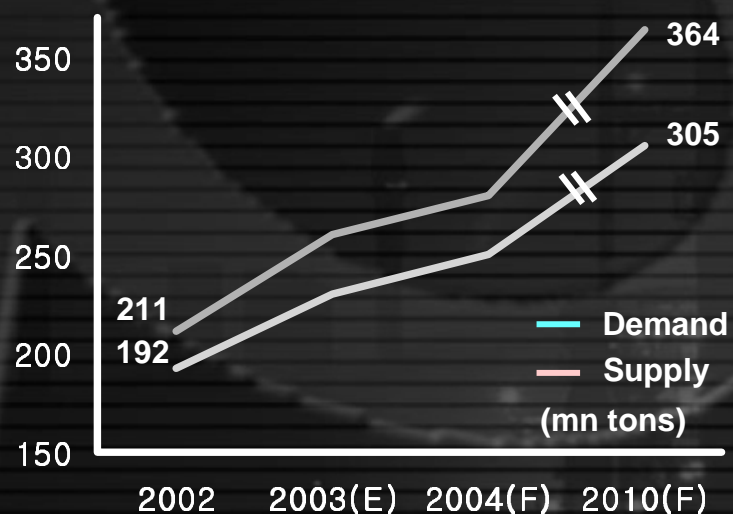


Emergence of Steel Company with Capacity Over 40 Million Tons

Growth of Steel Industry in China

Steel Supply/Demand

<China's Steel Supply & Demand Forecast>



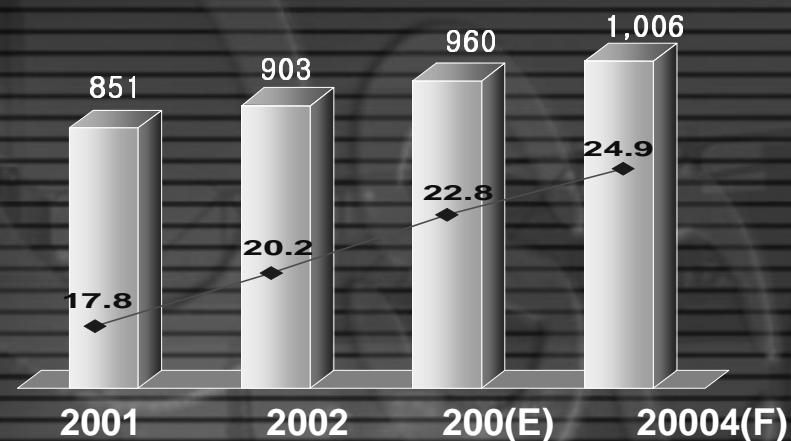
Both demand and supply are expected to increase but fluctuation risks remain

(POSRI: '03. 11)

Increase in Share of Global Production

<China's Share In Steel Production>

■ Global Steel Production (mn tons)
 — China's Share of Production (%)

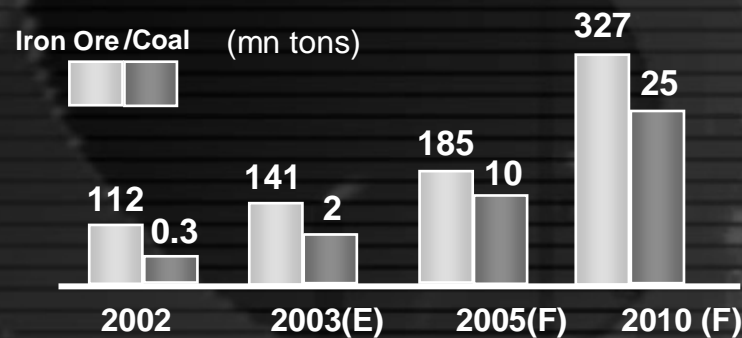


(IISI: '03.10)

Tight Balance of Raw Materials

Increasing Import from China

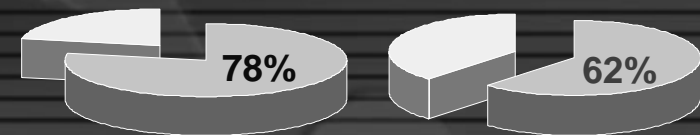
◀Outlook on Chinese Demand (mn tons)▶



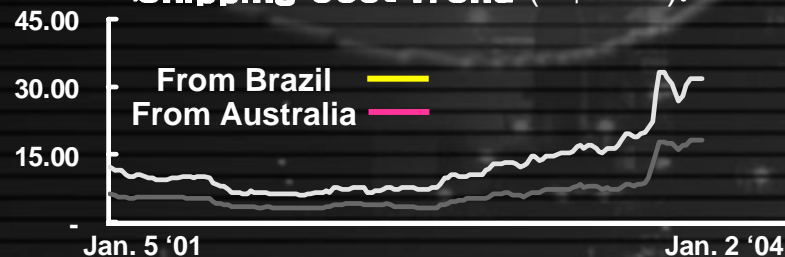
Up-stream Consolidation

◀Raw Materials Trade in 2003▶

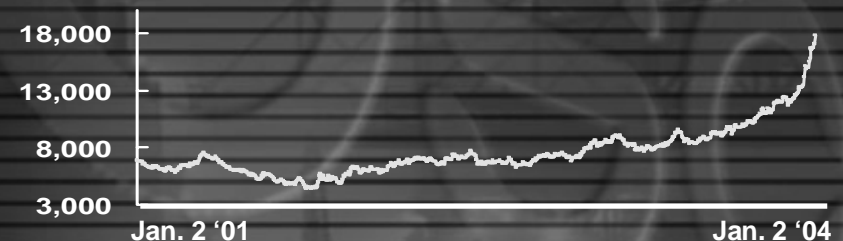
| | (bn tons) | |
|-----------------|--------------------|----------|
| | Fine Ore | Coal |
| Total Supply | 0.47 | 0.19 |
| Major Suppliers | 0.37 (3 suppliers) | 0.12 (5) |



◀Shipping Cost Trend (U\$/tons)▶



◀Nickel Price Trend (U\$/tons)▶



Sharp Increase in Raw Material and Shipping Cost Due to Supply & Demand Imbalance and Oligopolistic Market

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POSCO's Mid-Term Strategy ('04 ~ '08)

**Mid-Term
Goal**

Achieve Global Excellence

Direction

**Secure Growth
Engine**

**Improve
Competitiveness**

**Continue
Management
Innovation**

Major Strategy

- ❖ **Expand the Capacity to Strengthen the Growth Base**
- ❖ **Enhance Competitiveness in Strategic Products to Improve the Product Mix**
- ❖ **Commercialize the Innovative Technology to Secure Global Leadership**
- ❖ **Maintain Management Innovation for A 'Good Company'**

Capacity to 42 Million Tons

Domestic : 32mn Tons ('08)

- ❖ Optimize the balance of production capability
 - Manufacturing process of iron making / steel making / rolling
- ❖ Maximize value added products
 - Enhance the sales portion of the higher margin products
- ❖ Maintain competitiveness of facilities

Overseas : 10mn Tons (within 10yrs)

- ❖ Enlarge overseas production base
 - Targets: China, India and Southeast Asia
 - Implement FINEX technology
 - Cooperate with local government and companies
- ❖ Successful investment in countries with resources

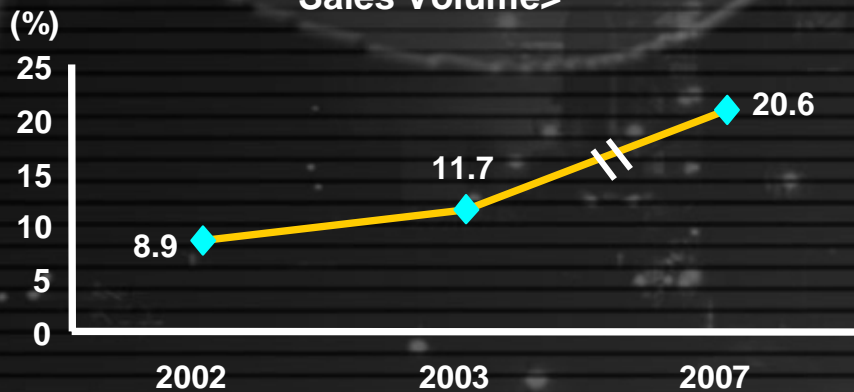
Improvement in Product Mix

Focus on 4 Major Strategic Products

❖ Differentiated competitiveness via high value-added products

※ Strategic products: Automotive Steel Sheets, High-class API, STS 400 and electrical steel sheets

<Strategic Products' Contribution to Sales Volume>

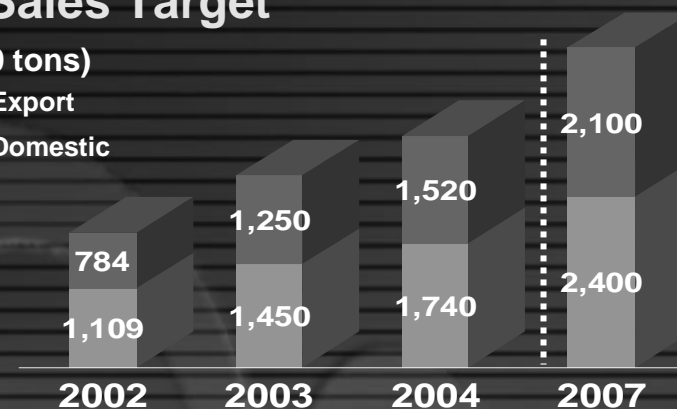


Automotive Steel Sheets

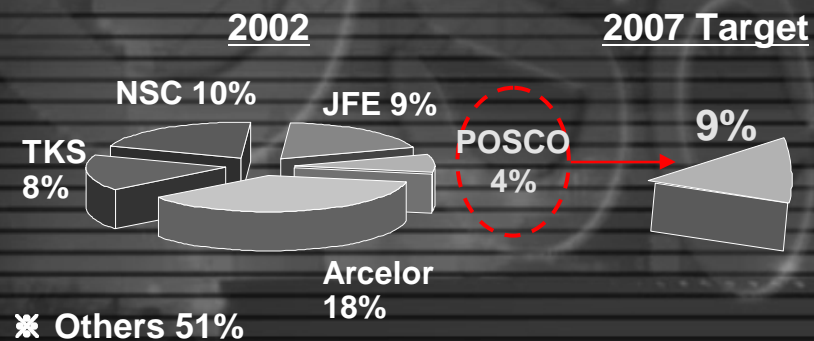
❖ Sales Target

('000 tons)

■ Export
■ Domestic



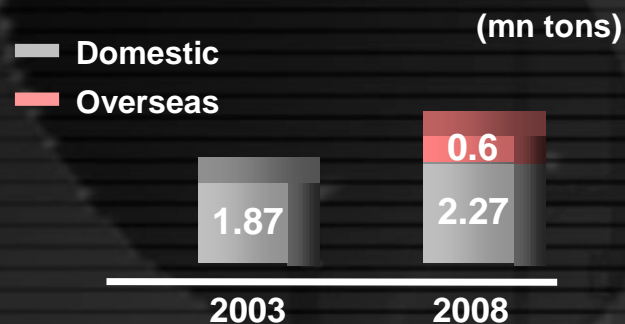
❖ Market shares by major manufacturers



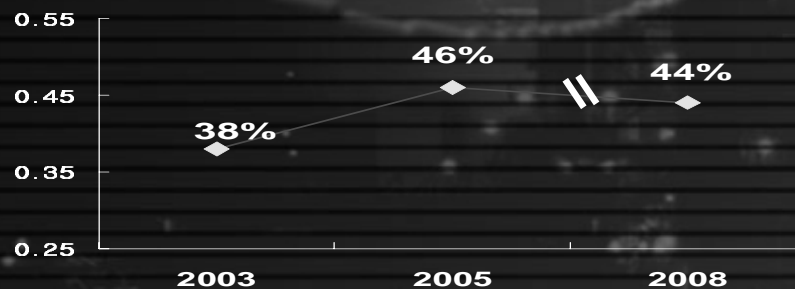
Targeting Top 3 Stainless Producers

Enlarge Business Scale

❖ Increase Capacity



❖ Heighten the CR ratio (CR/HR)



Strengthen Business Competitiveness

- ❖ Establishment of global business network
 - Diversify markets by focusing on Japan, China and Southeast Asia
- ❖ Stabilized raw material supply and investment
- ❖ Independently specialized organization
 - Specialization of stainless steel business

Commercialize Innovative Technologies

1.7% of Revenue in R&D: 233.3bn KRW ['03] → 276.2bn KRW ['04]

FINEX

A revolutionary process that uses fine iron ore and coal to directly manufacture Pig Iron

- ❖ Demo Plant Completion in '03
 - Production capacity : 600,000 tons
- ❖ Achieve full commercial use technology by 2004
- ❖ Completion of FINEX plant by '06
 - Production capacity : 1.5 mn tons

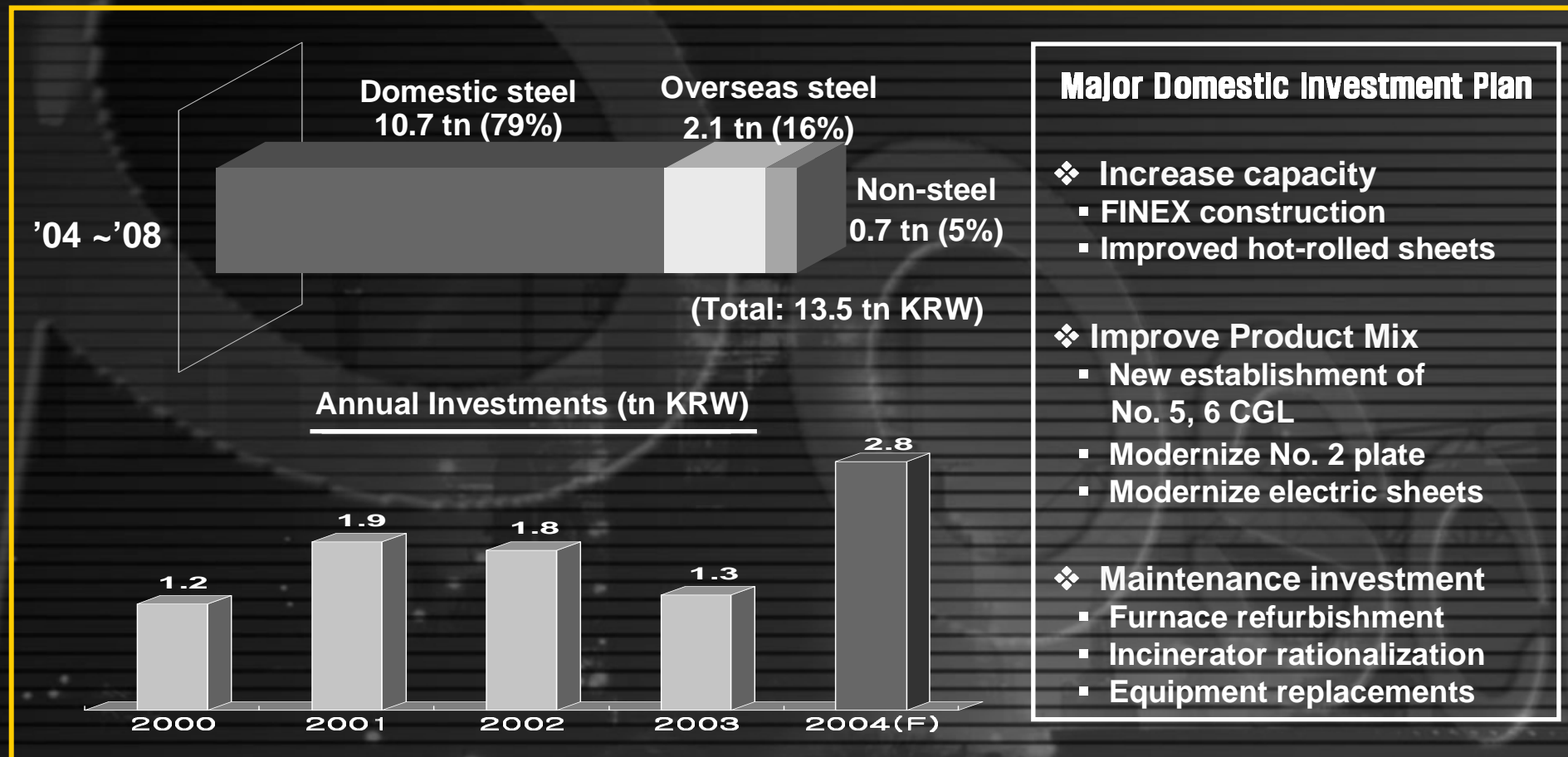
Strip Casting

An innovative technology in directly linking the steel making process with the rolling process

- ❖ Demo Plant Completion : 1H 2006
- ❖ Commercial use by end of 2007

Increase Investments

Investment of 2.7tn KRW Annually for the Next 5 Years



Management Innovation for A 'Good Company'

Committed to Corporate Governance, Ethics and Social Responsibilities

Improve Corporate Governance

- ❖ More outside directors
- ❖ Reorganization BOD Committee
 - Recommendations Committee and Evaluation Committee
 - Establishment of Internal Transaction Committee
- ❖ Deletion of convertible preferred stock clause
- ❖ Introduction of cumulative voting
- ❖ Introduction of paper voting

Reinforcement of Ethical Management

- ❖ Enforcement of ethical standards
 - Improved disclosure practices (I.e., CEO/CFO certification)
 - Establishment of an internal control system that complies with the SOA ('04)
- ❖ Reinforce environment friendly business practices
- ❖ Active participation in social / volunteer activities

Incorporating 6 Sigma Culture

- ❖ 6 Sigma as a part of Corporate Culture
 - Increase number of specialists (MBB, BB, GB) to 13% by 2005
 - Complete 4,130 tasks
- ❖ Create a corporate culture that evolves on its own

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1. Year 2003 Performance

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3. 2004 Business Plan

'04 Management Plan

(mn tons, bn KRW)

| | 2003 | 2004 (F) | Change (%) |
|------------------|--------|----------|------------|
| Production | 28.9 | 29.3 | 1.4 |
| Sales | 28.2 | 28.5 | 1.2 |
| Revenue | 14,359 | 16,875 | 17.5 |
| Operating Profit | 3,059 | 3,179 | 3.9 |

The data above represents internal financial objectives of the company and should not be used for making investment decisions.