

1H 2005 Operating Performance

July 8, 2005

Figures provided in this presentation are based on unaudited financial statements of the Company for the first half of 2005 and have been prepared solely for the convenience of investors. Certain contents in this presentation are subject to change during the course of auditing process. The financial data presented are based on POSCO's non-consolidated financial statements.

I. 1H05 Operating Performance

II. Key Management Initiatives

III. Steel Industry Environment

IV. 2005 Business Plan

Production/Sales



- ❑ Maintained previous year's production level despite refurbishment of BF#2
- ❑ Reduced production of finished products caused by rationalization of Plate Plant #2 and HR Plant #2

(In thousand tons)

| | 2004 | | 2005 | YOY (%) |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------|
| | 1H | 2H | 1H | |
| Crude Steel | 14,790 | 15,414 | 14,989 | 1.3 |
| Finished Products(FP) | 14,431 | 14,984 | 14,420 | △0.1 |
| FP Sales | 14,344 | 14,858 | 14,185 | △1.1 |
| Domestic | 10,602 | 11,288 | 10,588 | △0.1 |
| Export (%) | 3,742 (26.1) | 3,570 (24.0) | 3,597 (25.4) | △3.9 |
| FP Inventory | 338 | 346 | 431 | 27.5 |

- Major rationalization period & Effect
 - Pohang Plate#2 (Apr. 6, '05 ~ June 3) : +300K tons (1,800K → 2,100K)
 - Pohang HR #2 (June 8, '05 ~ June.24) : +400K tons (4,500K → 4,900K)

Sales by Product



- ❑ Reduced production and sales volume due to rationalization of HR and Plate
- ❑ Increased sales of high value added products, i.e. CR, Electric Steel Sheets

(In thousand tons)

| | 2004 | | 2005 1H | YoY(%) |
|----------------|--------|--------|------------|--------|
| | 1H | 2H | | |
| Hot Rolled | 5,063 | 5,160 | 4,560 | △9.9 |
| Plate | 1,603 | 1,703 | 1,408 | △12.2 |
| Wire Rod | 995 | 1,019 | 1,033 | 3.8 |
| Cold Rolled | 4,813 | 5,031 | 5,288 | 9.9 |
| Electric Steel | 358 | 343 | 389 | 8.6 |
| Stainless | 969 | 968 | 955 | △1.4 |
| Others | 543 | 634 | 552 | 1.6 |
| Total | 14,344 | 14,858 | 14,185 | △1.1 |

Income Statement Summary



- Continued increase of net profit due to increased ASP, reduced COGS and appreciated KRW

| | <u>1H04</u> | | <u>2H04</u> | | <u>1H05</u> | (In thousand. KRW) |
|---------------------|-------------|---|-------------|---|-------------|--------------------|
| • FP ASP : | 613 | → | 706 | → | 759 | |
| • F/X Rate (W/\$) : | 1,152.5 | → | 1,043.8 | → | 1,024.4 | (In billion KRW) |

| | 2004 | | 2005 | YoY(%) |
|------------------|-------|--------|--------|--------|
| | 1H | 2H | 1H | |
| Sales | 9,039 | 10,753 | 11,034 | 22.1 |
| COGS | 6,377 | 7,330 | 7,020 | 10.1 |
| Operating Income | 2,196 | 2,858 | 3,504 | 59.6 |
| Opr. Margin | 24.3 | 26.6 | 31.8 | - |
| Net Profit | 1,635 | 2,191 | 2,570 | 57.2 |
| Profit Margin | 18.1 | 20.4 | 23.3 | - |

※ Quarterly Net Profits Comparisons in '05

| <u>1Q</u> | <u>2Q</u> | (In billion KRW) |
|-----------|-----------|------------------|
| 1,308 | 1,262 | |

Financial Structure



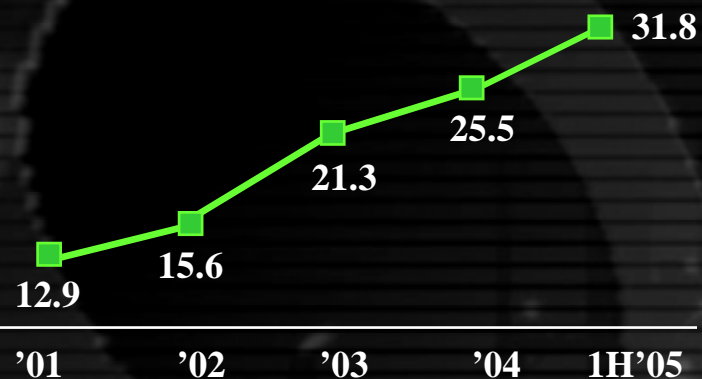
- ❑ Fixed Assets increased as the constructions of FINEX #1, CGL # 5, 6, etc. progress well according to the schedule
- ❑ Liabilities reduced due to continued debt repayment
 - KRW-denominated Bonds: KRW 300 bn. (Mar., Apr.)
 - F/X -denominated Bonds: KRW 206.6bn (May)

(In billion KRW)

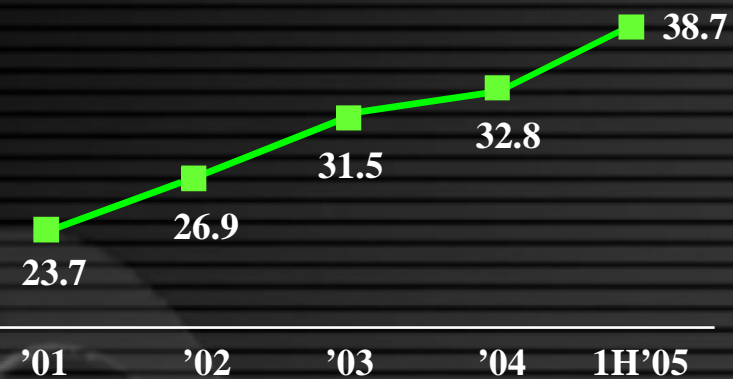
| | | 2004 | | 2005 |
|----------------------|----------------|--------|--------|--------|
| | | 1H | 2H | 1H |
| Asset | | 19,244 | 21,367 | 22,344 |
| | Current Assets | 6,193 | 7,742 | 8,143 |
| | Fixed Assets | 13,051 | 13,625 | 14,201 |
| Liabilities | | 5,150 | 5,257 | 4,564 |
| | Debt | 2,991 | 2,498 | 1,882 |
| Shareholder's Equity | | 14,094 | 16,110 | 17,780 |

Financial Ratios

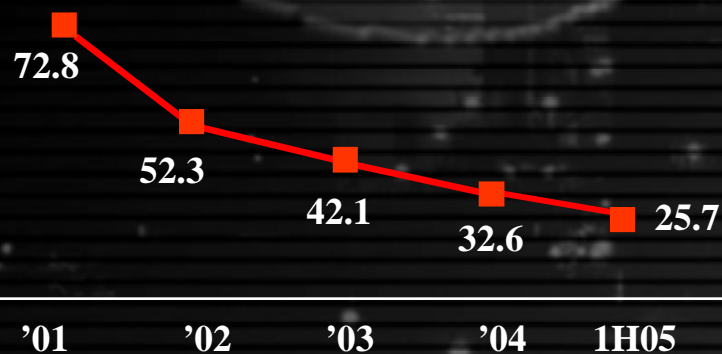
Operating Margin (%)



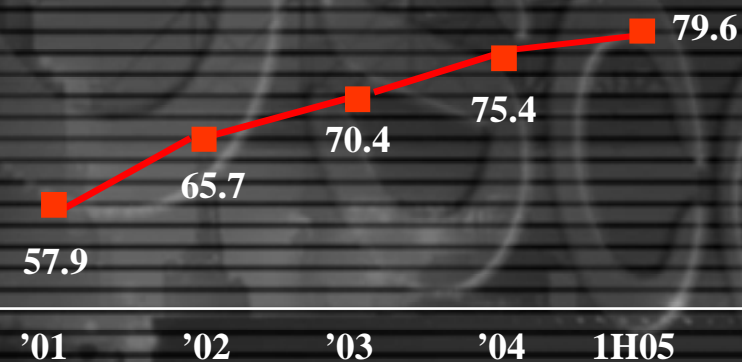
EBITDA Margin (%)



Debt Ratio (%)



Shareholder's Equity Ratio(%)



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Integrated Steel Plant Project in India

posco

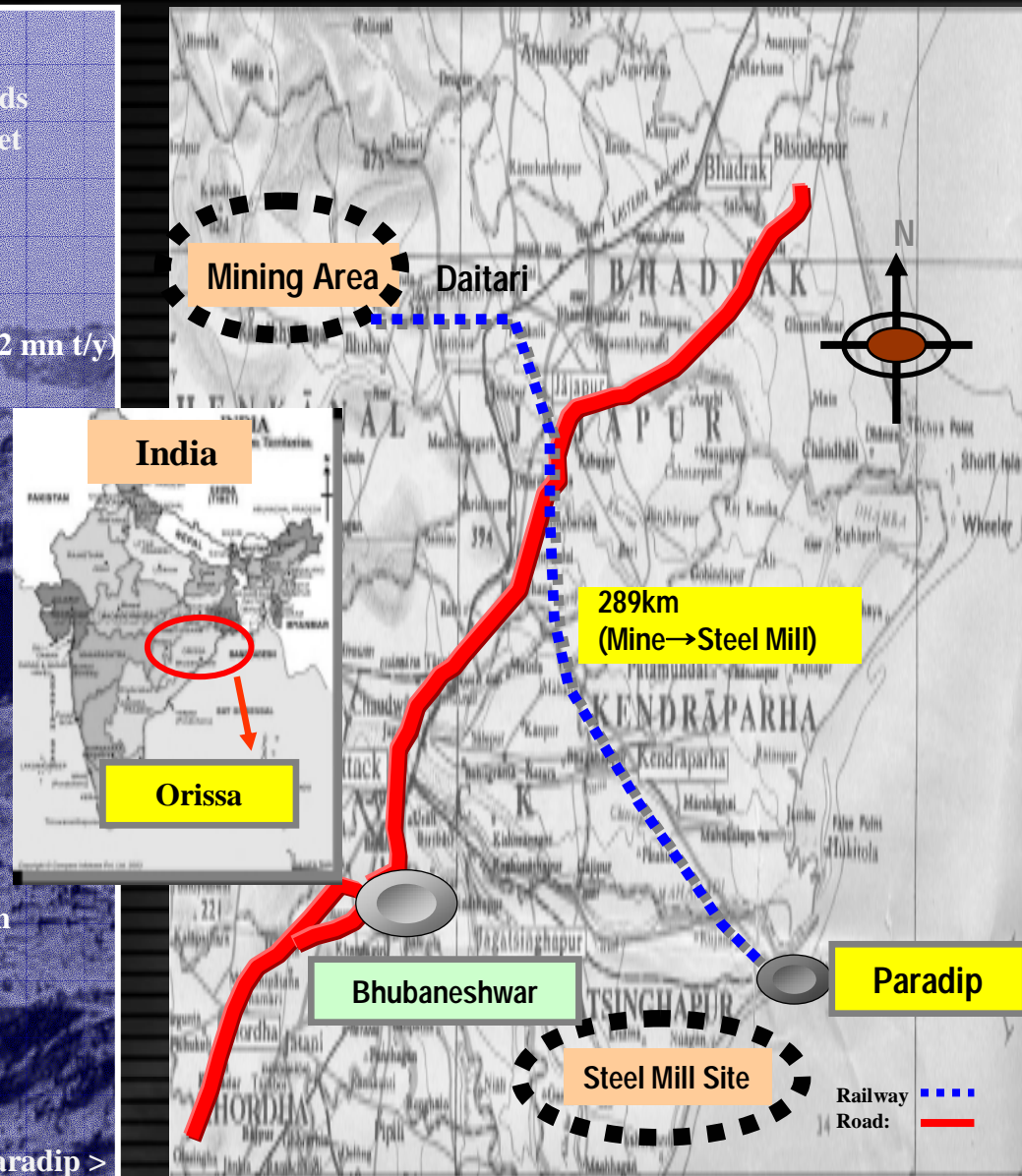
❑ Strategic Directives

- Strategically cope with globalizing steel industry trends
- Secure raw material and penetrate Indian steel market

❑ Project Summary

- Integrated Steel Mill
 - Scale: Phase 1- 3 mn ton capacity slab plant (Final, 12 mn t/y)
 - Location: Paradip, Orissa
 - CAPEX: Phase 1- USD2.4 bn (Final, USD 10 bn)
 - Construction Period: 42 months after the phase 1 ground layout work
- Mine Development
 - Iron Ore: 600 million tons over 30 years
 - CAPEX : USD 2 bn
- Indian Government Support
 - Grant mining license
 - Factory construction site (Steel Mill: 459,100 m²)
 - Infrastructure support, i.e, railway, road, energy
 - Tax incentives applicable to Special Economic Region
 - Form Inter-Ministerial Group

<Backdrop: Landscape of Paradip >



Integrated Steel Plant Project in India

posco

India : High potential growth

- GDP growth of 6% p.a. forecasted
- Skilled labor force with low wages, abundant volume of quality iron ore (Estimated reserves: 13.5 billion tons)
 - Reserves in Orissa: 4 billion tons
 - Coal, Crom, Magnite, lime, etc.
- Long-term steel industry development plan (Govn't of India)

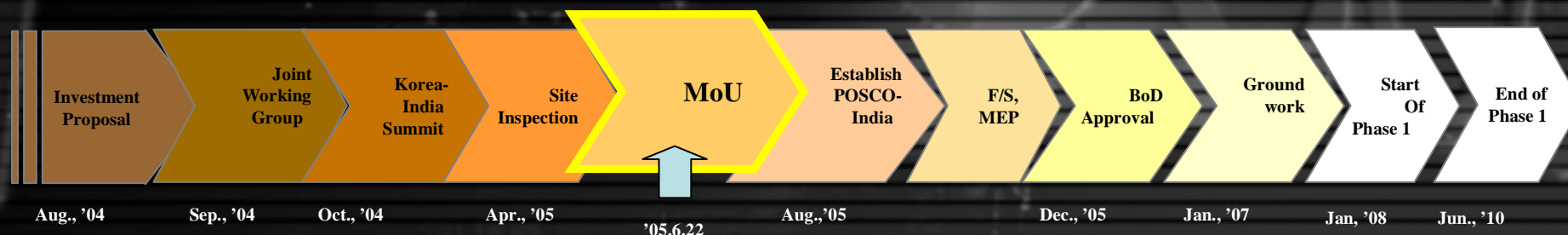
| | '04 | → | '20 |
|-----------------------------------|-----|---|-----|
| - Production(Mn tons) | 35 | → | 100 |
| - Per capita Consumption of Steel | 30 | → | 100 |

※ Korea (982kg), Japan (601kg), China (200kg)
- Incremental crude steel production increase: 27 mn tons by SAIL, etc.
 - SAIL (11.6), TISCO (4.0), RINL (3.5), Jindal (2.5), Ispat (2.4), Essar (2.4 million tons)

Future Plans

- Establish POSCO-India (Aug., '05)
- Optimal business structure and partnership
- Conduct feasibility studies (~ Nov., '05)
 - MEP, Environment test
 - Port, groundwork, energy, etc
- Mine development (Aug., '05 ~)
 - Obtain Iron Ore Prospecting License
 - Optimal mine development, select mine developer
- Factory site groundwork (Jan., '07)
- Phase 1: Jan., '08.1 → '10.6E (3mn ton capacity)

*MEP: Master Engineering Planning



Increased direct investment in raw material



- ❑ Direct investment in Australian coal mine-Carborough Downs, Glennies Creek
 - Stable supply of 8,4 mn tons of iron ore and coal

| | | Mines | Stake | Investment (\$ mn) | Annual Purchase (mn tons) |
|-----------------|----------|--|-------|------------------------|---------------------------------|
| Australia | Iron Ore | POS-MAC | 20% | 12.2 | 3.0 |
| | Coal | Mount | 20% | 31.5 | 1.6 |
| | | Throlely | 20% | 3.2 | 1.5 |
| | | Foxleigh | 5% | 7.6 | 0.6 |
| | | Glennies Creek Carborough Downs | 5% | 9.6 | 0.8 |
| Canada | Coal | Green Hills | 20% | 43.2 | 2.7 |
| | | Elkview | 2.5% | 25.0 | 0.7 |
| Brazil | Iron Ore | Kobrasco | 50% | 38.5 | 2.7 |
| South Africa | Fe-Cr | Pos-Chrome | 25% | 4.6 | 60,000tons |
| China | Fe-Si | Hubei | 30% | 3.0 | 11,000 tons |

Investment in Energy

Korea Independent Energy Corp.(KIECO)

- Maximize synergies with LNG Terminal
 - Increased utilization rate→Economies of Scale
- Status
 - Capacity : 1,800MW
 - The largest private power generating company in Korea
 - Located in undersupplied metropolitan region
 - Stabilized profit owing to long-term purchase agreement with KEPCO
- Amount : KRW 291.5 bn (50% stake)



< Korea Independent Energy >

LNG Terminal

- Direct import of LNG
 - Benefit : Cost savings of KRW 60 bn. per annum
- Stable supply of environment-friendly fuel
 - 550 thousand tons per year for 20 years
- Status of LNG Terminal
 - Construction Period: Nov., '02~ Jun., '05(32 mths)
 - Official Launch: July 4, 2005
 - Facility : Two 100,000 K liter reserve tanks, port, etc.



< LNG Terminal >

Refurbishment of BF#2 in Gwangyang

- Shortened Refurbishment Period & Early Normalized Operation
 - Refurbishment Period (77 → 66 Days): +110K tons
 - Days to normalize the operation: 3 Days (NSC-Oita: 6 Days)
- Benefit
 - Inner capacity expansion → Productivity gains
 - 15% productivity gains → Production increase of 450 tons per annum
 - Prolonged product life cycle by 20 years
 - Electricity generating power: + 41%



Establishment of Overseas auto steel sheet processing center

- Launch POS-TPC (Apr., '05)
 - Scale : 120K tons per annum
 - Capacity expansion of auto makers such as Toyota, Ford in Thailand
 - Possible future application of TWB, laser welding (Final target: 200,000 tons)
- Launch POS-NPC (Jun., '05)
 - Scale: 160K tons per annum
 - Quality approval of POSCO's auto steel sheet in Japan
 - Future application of Blanking Line, TWB, laser welding systems

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Global Steel Marekt Trend

❑ Polarized market trends in Japan, Southeast Asia/Continued price corrections in China, U.S.



- ✓ Downtrend pricing due to sluggish demand and delayed inventory reduction
 - Spot Market (HR, Germany) : € 530 (Jan., '05.1) → 450 (June)
- ✓ Steel mills' concerted efforts to cut production in 3rd quarter to balance supply and demand

EU



- ✓ Continued fall of spot prices caused by oversupplied commodity grade steel and disincentives for exports of steel
 - HR Spot Price : \$568 (Mar.) → 494 (May) → 363 (June)
- ✓ Baoshan Steel announced the 3rd quarter steel price to stay flat

CHINA

S.E.A



- ✓ Continued strength of high value added product prices
 - Japanese BF-base mills' 3rd quarter contract prices to remain flat or slightly increase(\$10~20/ton)
 - CR Export Price (Japan) : \$720 (1Q) → 760 ~770 (2Q) – 760 ~780 (3Q)
 - Regional Mills 3rd quarter contract prices to remain flat (CSC, Krakatau)
- ✓ Weakening demand for low grade steel



- ✓ Weakening steel prices due to high level of inventory and declined scrap prices
 - Spot prices (HR) : \$ 700 (Jan., '05) → \$ 550 (June)
- ✓ Major mills such as Mittal and US Steel plan to cut production to improve steel prices

JAPAN



USA

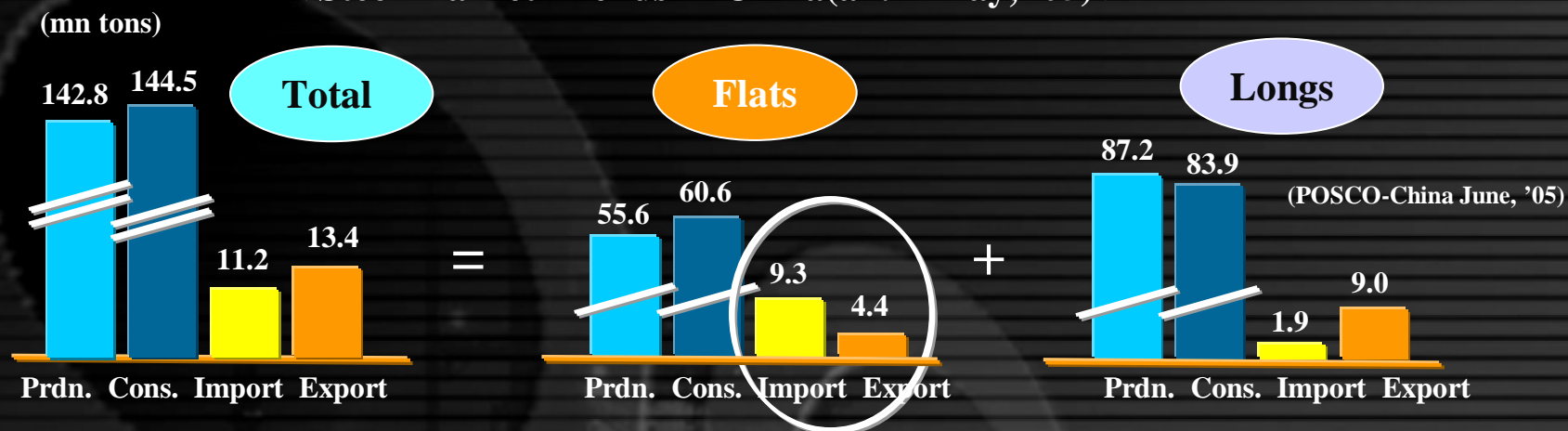
- ✓ Tight supply of BF-based products
 - Increasing price trends of auto steel sheet, plate, electric steel sheet (NSC,JFE →Toyota +10K yen)
- ✓ Downtrend pricing of commodity grade steel
 - Spot Price (HR) : 67K yen (Mar.) → 65 (May~June)

(POSCO, July, '05)

China Steel Industry

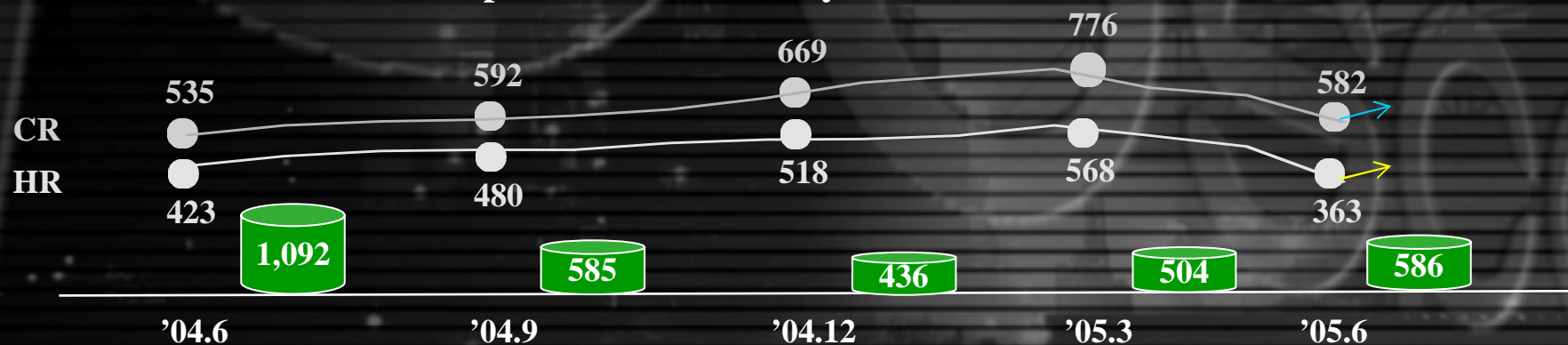
- Net Import maintained on flat steel, led by stable demand for high-quality steel

< Steel Market Trends in China(an. ~ May, '05) >



- Slight uptrend pricing after the downtrend

< Spot Price & Inventory Trends in China >



Price : Shanghai Spot Price (HR 3.0mm, CR 1.0mm)

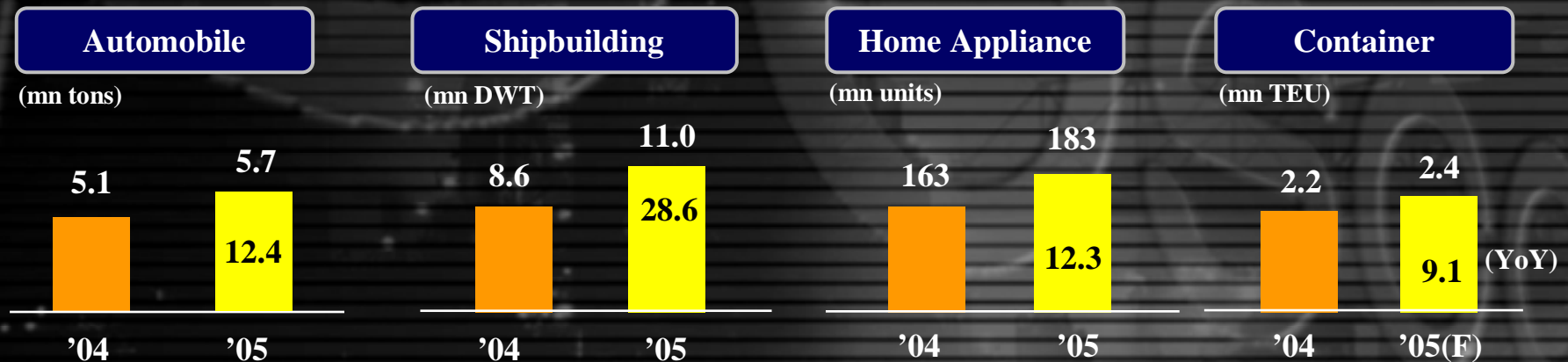
Inventory: Huadong Province HR+CR

❑ Strong growth in high value added flat products such as auto steel sheet, electric steel sheet

- **Automobile** : Entering the recovery phase from production reduction in 1Q05
 - Monthly production and sales volume increased by 7.3% yoy and 17.7% yoy, respectively
 - Auto sales volume increased by 24.5% yoy (May)
- **Shipbuilding**: Record high production of 3.71 million DWT (+48.8%)
- **Home Appliance**: High growth maintained on Air Conditioner (28.3%), Washing Machine(18.2%), Refrigerator (6.6%)

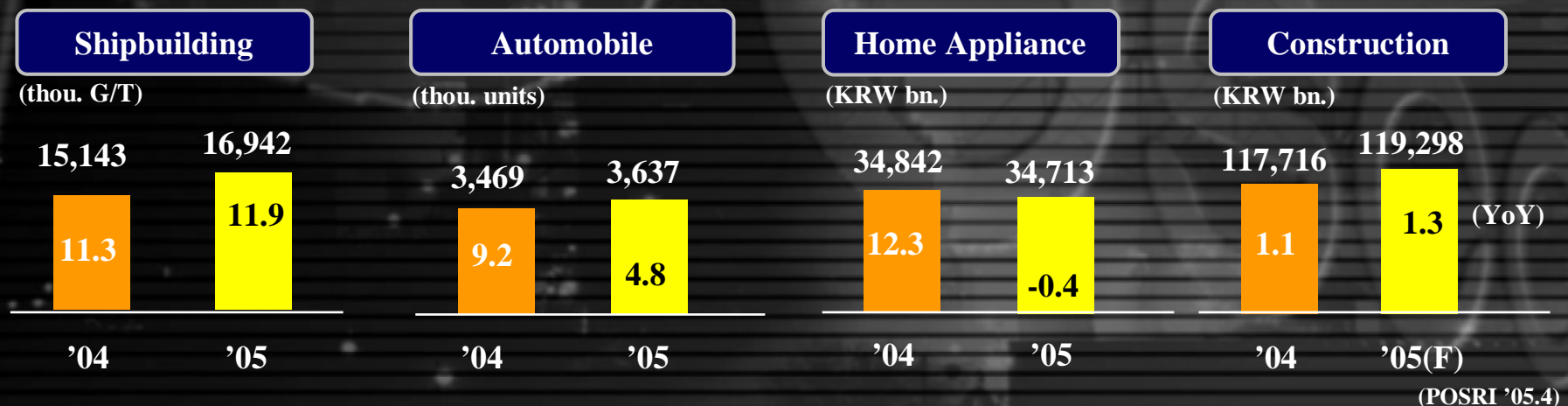
< 2005 Domestic Production Outlook in Key Industries >

(POSCO-China '05.5)



- ❑ 2005 GDP Growth of 3.8% forecasted on delayed domestic consumption and slowing export growth
 - GDP Growth : 4.6% ('04) → 3.8% ('05)
- ❑ Flat products post 4.7% growth, while long products face minimal growth prospect
 - Domestic : Continued growth forecasted on the back of strong demand from steel consuming industry and downstream rerollers
 - Export : High growth forecasted, helped by strong demand for coated steel
- ❑ Strong demand from shipbuilding, while slowing demand seen from autos, appliance and construction

< 2005 Domestic Production Outlook in Key Industries >



Raw Materials & Freight Trends

Nickel & Scrap Price

- **Nickel**
 - Prices at the peak due to strong demand from China and speculative demands (1H05 ASP U\$15,900/ ton)
 - Prices forecasted to stabilized as stainless demand and production slow
- **Scrap**
 - Slowing demand due to weekend steel consumption is US, Europe
 - Weakening prices forecasted

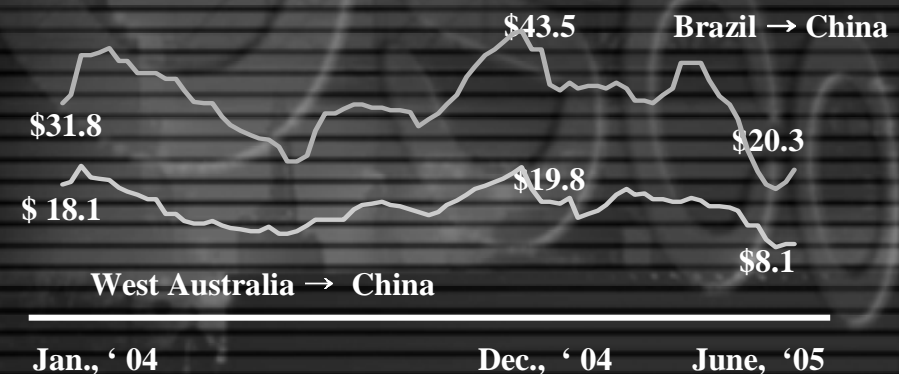
Freight

- Continued downtrend since 2Q05 due to iron ore import restrictions and slowing demand for raw materials
- Flat downtrend forecasted

< Nickel & Scrap Price Trend(US\$/ton) >



< Freight Trend (US\$/ton) >



- ❑ Continued tight supply of automobile steel sheets due to new cars and export
 - Increased exports due to strong auto production growth in China, Southeast Asia
- ❑ New orders on the rise, helped by “Total Solution” service
 - Establish JIP system, utilizing overseas processing center(China, Thailand, Indonesia, Malaysia)
 - Begin the operation of GA Line : #5 CGL (450K/y, Oct., '05)
 - New product sales: TWB-related: 1,126K units ('04) → 3,000K units ('05)

< Automobile Steel Sheet Sales Target >
(thou. tons)

| | '03 | '04 | '05(P) | '07(F) |
|-------|-------|-------|--------|--------|
| Sales | 2,723 | 3,523 | 4,320 | 5,000 |
| Dom. | 1,453 | 1,986 | 2,377 | 2,600 |
| Exp. | 1,270 | 1,537 | 1,943 | 2,400 |



Stable profit forecasted as domestic and Asian auto steel sheet markets expand

Shipbuilding Plate

- Continued demand growth as domestic shipbuilding industry grows
 - Demand for high value added products forecasted to grow as the orders for quality vessels such as LNG carriers increase

Pricing Trend

- Continued price increases of imports from Japan
- POSCO Domestic Price Trend (Thou. KRW)
 - 455 ('03)→600 ('04)→645 ('05)

Current Status

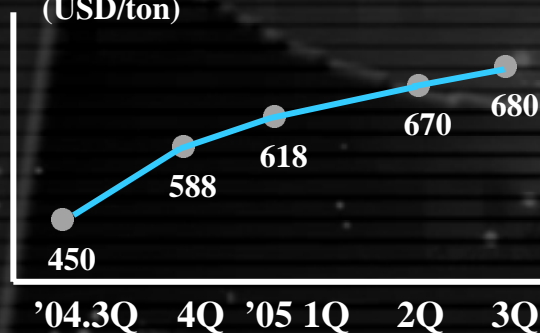
- Record high new orders
- Shipbuilding capacity expansion
 - New shipbuilding techniques (Mega Blocking, Ground Shipbuilding, etc.)

Forecast

- Notable increase of high value added shipbuilding after 2006
- Domestic shipbuilders turning black
 - Reflect high shipbuilding prices after 1H03
 - Forecast to post profits after 4Q05

< Pricing Trends of imports from Japan >

(USD/ton)

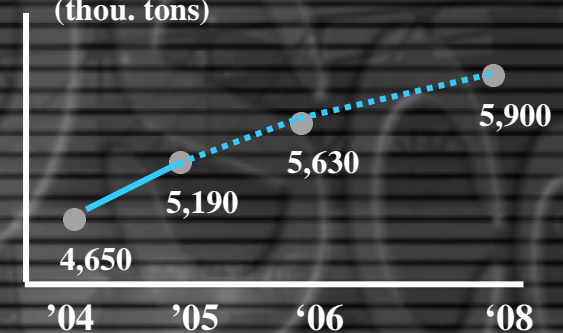


< Orders & Production >
(mn. G/T)

| | '04 | '05(P) |
|------------|------|--------|
| New Orders | 25.7 | 20.0 |
| Production | 15.1 | 16.5 |
| Balance | 55.1 | 58.6 |

< Shipbuilding Plate Demand >

(thou. tons)



Establish ordinary and strategic production lines to boost strategic products such as TMCP

Grain Oriented(GO) Electric Steel Sheet Market **posco**

- **Extened supply shortage expected in Asia, mainly China and India**
 - Lack of GO makers will exacerbate supply shortage problem for 1~2 years
 - Expand market shares with timely recognition of domestic and foreign demand/capacity expansion plans

Domestic

- Tight supply market eased as orders from KEPCO declined
- Market Trend
 - Saturated electricity demand
 - Efficient energy use energy

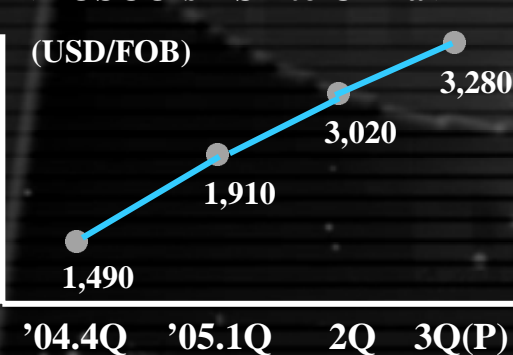
China

- Strong demand toward '07 due to lack of electricity
- Market
 - Incremental capacity of 60 mn KW/y in '05~'07

India

- Growth of electricity consumption with the development of economy
- Market Trends
 - Highest growth prospect after China
 - Emergence of global power stations

< POSCO's ASP to China >



< Supply & Demand in China >

(thou. tons)

| | '05 | '07 |
|--------|-----|-----|
| Demand | 529 | 566 |
| Export | 420 | 566 |
| Wuhan | 120 | 240 |
| Import | 300 | 326 |

< Demand Forecast in India >

(thou. tons)

| '04 | '06 | '08 | '10 |
|-----|-----|-----|-----|
| 80 | 120 | 175 | 230 |

Production and sales target of 200 thousand tons of GO through rationalization

Stainless Market Status & Forecast

- ❑ Declining trends of international prices due to aggressive capacity expansion carried out in China
- ❑ Stainless makers' voluntary production cut seen around the globe

Domestic

- Increasing imports and weakened export position due to appreciating KRW
- POSCO lowered domestic price by KRW 300K to stabilize the market(May, '05)

China

- Excess supply caused by overinvestment, weakened demand
- Overheated preemptive market penetration actions resulted in high inventory and lower prices

Europe

- Declining base price since the end of 2H04 due to weakened demand and strengthening Euro
- Prolonged production cut

< China's Increment Capacity Expansion >

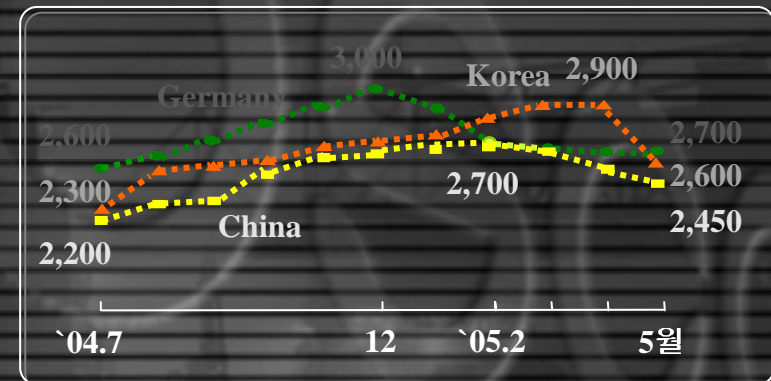
- CR : `05 +200 (200 → 400) (thou tons)

| Baoshan | TISCO | YUSCO | Others | POSCO |
|-----------|---------|-------|----------|---------|
| 400→1,000 | 400→900 | 0→300 | 800→1200 | 400→600 |

- HR : `06 +440 (170 → 610) (thou tons)

| Baoshan | TISCO | YUSCO | JISCO | POSCO |
|--------------------------|--------------------------|--------------------|--------------------|--------------------|
| 700→1,400 (July, `05) | 1000→2500 (June, `06) | 800 (Aug., `06) | 600 (June, `06) | 800 (Aug., `06) |

< CR International Price > (US\$/ton)



Stabilized market trends after 4Q05, helped by major stainless makers' production cuts

I. 1H05 Operating Performance

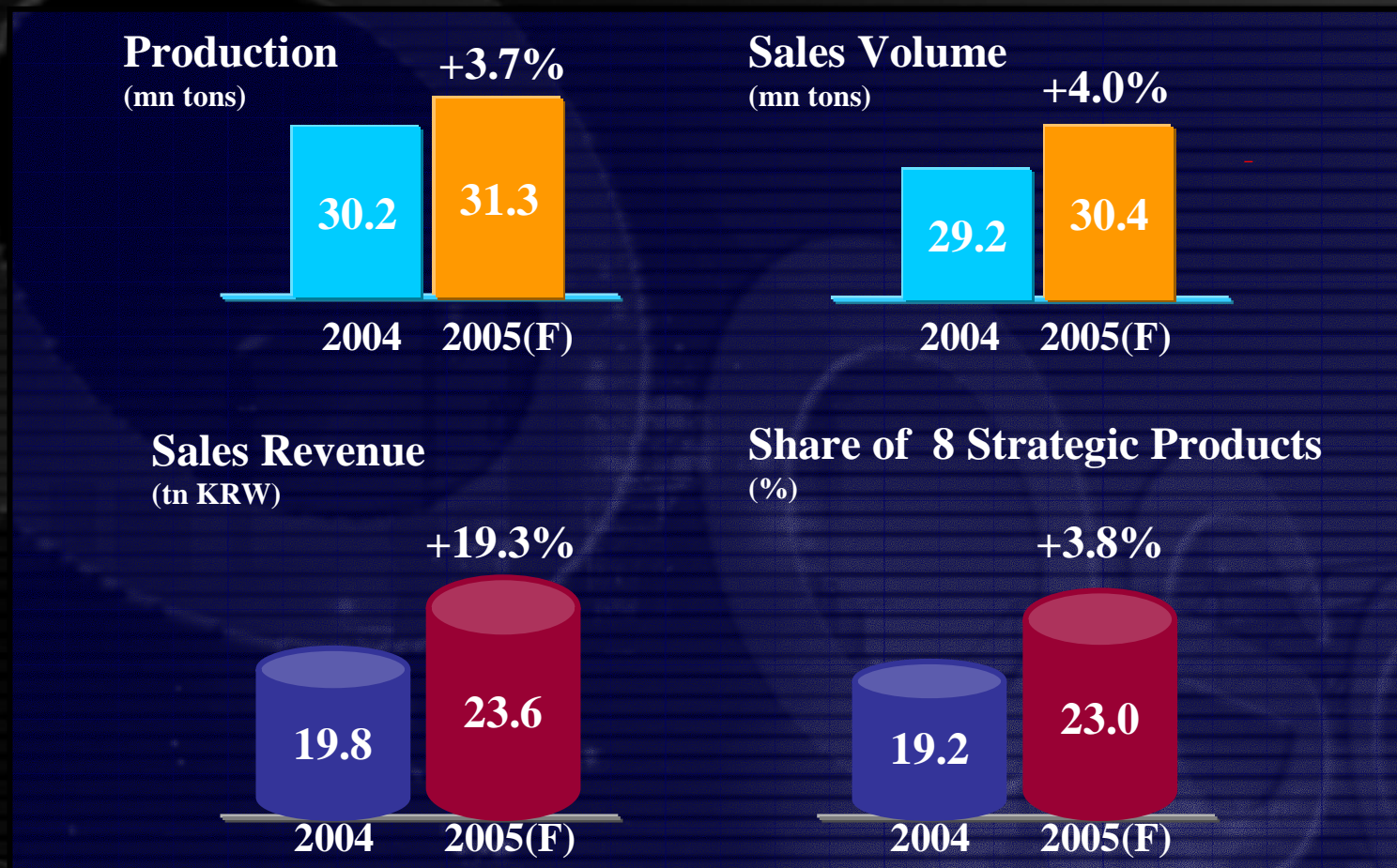
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2005 Business Plan

- ❑ Rolling Plan is revised on a quarterly basis to reflect new economic as well as management developments



Above data represents company's internal financial targets and may be subject to change and should not be used for making investment decisions

The end of Presentation