

posco

1Q 2007 Operating Performance

April 12, 2007



Agenda

1

1Q '07 Operating Performance

2

Activities & Accomplishments

3

Steel Industry Environment

4

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.

❑ Renovations & maintenance on major facilities

- Rationalization: Gwangyang #2 HR (Feb.1 ~Feb.20), Pohang #2 CR (Nov.29,'06~Mar. 29,'07)
- ☞ 1Q'06 : Revamping Pohang #2 Blast Furnace (Mar.7~May.3)

❑ Sales up through use of reserved inventory due to favorable conditions in demand industries

(in thousand tons)

	2006		2007 1Q		
	1Q	4Q		YoY	QoQ
Crude Steel	7,339	7,794	7,552	2.9%	△3.1%
Finished Products (FP)	6,979	7,570	7,179	2.9%	△5.2%
FP Sales	7,126	7,176	7,295	2.4%	1.7%
Domestic	4,891	4,973	5,091	4.1%	2.4%
Export (%)	2,235 (31.4%)	2,203 (30.7%)	2,204 (30.2%)	△1.4% (△1.2%)	0.05% (△0.5%)
FP Inventory	652	958	767	17.6%	△19.9%

- ❑ Strategic product sales increased (TMCP, grain-oriented electrical steel, etc)
- ❑ Continuously expanding production and sales of strategic products

**Strategic
Product
Ratio**

'06.2Q '06.3Q '06.4Q '07.1Q *'07Target
53 → 59 → 63 → 65 63 (%)

(in thousand tons)

	2006		2007 1Q		
	1Q	4Q		YoY	QoQ
Hot Rolled	2,114	2,231	2,047	△3.2%	△8.2%
Plate	948	804	919	△3.1%	14.3%
Wire Rod	498	477	483	△3.0%	1.3%
Cold Rolled	2,676	2,739	2,798	4.6%	2.2%
Electrical Steel	164	193	215	31.1%	11.4%
S T S	448	460	491	9.6%	6.7%
Others	278	272	342	23.0%	25.7%
Total	7,126	7,176	7,295	2.4%	1.7%

□ Sales & op. income up due to favorable condition in carbon steel market

• Carbon Steel Price(thous KRW): 551('06.2Q) → 579(3Q) → 587(4Q) → 590('07.1Q)

□ STS price rising as raw material cost for STS surges

• Nickel Price(USD,LME) : 19,925('06.2Q) → 29,154(3Q) → 33,129(4Q) → 41,440('07.1Q)

• STS Price(thous KRW) : 1,986('06.2Q) → 2,487(3Q) → 2,828(4Q) → 3,101('07.1Q)

(in billion KRW)

	2006		2007		
	1Q	4Q	1Q	YoY	Q-on-Q
Sales	4,664	5,410	5,701	22.2%	5.4%
CoGS	3,605	4,001	4,270	18.4%	6.7%
Operating Income	790	1,097	1,113	40.9%	1.5%
OP Margin	16.9	20.3	19.5	2.6%	△0.8%
Net Income	681	936	982	44.2%	4.9%
Profit Margin	14.6	17.3	17.2	2.6%	△0.1%

* After retrospective application of changes in Korean GAAP: 1Q '06 Net income: KRW 713bn, 4Q '06 KRW 895bn

Summarized Income Statement

1Q '07 Operating Performance

(in billion KRW)

	2006		2007 1Q	QoQ
	1Q	4Q		
Revenue	4,664	5,410	5,701	5.4%
Gross income (Gross margin)	1,059 (22.7%)	1,409 (26.0%)	1,431 (25.1%)	1.6% (△0.9%)
S G & A	269	312	318	1.9%
Operating income (Operating margin)	790 (16.9%)	1,097 (20.3%)	1,113 (19.5%)	1.5% (△0.8%)
Non-op income (expense)	97	73	166	127.4%
-interest income	3	1	3	200.0%
-dividend income	39	5	32	540.0%
-equity method gains	85	110	188	70.9%
-FX related gain	23	22	(22)	-
-others	(53)	(65)	(35)	-
Net income (Profit margin)	681 (14.6%)	936 (17.3%)	982 (17.2%)	4.9% (△0.1%)

*2007 1Q equity method gains: domestic KRW 138.8bn (PoscoE&C 68, POSCO SS 32.5,etc)
overseas KRW 49.4bn (Zhangjiagang 26.2, Qingdao 8.2,etc)

- ❑ Asset increased due to major investments including FINEX
- ❑ Debt increased to finance share buyback and dividend payment

(in billion KRW)

	2006		2007		
	1Q	4Q	1Q	YoY	QoQ
Assets	23,627	26,363	27,016	14.3%	2.5%
Current Assets	6,658	7,871	7,529	13.1%	4.3%
Non-current Assets	16,969	18,492	19,486	14.8%	5.4%
Liabilities	3,871	4,571	5,307	37.1%	16.1%
Debt	1,434	2,146	2,365	64.9%	10.2%
S/H Equity	19,756	21,792	21,709	9.9%	△0.4%

* 1Q Major Financial Activities

- Dividend payment (KRW 465.6bn), Share buyback (KRW 766.7bn)

*After retrospective application of changes in Korean GAAP:

- 1Q '06 Liabilities (KRW 3,850bn), S/H Equity (KRW 19,777bn)

Summarized Balanced Sheets

1Q '07 Operating Performance

(in billion KRW)

	2006		2007	QoQ
	1Q	4Q	1Q	
Current assets	6,658	7,871	7,529	△4.3%
Cash equivalent assets*	2,279	3,213	2,838	△11.7%
Notes receivable	1,524	1,804	1,791	△0.7%
Inventory	2,594	2,735	2,739	0.1%
Long-term assets	16,969	18,492	19,486	5.4%
Investment securities	5,071	5,796	6,499	12.1%
Fixed assets	11,635	12,466	12,615	1.2%
Total assets	23,627	26,363	27,016	2.5%
Liabilities	3,871	4,571	5,307	16.1%
Current liabilities	2,594	1,747	2,359	35.0%
Long-term liabilities	1,277	2,824	2,948	4.4%
(Interest bearing debt)	(1,434)	(2,146)	(2,365)	10.2%
Equity	19,756	21,792	21,709	△0.4%
Total Liabilities& Equity	23,627	26,363	27,016	2.5%

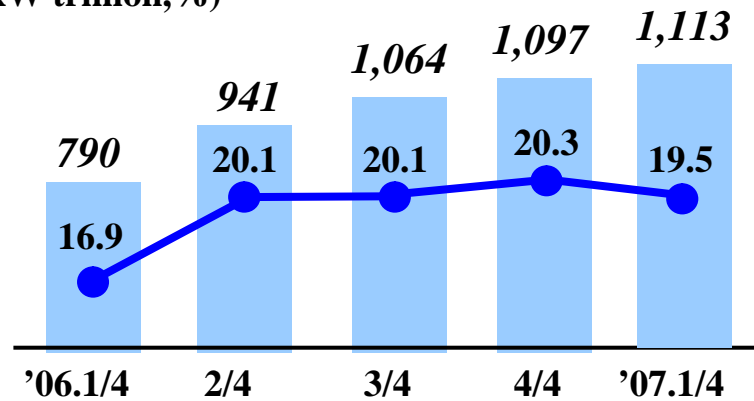
* Cash equivalent assets: Cash & cash equivalent, short-term financial instruments, trading securities

*After retrospective application of changes in Korean GAAP:

- 1Q '06 Liabilities (KRW 3,850bn), S/H Equity (KRW 19,777bn)

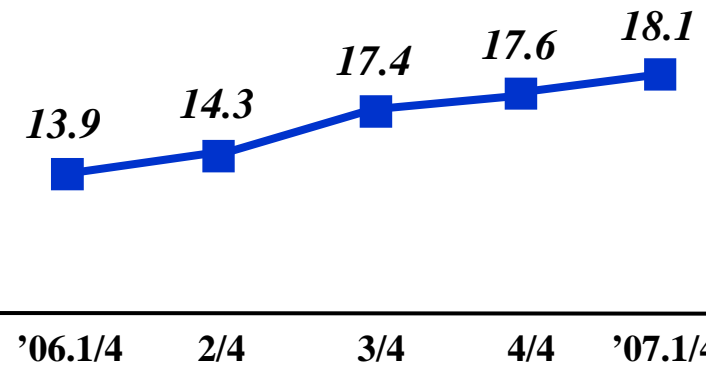
Operating Income & Margin

(KRW trillion, %)



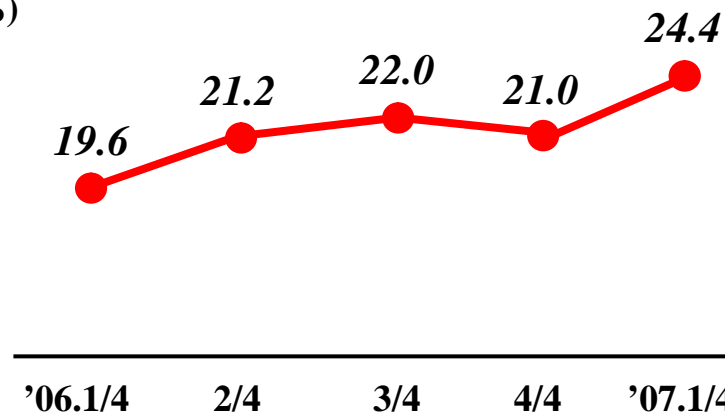
Return on Equity

(%)



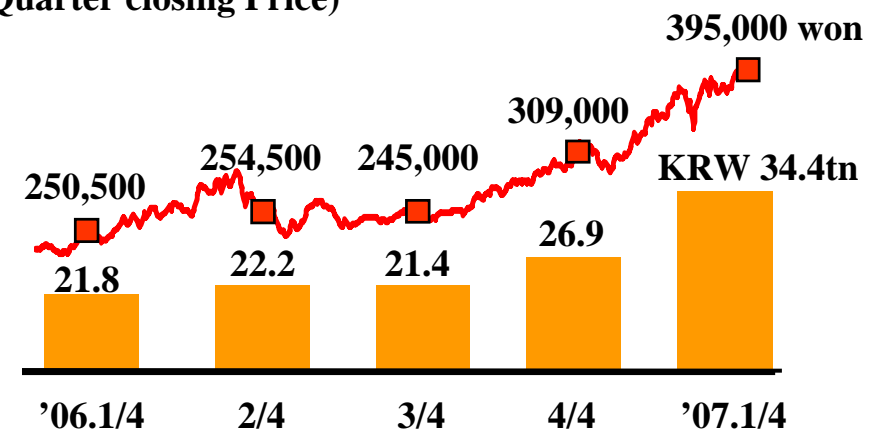
Liabilities-to-Equity Ratio

(%)

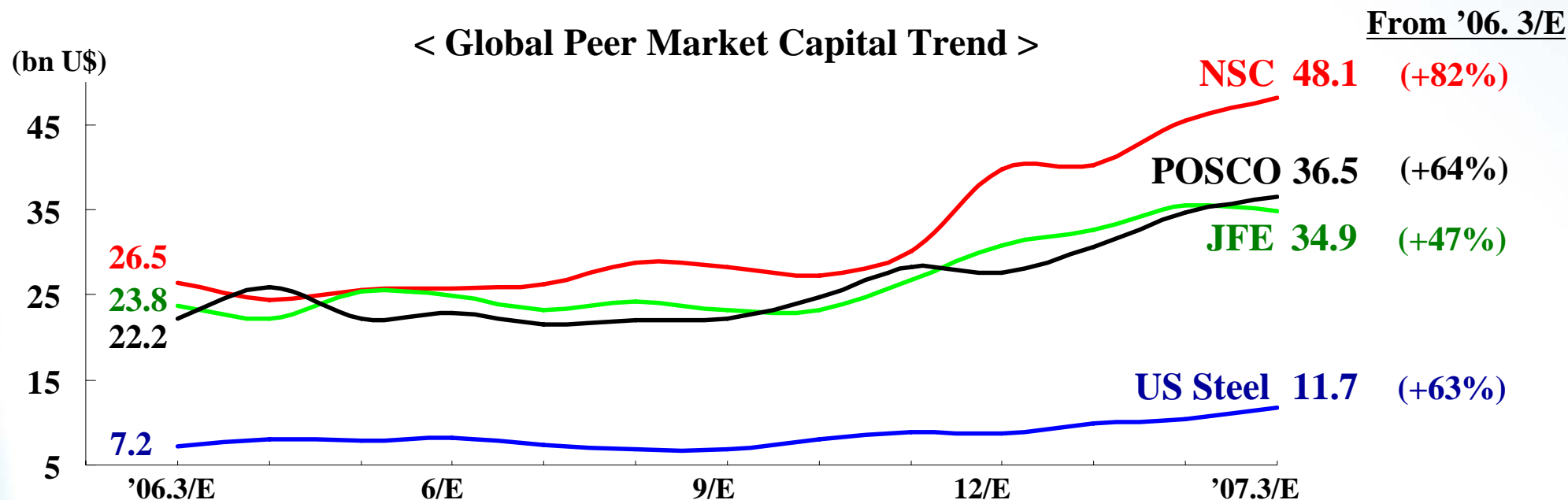


Share Price & Market Cap

(Quarter closing Price)



□ While global steelmakers' market caps rise, POSCO remains undervalued



< Global Peer Valuation >

(in mil tons, multiples,%)

	Capability('06)	P E R*	P B R*	EBITDA Margin*
N S C	33.7	14.3	2.4	18.6
J F E	32.0	11.7	2.1	22.2
US Steel	21.3	10.8	2.3	12.5
POSCO	31.2	9.7	1.4	28.4

* Bloomberg Market Consensus ('07 forecasts)

- ❑ Sales, operating income up due to sales increase in steel sector
- ❑ Total assets increased due to addition of subsidiaries and increase in investments
 - Consolidated subsidiaries: 69 companies in '06 → 77 in '07
(Consolidation 60, equity method 17 / domestic 24, overseas 53)

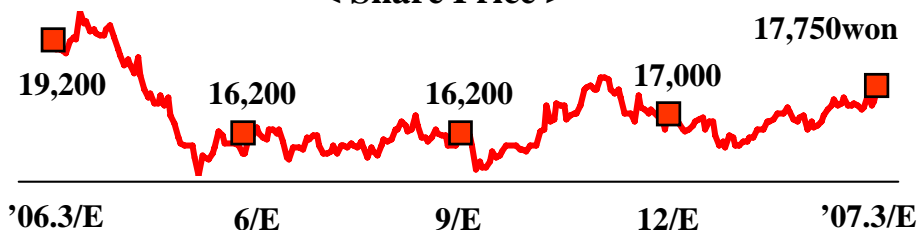
(in billion KRW)

		2006		2007		
		1Q	4Q	1Q	YoY	QoQ
I/S	Sales	5,845	7,363	7,742	32.5%	5.1%
	OP Income	910	1,238	1,331	46.3%	7.5%
	(OP Margin)	(15.6%)	(16.8%)	(17.2%)	(1.6%)	(0.4%)
	Net Income	681	1,052	1,010	48.3%	△4.0%
B/S	Asset	27,772	31,149	32,806	18.1%	5.3%
	Liability	7,667	8,747	10,385	35.5%	18.7%
	Equity	20,105	22,402	22,421	11.5%	0.1%
Ratio	ROE	13.6	15.7	18.0%	4.4%	2.3%
	Liab./Equity	38.1%	39.0%	46.3%	8.2%	7.3%

POCOS (Coated steel)

(bn KRW)	'06.1Q	2Q	3Q	4Q	'07.1Q
Sales	120.1	153.0	145.3	156.1	154.3
OP income	-18.1	-2.3	7.0	2.7	2.7
Net Income	-19.0	-3.0	12.6	4.1	1.9

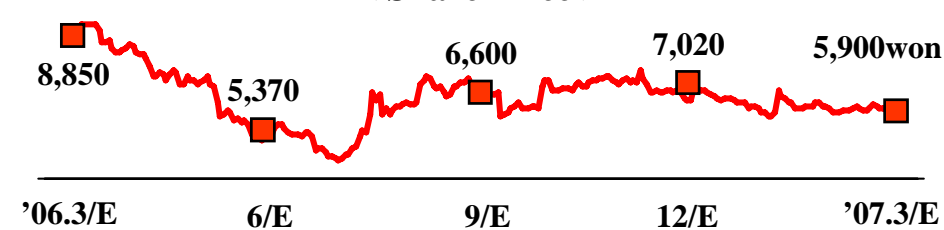
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POSDATA (IT)

(bn KRW)	'06.1Q	2Q	3Q	4Q	'07.1Q
Sales	75.1	86.6	77.2	99.0	81.1
OP income	2.3	2.7	2.0	3.5	0.7
Net Income	2.2	2.0	0.2	3.7	0.6

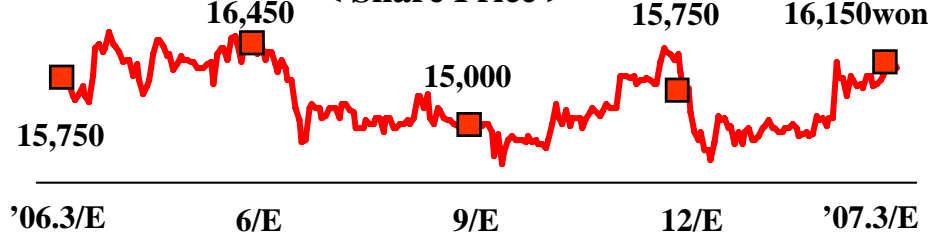
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POSREC (Refractory)

(bn KRW)	'06.1Q	2Q	3Q	4Q	'07.1Q
Sales	69.2	65.0	64.7	70.0	68.4
OP income	4.3	3.8	4.3	5.6	2.5
Net Income	3.6	2.8	3.6	4.3	2.2

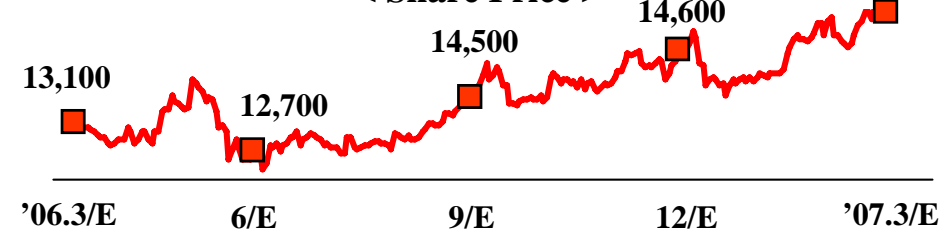
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Samjung P&A (Packaging/Processing)

(bn KRW)	'06.1Q	2Q	3Q	4Q	'07.1Q
Sales	60.5	53.3	56.7	55.9	57.2
OP income	1.7	2.2	2.0	3.0	2.6
Net Income	2.7	1.2	1.5	4.1	2.8

< Share Price >



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1

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3

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4

2007 Business Plan

□ India Government, direct monitoring on project progress

- “Prime Minister steps in on Posco project” ☞ PM calls meeting to review progress (4.19)
- “Orissa Chief Minister to clear way for Posco in three months” (4.5)

Achievements

- Aug. '05 POSCO-India Founded
- Jun. '06 Acquisition partial gov't land approved (1,135 Acre)
- Sept. SEZ approved in principle
- Dec. Prospecting license recommended

※ CSR activities for the community

- Mobile hospital & cleft lip, polio surgery
- Flood relief & medical assistance
- School assistance: provide teaching mat'l

*CSR: Corporate Social Responsibility

Plans

- 2H.'07 - Acquire mining license and complete land acquisition
 - Begin foundation & port construction
- 2H.'08 - Start construction of plant
- 2H.'10 - Begin mining
 - Completion of Phase 1 (4 mt)



Dephosphorizer in Pohang

- **Overview**
 - Construction: Nov.'04 ~ Mar.'07
 - Facilities: 300t De-[P] converter, scrubber
 - ☞ de-[P] capacity up : 0.4 → 5 mt
 - de-[P] time down : 12 → 8 min
- **Benefits**
 - Improve quality and allow mass production of premium steel
 - Reduce cost by reducing material use
 - Improve productivity by reducing de-[P] timing



Dephosphorizer in Pohang

Pickling Line in Gwangyang

- **Overview**
 - Construction: Jun.'05 ~ Jan.'07
 - Capacity : 800Kt/yr
 - Product : high strength steel for car interior(PO)
 - Savings : reusing parts from other plants & optimizing procedure, saved KRW35bn
- **Benefits**
 - Improve quality & cost competitiveness to be 1st mover to auto-steel for interior market



No.3 Pickling line in Gwangyang

Rationalizing No.2 HR in GY

- **Overview**
 - Period : Dec.1,'06 ~ Mar.31,'07 (121days)
 - Purpose: Expansion of strategic products
 - Details : Replacement of Skin Pass Mill
(High-pressure FSB, Quick-freezer, etc)
 - **Benefit**
 - Improve surface quality & secure production capacity for high-tensile product
- * FSB : Finishing Scale Breaker



Gwangyang No.2 HR

Expanding No.2 CR in PH

- **Overview**
 - Period : Nov.29,'06 ~ Mar.29,'07 (121days)
 - Purpose: Expand F/H & premium CR capacity by rationalizing No.2 PCM
 - Details : Modified POL & added a stand
- **Benefits**
 - Production increase (993→1,624K t/yr)
 - Expanded capacity for strategic product (fingerprint resistant steel for appliances, etc)



Pohang #2 CR

❑ API pipe manufacturing JV in US with US Steel & Se-A Steel

Investment Overview

- Capacity: 270Kt/yr
- Shares : Posco 35%, USS 35, Se-A 30
- Investmt: US\$ 93m (paid-in capital 60%)
- Steel supply: Posco 50%, USS 50%
- Construction: Sep.'07 ~ Nov.'08

Benefits

- Establish stable marketing base in N.America with biggest premium API pipe demand
 - API steel sales
 - '05. 420K→'06. 680K→'08. 1.9mt(plan)
- Quickly become competitive in pipe manufacturing technology through JV



Plant site landscape (inside UPI Plant in California)

※ Overview of strategic alliance with Se-A

- Production & sales of premium API steel & pipe
- Joint R&D through technology sharing
- Jointly pursue overseas opportunities
- Cross-shareholdings

*API(American Petroleum Institute) grade: steel that meets the specification of API, premium steel that can withstand high pressure and corrosion under below 40 degree Celsius

POS-MPC Completion

- **Overview**
 - Purpose: processing & sales of auto steel
 - Location: w/i industrial complex (Pueblo, Mexico)
 - Capacity: 170Kt/yr
- **Benefits**
 - Greater mkt control by increased auto steel sales
 - Secure sales network in North America
 - ☞ Overseas processing centers :
 - 14 centers in 6 countries, 1.77 mt ('06)
 - 26 centers in 9 countries, 3.1mt by '07(target)



POS-MPC

#2 Roll-on Roll-off Ship for Plates

- **Overview**
 - Route : Pohang ↔ Ulsan (90km, 6hrs)
 - Shipping Volume : 600K ton/yr
 - Load Capacity : 4,560ton/trip
- **Benefits**
 - Improve service & customer inventory turnover by reducing delivery time and logistics cost
 - Transportation time reduction : 9 → 2days
 - Logistics cost reduction : 1.5bnKRW/yr



Roll-on Roll-off ship for plates

39th AGM

- **Dividend: KRW8,000/share** (include interim)
 - Dividend Yield: 2.6% ('06/E price base)
- **Amendments to Articles of Incorporation**
 - Introduce new businesses such as Magnesium
 - Amend provisions for pre-emptive rights, issue of CB & BW
 - Modify cumulative voting rules

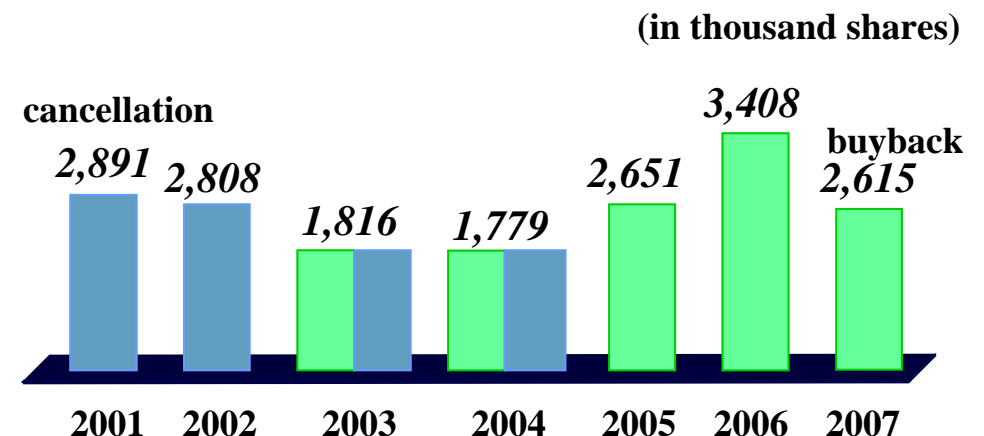
Share Buyback

- **7 consecutive years of share buybacks**
 - Number of Shares: 2,615K (3%)
 - Method: Direct from market
 - Period : within 3 months from Feb.12
 - Progress as of Mar.31,'07
 - 2,044K shares (78.2% completed)
 - Cumulative treasury shares: 13.4%



39th Annual General Shareholders Meeting

< Share Buyback/Cancellation History >



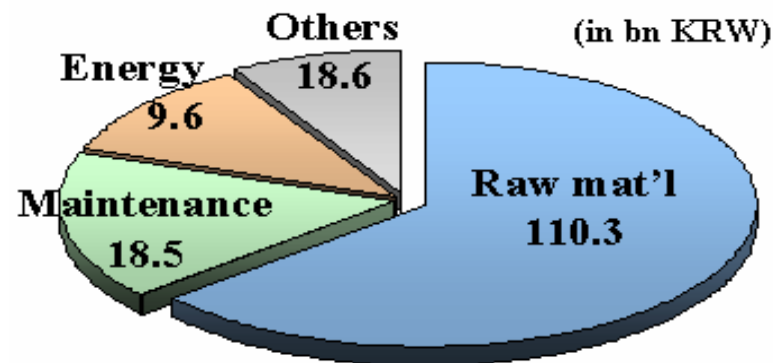
Continuance of Cost Savings

• Cost Saving Target Revised

Previous  Current
487.2bnKRW 604.1bnKRW

'07 Target	1Q Result	Progress
604.1bnKRW	157bnKRW	26.0%

< 1Q Savings Breakdown >



Vision&5 Core Values Announcement

• Vision

Creating Another Success Story
Beyond here, Beyond now

- Building on founders' accomplishments, new generation will create another success story
- Reach out to world, expanding scope of mind, leading future through continuous innovation

• 5 Core Values

- 5 Core Values to achieve vision



Customer



Challenge



Execution



Integrity

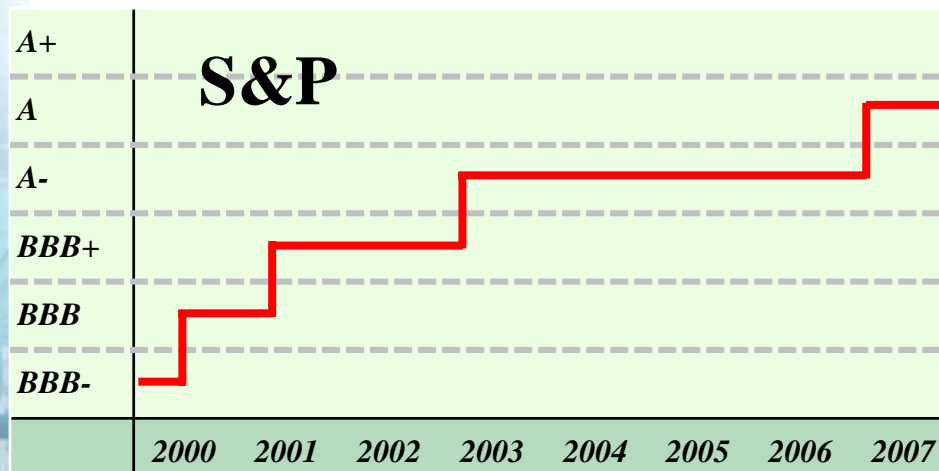


People

Credit Rating Upgraded

- **S&P, upgrades POSCO rating (Feb.20,'07)**
 - 1 level up: A- (positive) → A (stable)
 - ☞ Same as sovereign credit rating
- **Factors for upgraded rating**
 - Stable cash flow and high return from cost savings and strategic product sales
 - Customer diversification, Sound financial structure, Competitive in cost savings, etc.

< POSCO's credit rating history >



Ranked 2nd in Competitiveness

- **WSD announces ranking on steel makers**
 - Among 23 criteria, perfect score in 8 categories
 - 3 yr profitability & financial soundness
 - Market influence, bargaining power, technological innovation
 - Experienced labor, manufacturing cost, etc

Rank			Company	Score	Production (mn ton)	Criteria
	'07	'06				
1	4		Severstal	8.31	17	Raw mat'l supply, Capacity growth
2	2		POSCO	8.18	30	Financial structure, Tech. innovations
3	6		Arcelor-Mittal	8.02	110	Capacity, raw mat'l
4	5		Baosteel	7.96	23	Capacity, labor cost
5	1		Tata-Corus	7.89	24	Capacity, raw mat'l
8	11		JFE	7.67	27	Labor experience, Downstream lines
9	13		NSC	7.60	31	Labor experience, Downstream lines

* WSD : World Steel Dynamics (Mar. '07)

Steel

- **Posco Specialty Steel: New Forging Line**
 - Construction : '05.12~'07.6 (progress : 91.3%)
 - Capacity : 62Kt/yr (tool 32, industrial 30Kt)
 - ☞ Focus on high value-added, specialty steel
- **POCOS: Increase strategic product**
 - Sales strategic product: 58%('06) → 73%('09)
 - Aluminum, coated, color sheets for appliances
 - ☞ Capture mkt by dev'g new product & demand
 - ※No.1 CCL rationalization ('07. 4~'08.1)



Heating furnace at New Forging Factory

E&C (Posco E&C)

- **Songdo Int'l Business Community**
 - Developer : Songdo New Town Dev't Co., Ltd.
(Gale 70%, Posco E&C 30%)
 - Development : '03 ~ '14
 - Estimated order : KRW 5.5tn ('07. 1tn)
 - Groundbreaking for NE Asia Trade Center & Central Park in Feb.'07
- **Continue overseas projects**
 - Penetrate plant mkt in Middle East & SE Asia
 - Overseas business: '06. 21.1% → '07. 26.3%



Songdo International Business Community

Energy (Posco Power)

- **Start Fuel Cell Business**
 - Feb.'07 Agreement w/ FCE for tech transfer
 - Mar.'07 Plant construction MoU w/ local gov't (Gyeongbuk Province & Pohang)
 - Complete 100MW capacity construction by '10
- **Expansion of power generating facility**
 - Dec.'06 MOCIE approves expansion
 - Feb.'07 Agreement power line use w/ KEPCO
 - Add'l generating capacity of 2,000MW by '15
 - ※ Current capacity: 1,800 MW(450MW X 4)



Posco Power Plant

IT (PosData)

- **Lay foundation for global WiBro business**
 - '02. R&D wireless broadband, review solutions
 - '04. Pass technology standard of MIC
 - '06. Sign global business coop. w/ Intel, Fujitsu
 - '07. Plan
 - Commercialize base station & control centers
 - Expand to overseas with global alliances
- **Expand ubiquitous business**
 - U-city: Chungju Business City, Vietnam New City
 - Initiate U-factory business



Demonstration of mobile internet

Agenda

1

1Q '07 Operating Performance

2

Activities & Accomplishments

3

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4

2007 Business Plan

□ BRICs consumption to grow, stable in other area

'06 Global Steel Market

- Strong steel market from 2Q due to growth in global steel & supply control in US & EU
- Production up from China & Japan
 - Demand for flats continue (auto, ship, etc)
- Inventory build up in US/EU from 4Q
 - Major mills respond w/ production cut

'07 Global Steel Market Forecast

- Stable global growth expected
 - Demand stable in developed countries, growth in BRICs
- Supply control by consolidation & prod cut
 - BF shutdown: total 3 mil ton ('06.2H~'07.1Q)
- Risk in China, export control & new capa.
 - No tax rebate, operation of new plants in 2H

< Global Steel Supply & Demand Forecast >

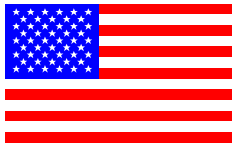
	2006	2007(F)	2008(E)
Steel Consumption (mn tons)	1,113	1,179	1,251
Year-on-Year (%)	8.5	5.9	6.1
Crude Steel (mn tons)	1,239	1,314	1,383
Year-on-Year (%)	8.7	6.1	5.3

(IISI, '07.3)

□ Steel price remain strong as global steel market recovers

Regional HRC Spot Price

(in U\$/T)



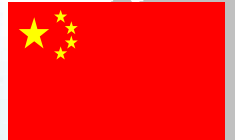
As imports & inventory drops and cost(eg. scrap) increase, price move upward

Midwest : 716(June.'06) → 694(Sept) → 595(Dec) → 562(Jan.'07) → 562(Feb) → 639(Mar)



Steady price increase due to import drop and seasonal demand increase

EU on Avg : 613(June,'06) → 619(Dec) → 596(Jan,'07) → 641(Feb) → 687(Mar) → 694(Apr)



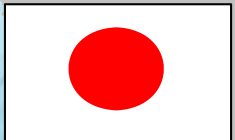
After seasonal upturn, concerns for overproduction lead to soft price

Guangzhou : 484(June,'06) → 449(Dec) → 473(Jan,'07) → 481(Feb) → 476(Mar) → 481(Apr)



Demand for premium recovered, but common grade remains weak

Seoul-Incheon: 594(June,'06)→ 630(Sept) → 589(Dec)→ 591(Jan,'07)→ 589(Feb)→ 591(Mar)



Supply tight due to strong demand from autos, strong price continues

Tokyo : 533(June,'06) → 538(Dec) → 534(Jan,'07) → 558(Feb) → 560(Mar) → 562(April)

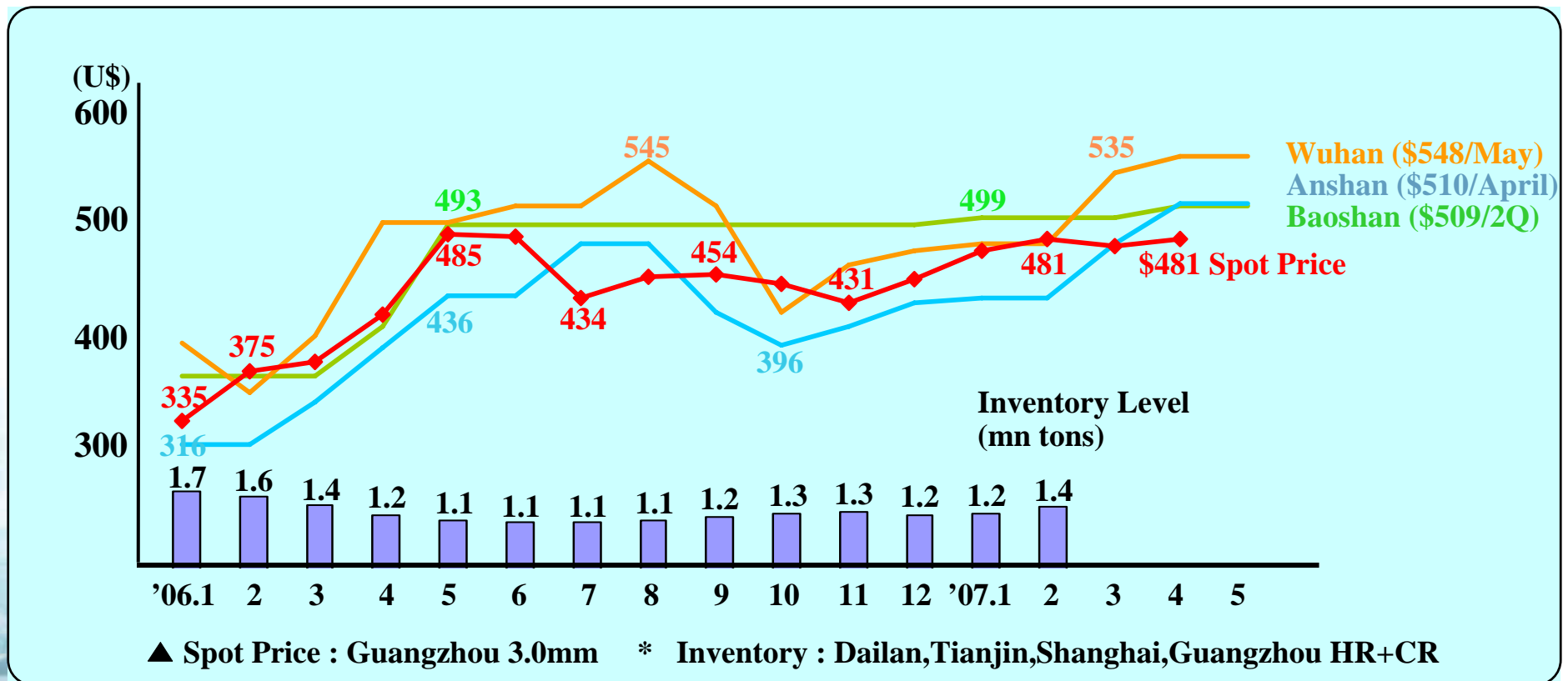


Continue to increase as local demand and global steel market recovers

Thailand : 547(June,'06) → 550(Sept) → 539(Dec) → 527(Jan,'07) → 537(Feb) → 560(Mar)

- ❑ Amidst stable price due to demand increase, production from new plants grow
 - Major mills continue to raise domestic price with expectation of demand increase
 - Concern of over-supply as government to control exports and new plants operation expected

HR Price Trend in China (U\$/ton)



□ Favorable condition to continue due to steady growth in demand industries

Domestic steel supply & demand

* POSRI (Jan `07)

(in thousand tons)

	1H	'06	1H	'07	YoY(%)
Consumption	24,220	49,274	24,804	50,568	2.6%
Production	27,811	57,013	29,141	59,262	3.9%
Import	5,417	10,497	5,244	10,596	0.9%
Export	9,008	18,237	9,582	19,289	5.8%

Forecast on consuming industries



4% growth w/ dom. mkt recovery & expanding exports

- Prodn. forecast (in thous units)
3,839('06) → 4,008('07)



Demand for premiums up, but slow export to offsets growth

- Prodn forecast (in thous, major 5)
22,551('06) → 22,393('07)



Shipbuilding volume to increase w/ better productivity from new tech

- Ship-building forecast (in thous GT)
18,759('06) → 19,830('07)



Recovery to be delayed due to stronger govt. regulations

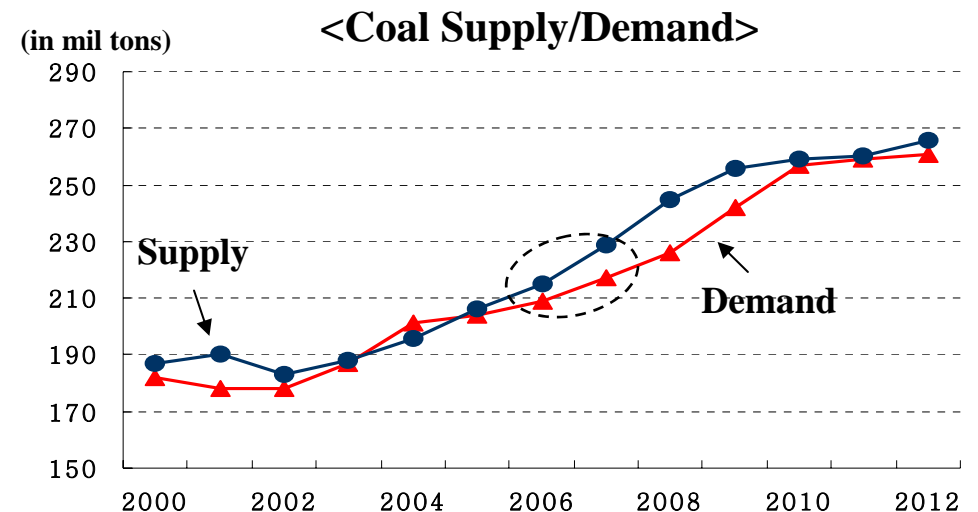
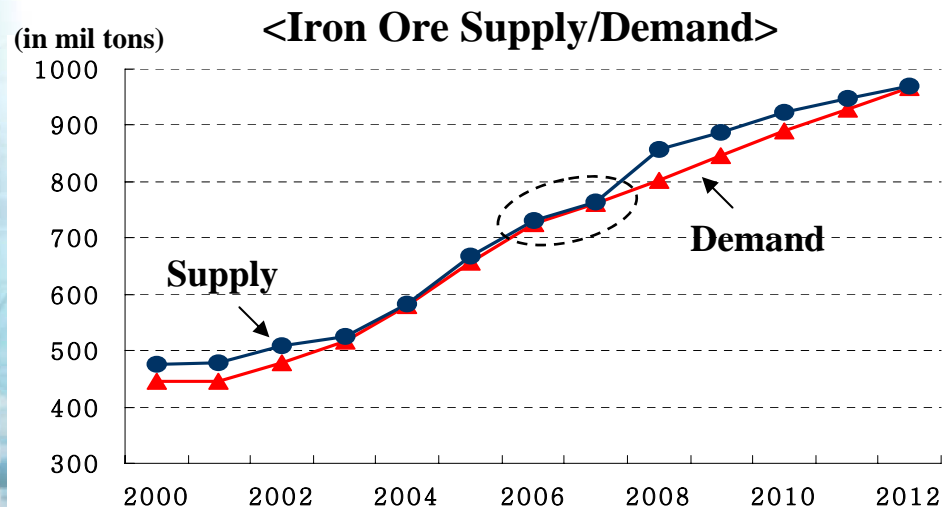
- CAPEX forecast (tn KRW)
117('06) → 119('07)

Iron Ore & Coal

- **Iron Ore (price negotiation completed)**
 - Fine +9.5%, Lump +9.5%, Pellet +5.3%
- **Coal (price negotiation ongoing)**
 - Hard-coking coal: Down by 15% ~ 16%
 - Semi-soft coal: Up by 9%
 - ※ 90% Negotiation completed(China,Russia)

Nickel & Scrap

- **Nickel**
 - Price continue rising as STS prod'n grows
 - Use of substitute (nickel pig iron) growing
- **Scrap**
 - Price up 29% in Mar. since '06/E
 - Global demand increase (Europe,Japan,SEA)



Agenda

1

1Q '07 Operating Performance

2

Activities & Accomplishments

3

Steel Industry Environment

4

2007 Business Plan

(in million tons, tr KRW)

	2006		2007		(%)	
	Consolidated	POSCO	Consolidated	POSCO	Consolidated	POSCO
Crude Steel Production	31.2	30.1	32.4	30.6	3.8	1.7
Sales Volume	30.9	28.5	31.8	29.2	2.9	2.5
Revenue	25.8	20.0	31.8	22.6	23.3	13.0
Operating Income	4.4	3.9	5.1	4.3	15.9	10.3
Investment	4.9	3.8	7.3	6.1	49.0	60.5

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

posco

1Q 2007 Operating Performance

April 12, 2007

