

posco

1H04 Performance

July 13, 2004

I. 1H04 Operating Results

II. Management Environment

III. '04 Business Plan [Revised]

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.

Operating results are based on non-consolidated financial statements.

I. 1H04 Operating Performance

- Operating Results

- Key Management Performance

II. Management Environment

III. '04 Business Plan [Revised]

Production/Sales



(Unit: 000 ton)

	'03		1H04 (B)	YoY (B/A) (%)
	1H (A)	2H		
Crude Steel	14,031	14,869	14,790	5.4
Product	13,442	14,112	14,150	5.3
Sales Volume	13,803	14,398	14,344	3.9
Domestic	10,581	10,775	10,602	0.2
Export (%)	3,222 (23.3)	3,623 (25.2)	3,742 (26.1)	16.1 (-)
Inventory	359	352	338	△5.8

- i . Crude Steel production increased due to the FINEX Demo Plant and # 3 STS Steel Making Operation
- ii. STS Exports increased from 209.6 thousand tons (1H03) to 484.5 thousand tons (1H04)

Sales by Product

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(Unit:000 ton)

	'03		1H04 (B)	YoY (B/A) (%)
	1H (A)	2H		
HR	4,325	4,578	4,406	30.7
PLATE	1,543	1,427	1,632	11.4
WIRE ROD	963	1,006	995	6.9
CR	4,533	4,748	4,813	33.6
SILICON STEEL	285	371	358	2.5
S T S	668	903	969	6.8
OTHERS	1,486	1,365	1,171	8.1
TOTAL	13,803	14,398	14,344	100

※ HRC Sales decreased as CRC Sales increased

Exports by Region

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(Unit:000 ton)

	'03		1H04(B) (Export ratio by region)	YoY (B/A) (%)
	1H (A)	2H		
China	1,182	1,330	1,419 (38%)	20.1
Japan	688	776	801 (21%)	16.4
East Asia	569	578	604 (16%)	6.2
USA	287	253	330 (9%)	15.0
Others	496	686	588 (16%)	18.3
Total	3,222	3,623	3,742 (100%)	16.1

※ Export ratio: 26.1% based on sales volume, 30.9% based on sales revenue

	CR	HR	STS	PLATES	SILICON STEEL	WIRE RODS	OTHERS
Sales Mix(%):	48.9	27.4	13.0	4.5	3.5	2.1	0.7

Income Statement

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(Unit: bn Won)

	'03				YoY (B/A) (%)	
	1H (A)	2H	1H04 (B)	1Q		
Sales	6,788	7,571	9,039	4,285	33.2	
Operating Profit	1,559	1,499	2,196	1,008	40.9	
Margin(%)	23.0	19.8	24.3	23.5	-	
Recurring Profit	1,377	1,286	2,261	1,012	64.2	
Net Profit	1,019	962	1,634	720	60.4	
ASP (000Won)	Carbon	417	430	501	462	20.1
	STS	1,635	1,703	2,156	2,158	31.9

Financial Structure

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(Unit: bn Won)

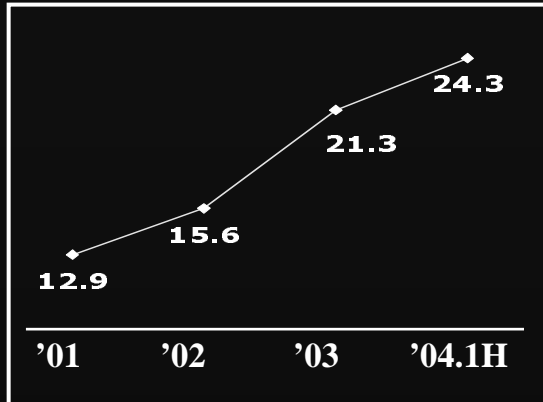
	'03		1H04 (B)	YoY (B/A) (%)
	1H (A)	2H		
Assets	17,622	18,407	19,256	4.6
Current	4,683	5,328	6,193	16.2
Fixed	12,939	13,079	13,063	△ 0.1
Total Liabilities	5,392	5,449	5,150	△ 5.5
Borrowings (Foreign: bn US\$)	3,835 (1.9)	3,580 (1.7)	2,991 (1.5)	△ 16.5
Equity	12,230	12,958	14,106	8.9

i . Increase in Cash & Cash equivalent due to higher sales and profit

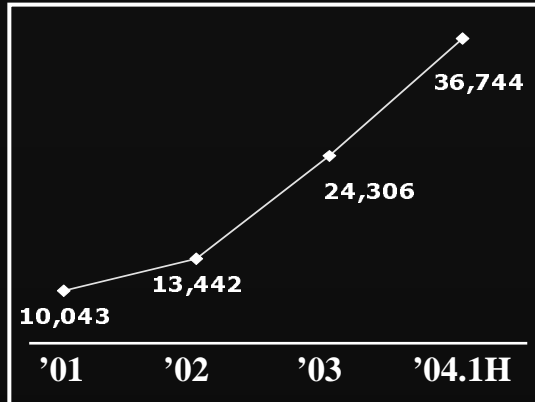
ii. Repayment of domestic corporate bonds (KRW 300 bn) & early repayment of bank loan (US\$ 150mn)

Key Financial Ratios

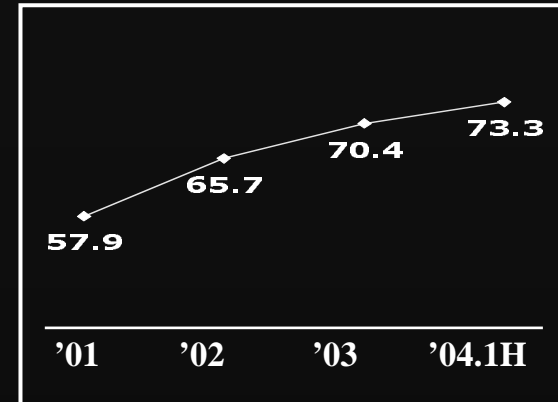
Operating Margin (%)



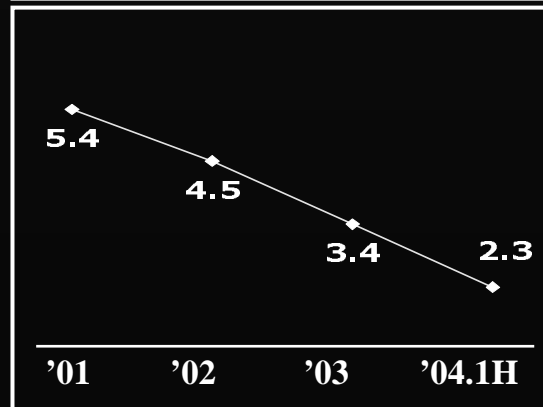
EPS (KRW)



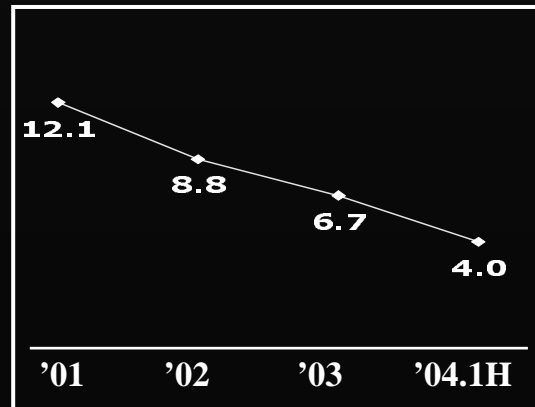
Equity Ratio (%)



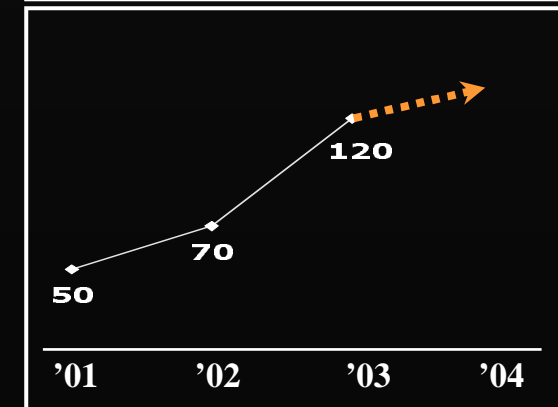
EV/EBITDA (x)



PER (x)



Nominal Dividend Rate (%)



- I. 1H04 Operating Performance**
 - Operating Results
 - Key Management Performance

- II. Management Environment**

- III. '04 Business Plan [Revised]**

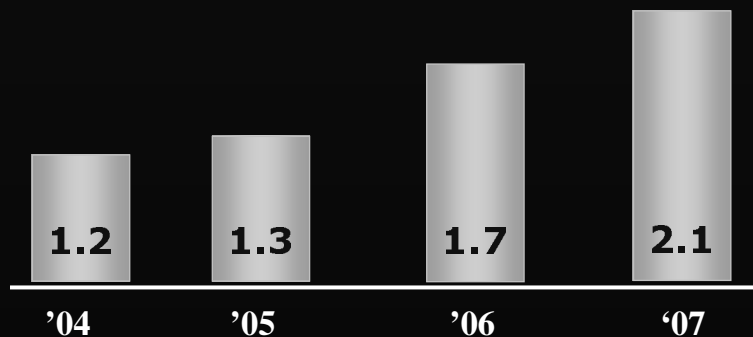
Enhancing Future Growth

#5, 6 CGL Construction

- ❑ Capacity: Automobile-use GA/GI
850 thousand tons/yr
- ❑ Construction Period
 - #5 CGL : Feb. '04 ~ Oct. '05
 - #6 CGL : Sept. '04 ~ Jun. '06

[GA Production Capacity Forecast]

(Unit :mn ton)



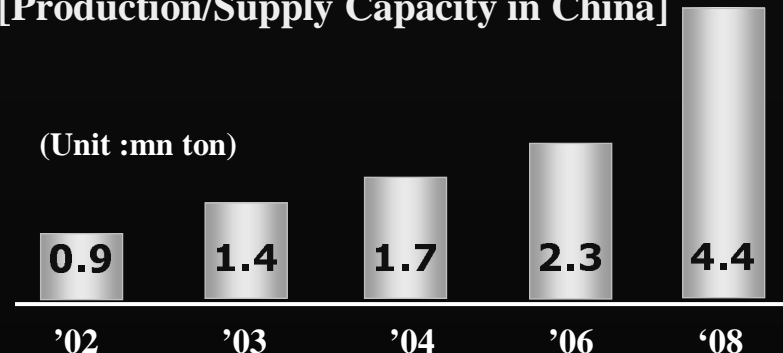
To meet growing demand for GA & Increase sales of high value-added products

Capacity Expansion in China

- ❑ STS HR Plant in Zhangjiagang
 - Syndicate Loan Agreement: April '04
 - Facility Supply Contract: June '04
- ❑ POS-SPC Operation (May '04)
 - Capacity: 200 thousand tons/yr
- ❑ CR Plant Construction in Benxi
(June'04 ~ May'06)
 - Capacity: 1.8 mn ton/yr

[Production/Supply Capacity in China]

(Unit :mn ton)



Continuous capacity expansion to meet the regional high demand

LNG Terminal Construction & LNG Direct Import

□ LNG Terminal Construction

- Location : Kwangyang Steel Works
- Facility : Accommodates a 14,500 m³-sized vessel, LNG Tank (100 thousandkl ×2)
- Commercial Operation : July '05
- Construction in progress : 67% (as of June '04)

□ LNG direct import contract (July 1st '04)

- Supplier : Indonesia Tangguh Project (Operator : BP)
- Contract Terms: 550 thousand ton/yr, 20years('05~'25)
- Effect : Expect to reduce purchasing cost of LNG

Enhancing Competitiveness

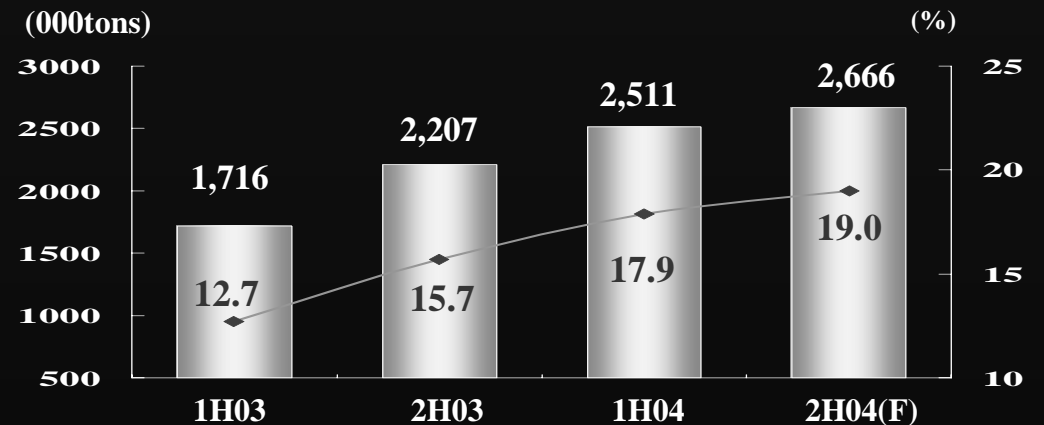
Higher production & Profit through high value-added products

□ Increase of High value-added products sales

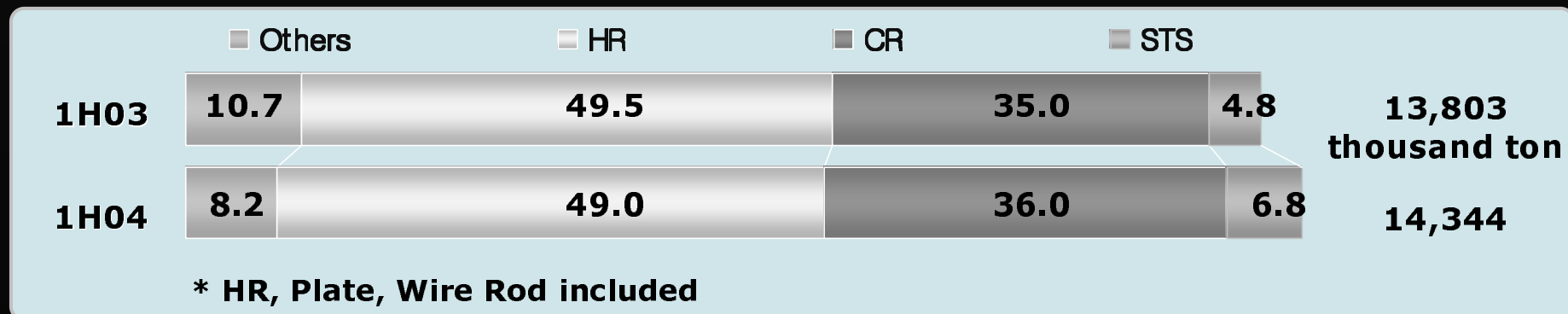
▪ 8 Strategic Products

- Automobile Steel, High grade API, STS 400, High grade Silicon Steel, Tire Cord, Shipbuilding-use TMCP Steel, Cr-Free Coated Steel, High Carbon Steel

[8 Strategic Products Sales volume ratio]



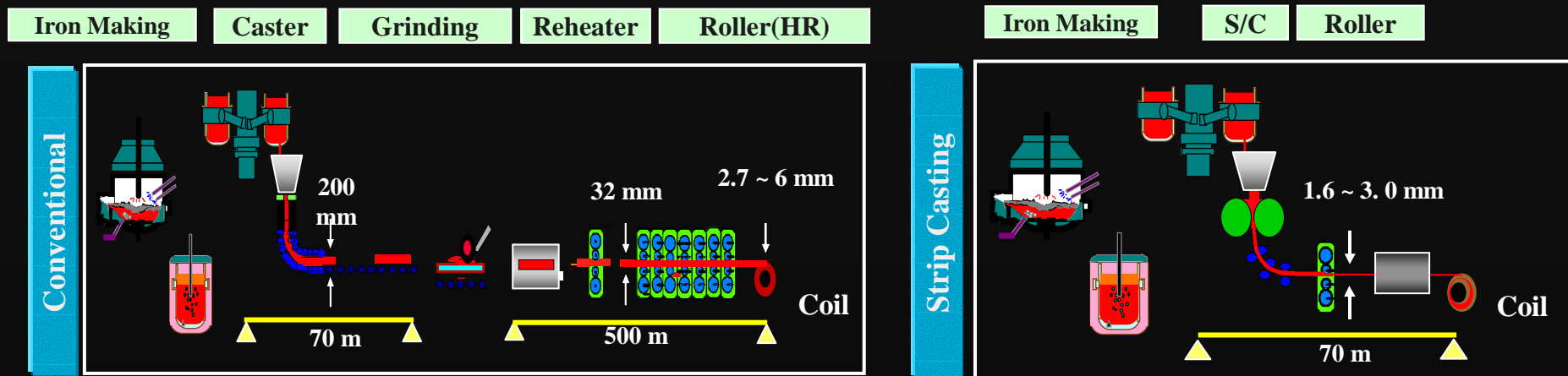
□ Improvement in Product Mix



Enhancing Competitiveness

Technology Innovation : STS Strip-Casting Demo Plant Construction

- ❑ Process Flow : Direct connection between the Iron Making and Rolling processes exempting the Casting Process



- ❑ Construction Period: ('04.2 ~ '06.5)

- ❑ Capacity : 600 thousand tons/yr

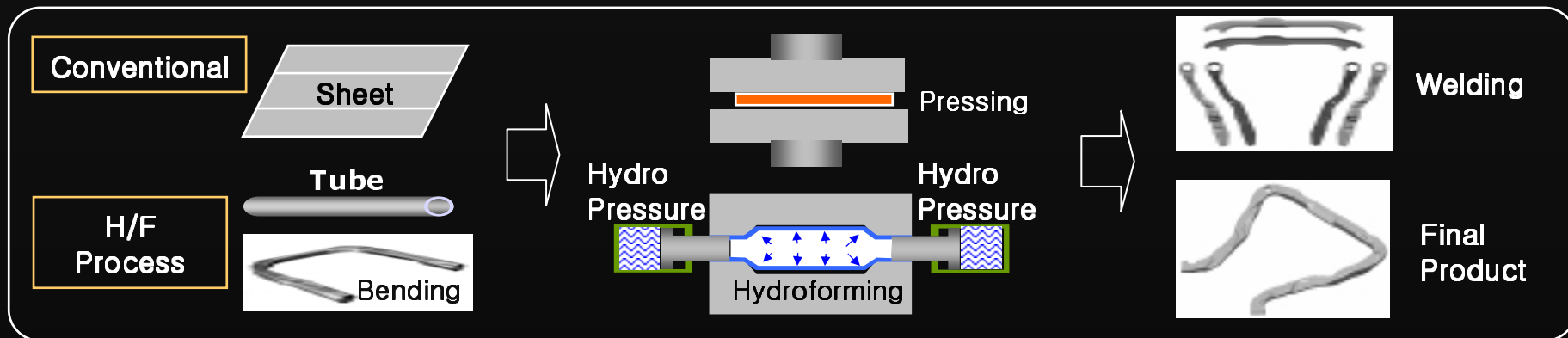
- ❑ Effect

- Reduce STS Operating Cost
- Increase Carbon HR production: 550 thousand ton/yr
- Energy consumption & Environmental Pollutants Reduction: 85 ~ 90%

Enhancing Competitiveness

Higher production of Strategic Products: Hydro Forming Plant Construction

- ❑ **Process Flow: Formation of complex automobile parts through hydro-pressure**



- ❑ **Construction Period: June '04 ~ March '05**

- ❑ **Capacity : 1 mn units/yr**

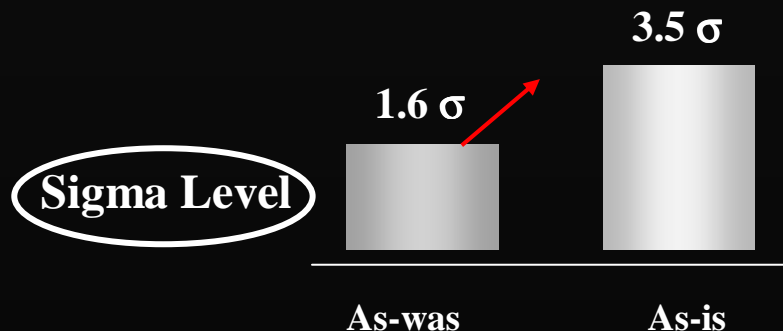
- ❑ **Effect**

- **Expand supplies of TWB, Hydroformed parts to Auto Manufacturers**
- 15% Cost Reduction of automobile parts & 30% lighter
- **Enter the Down Stream Industry of High Value-added products**

Management Reform

Incorporate a POSCO 6 sigma

- ❑ Train employees to become 6 σ experts
 - Belt issuers : Master Black Belt - 47 pp,
Black Belt – 132 pp,
Green Belt - 798 pp
- ❑ Promote joint projects with Suppliers/Contractors to strengthen partnership
 - Expand projects in collaboration (5 \rightarrow 12)



Enhance Management Transparency

- ❑ Promotion of Corporate Sustainability Mgt.
 - Economy: Profit making & Clean Reward
 - Environment: Assess an economy efficiency on an environmental level
 - Society: Contribute to a social development
 - Stakeholder: Expand partnership
- ❑ Establishment of an Internal Control Evaluation System
 - Enhancement of accuracy of financial disclosures
 - Introduction of Internal Control System
- ❑ Nominated as the most efficient Corporate Governance Company (Jun. '04)

The most competitive Steel Company



	POSCO	Bao	Nucor	CSC	NSC	Acelor
Profitability	10 (10)	10 (10)	6 (6)	8 (8)	3 (3)	4 (4)
Dominance country	10 (10)	7 (7)	5 (4)	9 (10)	7 (7)	7 (7)
Skilled workforce	10 (10)	7 (7)	10 (10)	8 (8)	10 (10)	8 (8)
Cash Operating Cost	9 (9)	8 (8)	5 (8)	8 (8)	6 (6)	6 (6)
Access to outside funds	10 (10)	9 (9)	10 (10)	9 (9)	7 (7)	4 (4)
Environment & Safety	9 (9)	9 (9)	9 (9)	9 (9)	9 (9)	9 (9)
Product Quality	10 (9)	8 (7)	6 (6)	8 (8)	10 (10)	8 (8)
Weighted Average	8.17 (7.96)	7.60 (7.25)	6.66 (6.86)	6.80 (6.75)	6.21 (6.09)	5.61 (5.53)
Ranking	1 (1)	3 (3)	9 (6)	8 (8)	12 (13)	19 (17)

* WSD 2003,2004, **() '03yr Results

I. 1H04 Operating Performance

II. Management Environment

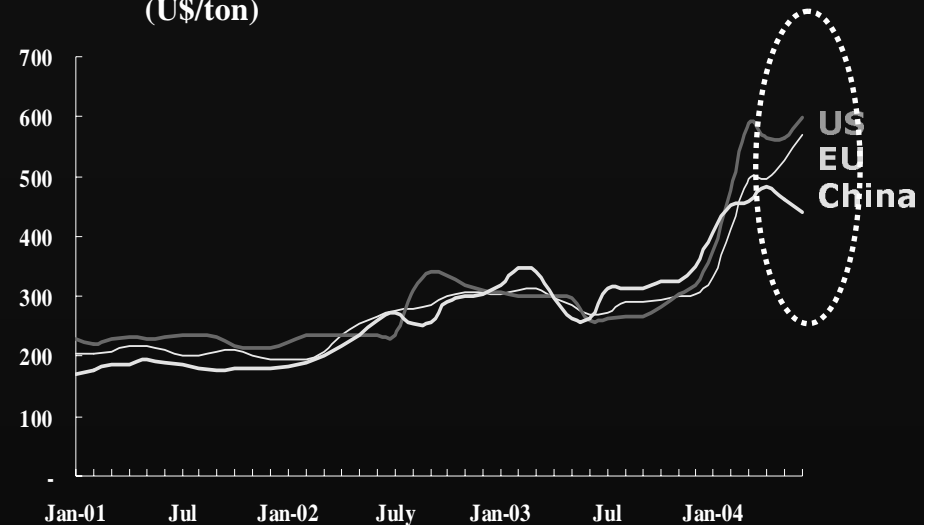
- World Steel Industry**
- China Steel Industry**
- Share Price Trend**

III. '04 Business Plan [Revised]

World Steel Industry

- ❑ World steel demand growth maintained (6.1%)
 - Stable demand growth in China
 - Higher economic growth in East EU & Asia
 - Economic recovery in developed countries
- ❑ Slowdown of Production expansion due to a tight raw material market
 - 7.2%('03) → 5.7% ('04F)
- ❑ Upward trend of steel price would sustain

[Price Trend of HRC by Region]
(U\$/ton)



※ Price gap among regions increased due to the China Tightening Policy
- HR Price Jun. '04 (U\$/ton)
US – 597, EU – 570, China – 440

Price gap will narrow as a result of increasing supply to high priced market

Steel price in Asia would sustain upward trend

China Steel Industry

□ Impact from the Tightening Policy

- **Investment : Slowdown of growth in fixed asset investment in the Steel Industry**
-96.2('03) → 76.6% ('04. Jan. ~ May)
- **Production : Expansion slowdown due to Investment Restrictions in the Steel Industry**
- Growth of crude steel production: '03 – 21.6%, April '04 – 20.6% , '04 May – 13.3
- **Import : Decrease in construction steel consumption, expect steady increase in Flat Steel**
- Steel Imports in May '04 reduced 30.2% YoY
- **Steel Price : After a temporary price fall in the 2Q04, Expected to rebound**
- HRC price (U\$/t)498 ('04 Highest) → 403 (May '04) → 418 (June 22,'04) → 423 (July 6, '04)

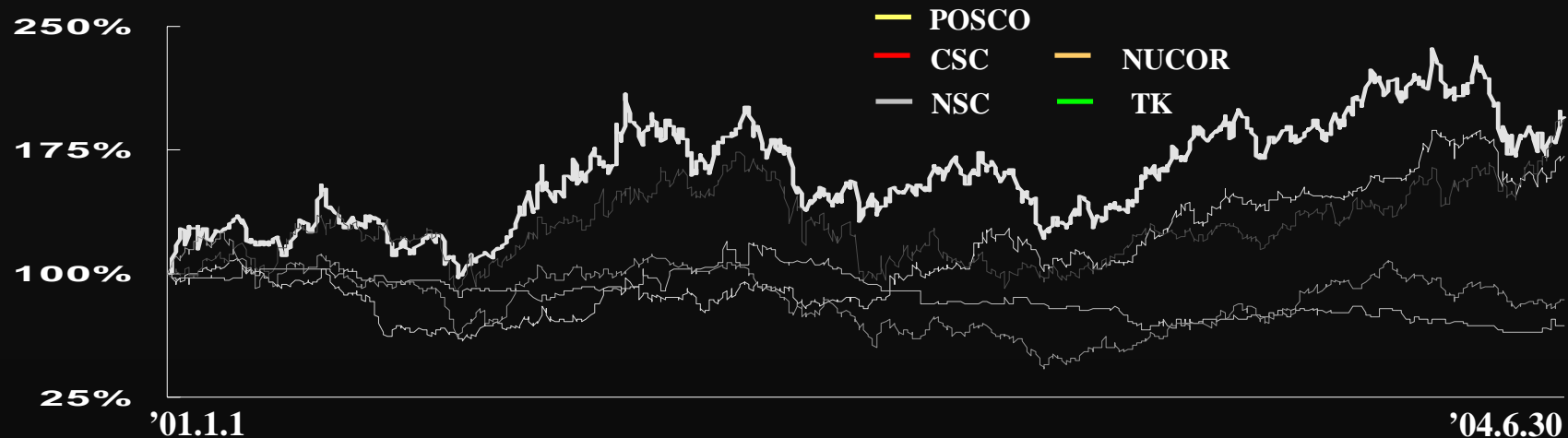
□ China Industry Demand Prospect : Soft landing with 8% GDP growth

	Unit	2003	2004(F)
Auto Production	10 thousand	444.39(36.7%)	516.4 (16.2%)
Home Appliances Production	million	160.50(35.2%)	208.7 (30%)
Shipbuilding	10thou.GT	631.75(13.5%)	707.6 (12%)

Share price Trend of Major Steel Mills



□ Outstanding performance of POSCO shares relative to competitors



[Operating profit & Share price Trend]

	POSCO	CSC	NUCOR	NSC	TKS
Share price performance (Jan. 1, '01 = 100)	194	171	193	68	84
Crude Steel Production ('03, mn tons)	28.9	11.3	19.6	30.1	17.0
Operating profit ('03, mn US\$)	2,556	1,198	904	768	608

I. 1H04 Operating Performance

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'04 Business Plan

- To cope with the changing business environment, the business plan has been revised every quarter

(mn ton, bn Won)

	2003	2004 (F)
Production	28.9	29.7
Product Sales	27.5	28.5
Revenue	14,359	18,760
Operating Income	3,059	4,554

The above data represents financial objectives of the company and should not be considered for investment decisions