



# posco

## **2009 CEO Forum**

**2009. 1.15.**



## → 2008 Operating Results

- Activities & Accomplishments
- 2009 Business Plan

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

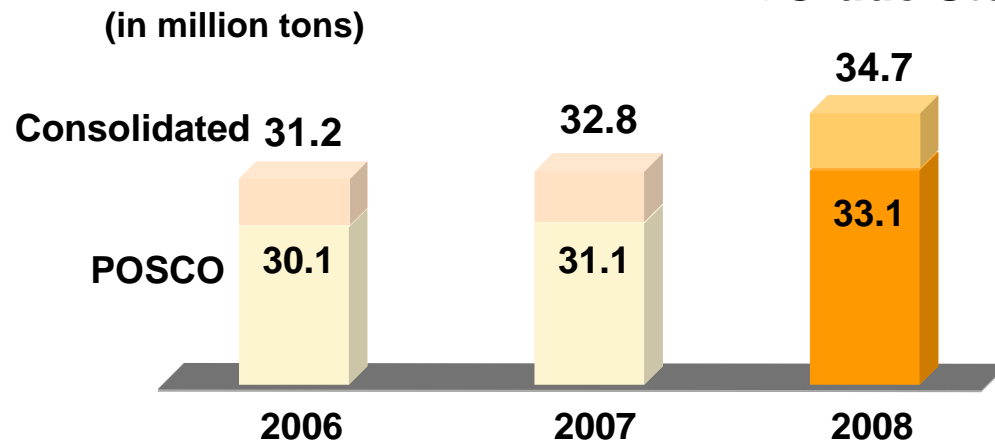


# Production/Sales

## ■ Consolidated crude steel production of 35 million tons

- Crude steel & FP prod'n increased due to expansions, upgrades and improved efficiency

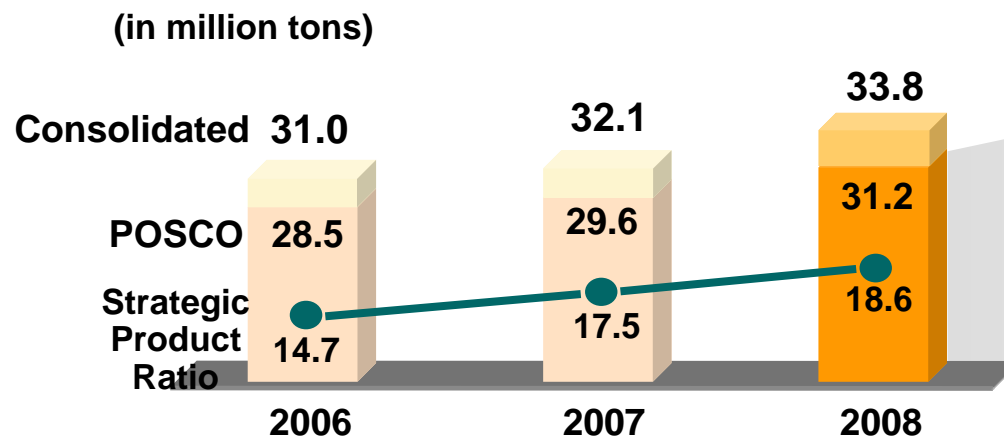
### < Crude Steel Production >



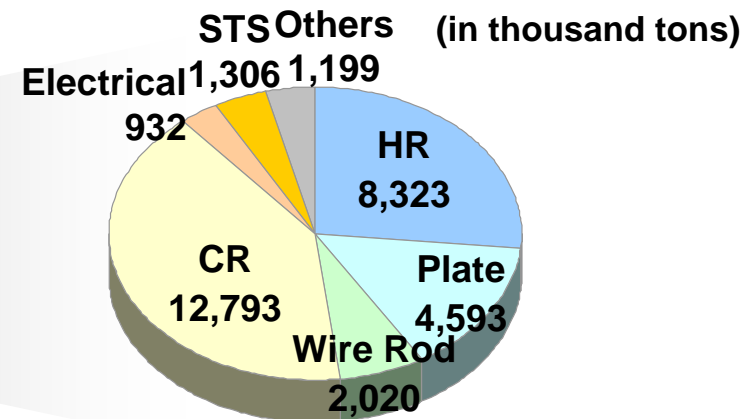
(in thousand tons)

	2006	2007	2008
POSCO	30,053	31,063	33,136
Zhangjiagang STS	230	780	658
POSCO SS	902	936	874

### < Finished Product Sales >



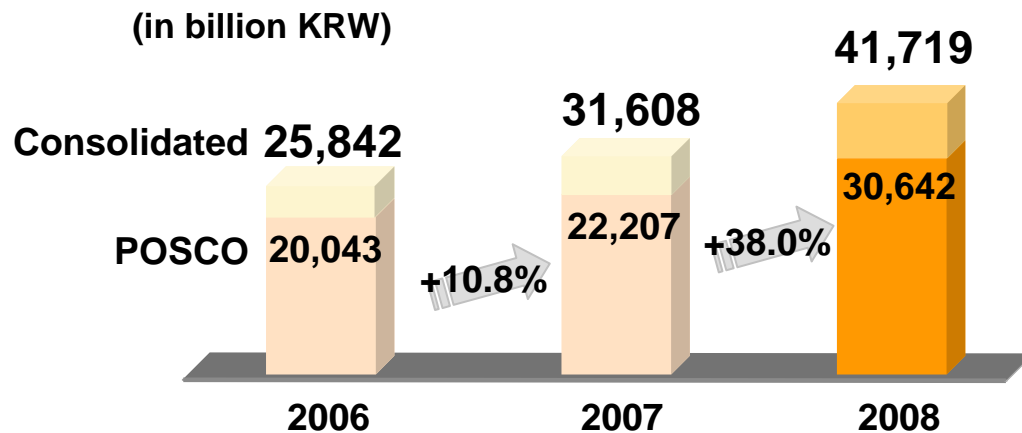
### Sales by Products in '08



# Income Summary

- **Achieved record-high earnings (consolidated sales 42tn & op. income KRW 7tn)**
  - Sales up by 34%/op.income by 52% due to more strategic product sales & cost savings

## < Sales >

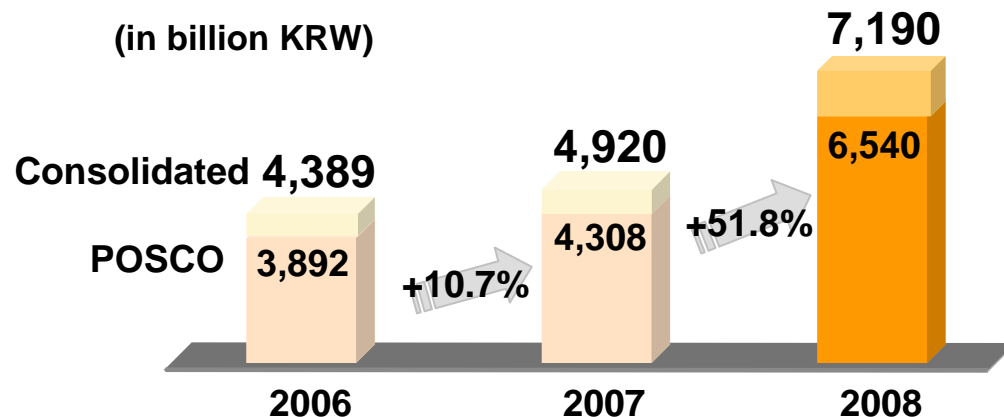


(in billion won)

	2006	2007	2008
Steel	28,752	34,715	46,467
E&C	3,840	3,915	5,565
Energy	413	567	744
IT, etc.	520	523	601

\* Sales by sectors: includes inter-company transactions

## < Operating Income >



(in billion won)

	2006	2007	2008
Steel	4,243	4,653	7,084
E&C	298	301	300
Energy	71	58	62
IT, etc.	25	17	25

\* Op income by sectors: includes inter-company transactions

☞ 2008 Cost Savings : KRW 738.2 bn

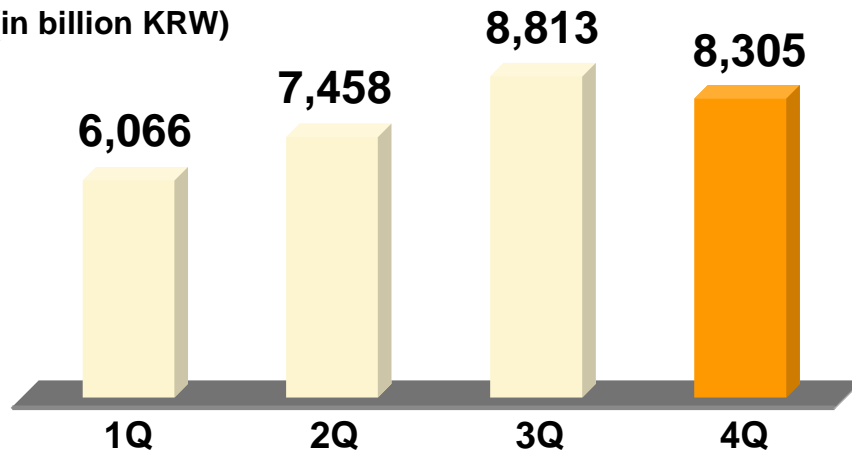
# Posco Income Summary (Quarterly)

## ■ Sales & operating income down as market weakened in 4Q

- Global steel makers cut production by 10~30% as demand industry enters downturn

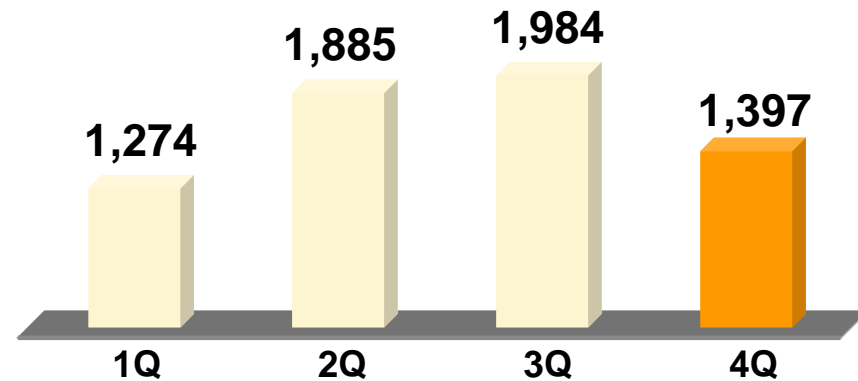
### < Sales >

(in billion KRW)



### < Operating Income >

(in billion KRW)



### < Production/Sales Vol. >

(in thousand tons)

		1Q	2Q	3Q	4Q
Crude Steel	Carbon	7,846	7,992	8,222	7,631
	STS	372	437	393	243
FP Sales	Carbon	7,591	7,614	7,804	6,850
	STS	342	404	334	226

### 👉 Major issues in 4Q

- Carbon steel production cut due to weak market : -200Kt
- Mini-mill rationalization(Oct.'08~Mar.'09) : -450Kt in 4Q
  - Improved productivity and quality through mini-mill rationalization & CEM process development

\* CEM (Compact Endless Cast-Rolling Mill): continuous press tech. with direct linkage of continuous caster & press roll

# Summarized Income Statement (POSCO)

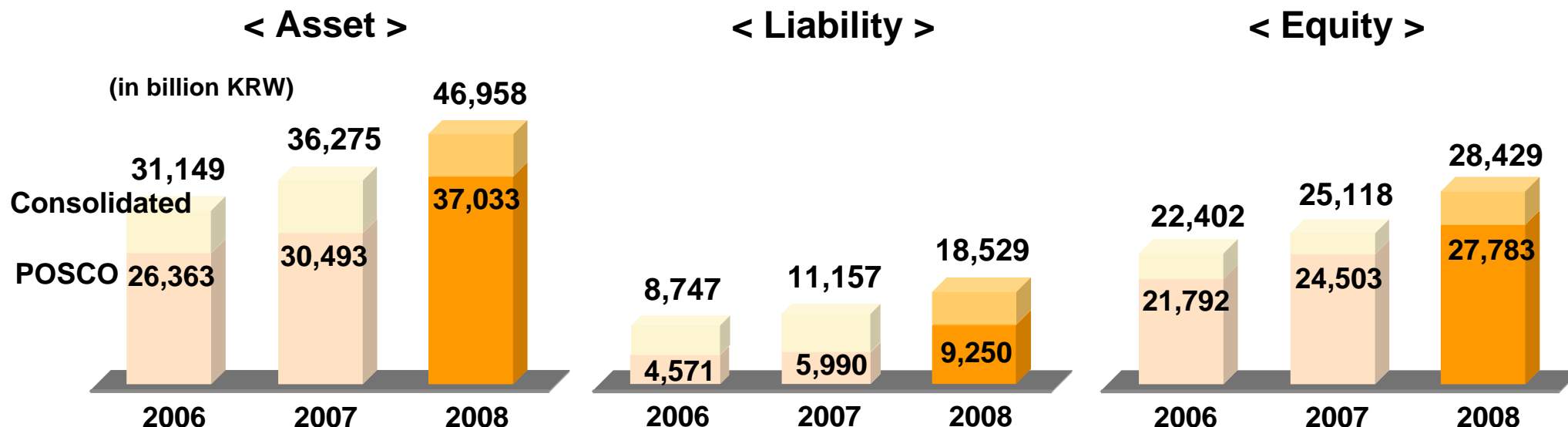
(in billion won)

	2006	2007	2008	YoY(%)
Revenue	20,043	22,207	30,642	38.0
Gross income	5,010	5,601	7,935	41.7
(Gross margin)	(25.0%)	(25.2%)	(25.9%)	-
S G & A	1,118	1,292	1,395	8.0
Operating income	3,892	4,308	6,540	51.8
(OP margin)	(19.4%)	(19.4%)	(21.3%)	-
Non-op income (expense)	226	484	△711	-
Interest income	3	23	48	108.7
Dividend income	61	59	95	61.0
Equity method gains	311	573	△23	-
FX related gain	75	△64	△783	-
Net income	3,207	3,679	4,447	20.9
(Profit margin)	(16.0%)	(16.6%)	(14.5%)	-

# Financial Structure

## ■ Consolidated asset grew to 47 trillion

- Due to investments in steel sector and new-growth-engine / increased earnings



(in billion KRW)

	Asset			Liability			Equity		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Steel	32,210	37,417	47,150	7,659	9,458	14,890	24,551	27,959	32,260
E&C	2,444	3,434	6,552	1,231	1,867	4,519	1,213	1,567	2,033
Energy	842	1,007	1,182	352	484	629	490	523	553
IT, etc.	752	796	1,274	314	330	737	438	466	537

\* Includes inter-company transactions

# Summarized Balance Sheets (POSCO)

(in billion won)

	2006	2007	2008	YoY(%)
<b>Current assets</b>	<b>7,871</b>	<b>8,768</b>	<b>13,693</b>	<b>56.2</b>
Cash equivalent assets*	3,213	3,566	3,722	4.4
Notes receivable	1,804	1,895	3,229	70.4
Inventory	2,735	3,221	6,416	99.2
<b>Long-term assets</b>	<b>18,492</b>	<b>21,725</b>	<b>23,340</b>	<b>7.4</b>
Investment securities	5,658	8,165	8,633	5.7
Fixed assets	12,466	13,202	14,466	9.6
<b>Total assets</b>	<b>26,363</b>	<b>30,493</b>	<b>37,033</b>	<b>21.4</b>
<b>Liabilities</b>	<b>4,571</b>	<b>5,990</b>	<b>9,250</b>	<b>54.4</b>
Current liabilities	1,747	2,812	4,283	52.3
Long-term liabilities	2,824	3,178	4,967	56.3
(Interest bearing debt)	(2,146)	(2,754)	(5,129)	86.2
<b>Equity</b>	<b>21,792</b>	<b>24,503</b>	<b>27,783</b>	<b>13.4</b>
<b>Total liability &amp; equity</b>	<b>26,363</b>	<b>30,493</b>	<b>37,033</b>	<b>21.4</b>

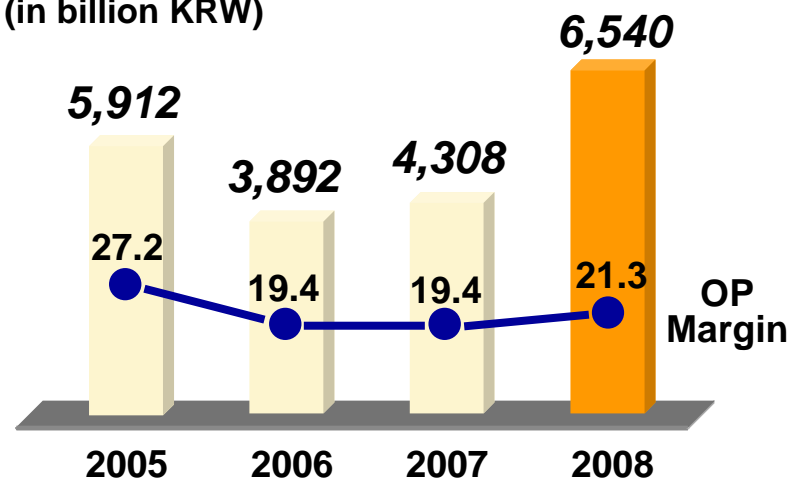
\* Cash equivalent assets : cash & cash equivalent, short-term financial instruments, trading securities



# Financial Ratios

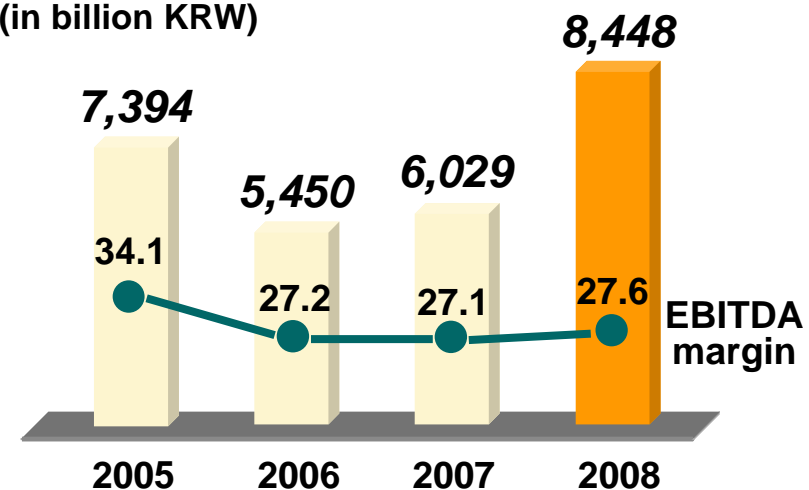
## < Operating Income >

(in billion KRW)



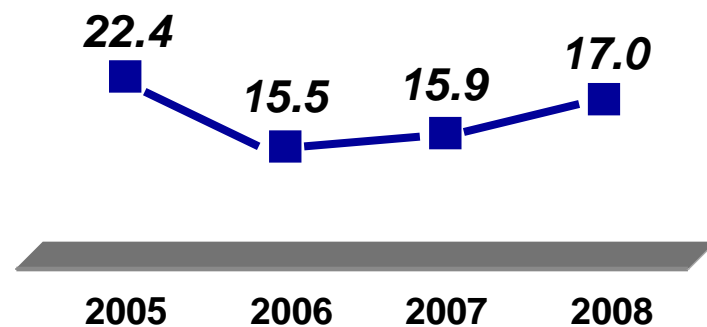
## < EBITDA >

(in billion KRW)



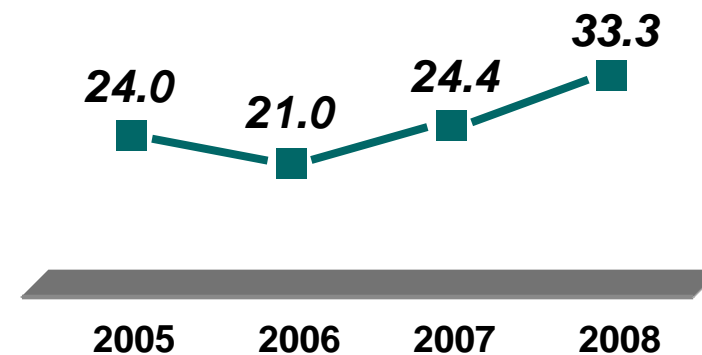
## < Return on Equity >

(%)



## < Liabilities to Equity >

(%)



- 
- **2008 Operating Results**
  - **Activities & Accomplishments**
  - **2009 Business Plan**

# 2008 Key Activities

- **Facility expansion-upgrade in preparation for 41Mt domestic capacity**
  - **New facility construction initiated for capacity expansion**
    - Steelmaking plant, Pohang: +2Mt/yr
    - Plate plant, Gwangyang : steelmaking, casting, plate +2Mt/yr
  - **Upgrade facilities to increase premium product sales**
    - Thick-heavy-massive plate facility in Pohang #2 plate plant
    - Construct ultra-wide-bloom caster & rationalize semi-product plant in Pohang #1 CCL
    - Pohang #2 EGL
- **Raw material development investment (self sufficiency target: 30% by '12)**
  - **Acquired equity in Namisa, Brazil iron-ore mine (2Mt/yr('09~'11), 3.7Mt or more('12~))**
    - Iron-ore mine with infra (railroad, port, etc), supports stable the supply of iron-ore
  - **Obtained equity in Macarthur coal mine (PCI 800Kt/yr)**
    - Stable supply of high quality PCI & high growth potentials with new coal development
  - **Completed Ferro-nickel plant (Nickel 30Kt/yr)**
    - Secure 50% of annual nickel requirement & set vertical STS production line
  - **Manganese mine stake acquisition (Mn 1Mt/yr('10~))**
    - Stable supply of Manganese, a core raw material in steelmaking stage

### ■ Continued investments for global growth

#### • Expand production base in Asia where growth potential is high

- Vietnam CR Mill (CR 1.2Mt/yr)

-  Asia network connecting India & China through early entrance in rapid growing SEA mkt.

- China Tin-plate plant (Tin plate 250Kt/yr)

-  Gained entry in tin-plate market where demand is growing

- China premium wire-rod processing facility (for auto 50Kt/yr)

-  Secure demand for strategic product & gain entry in premium wire-rod (for auto) market

- India Integrated steel mill (in progress) : forest diversion approved, mining lic. in process

#### • Establish local production base in premium U.S market

- Mexico CGL (automotive steel, 400Kt/yr)

-  Expanded sales in N.C.A, emerging auto market & set up integrated service system

- U.S API pipe plant J.V founded (premium API pipes, 270Kt/yr)

-  JV with pipe producer, establish operation base in largest API market, U.S

- **Expanded global sales of automotive steel & strengthen marketing infra.**
  - **Become global top 3 automotive steel producer (6.16Mt in '08)**
  - **Added 8 SCM bases in China, Slovakia, Mexico, etc (total 35, capacity 3.85Mt/yr)**
    - ☞ With superior customer service, increase synergy in overseas production and sales

### < Overseas Processing Centers >

China	SEA	Japan	India	Mexico	E.Europe	Total
14	8	4	3	3	3	35

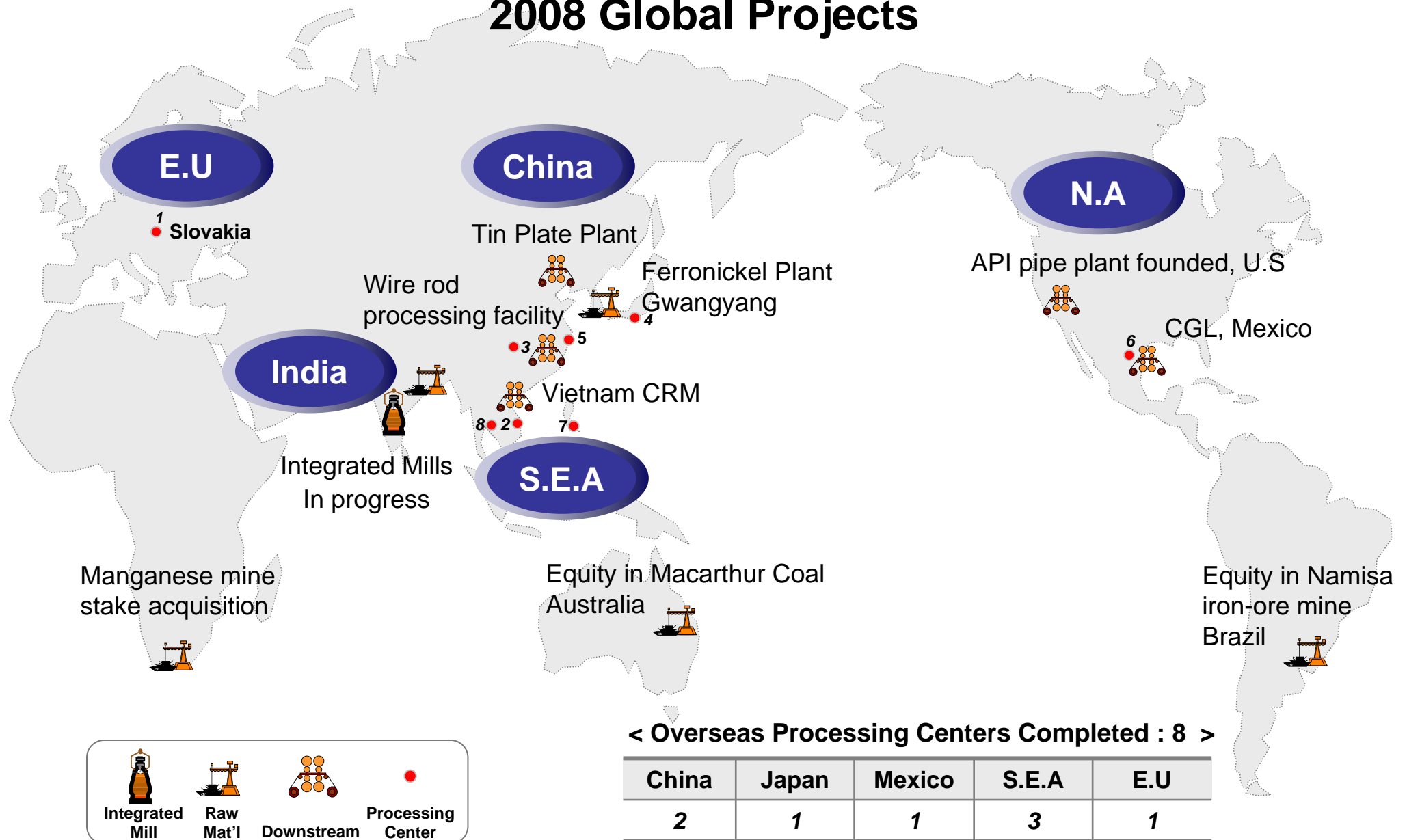
- **FINEX commercialization verified & continue technology development**
  - **Constant facility stabilization & achieve operation target via tech. development**
  - **Continue engineering planning for scaling up**

	'07	'08. 1H	'08. 2H
Coal Ratio (kg/ton)	832	748	761
Production (tons/day)	3,793	4,068	4,077

- **Resource recycling & renewable energy business**
  - **Construct by-product recycling plant (RHF),**  
UN approval of small hydro power biz, initiate solar power plant operation *13*



## 2008 Global Projects



## 2008 Total Investment : KRW 4.9tn

(in billion KRW)

Category	Investment	Major Activities
<b>Increase capacity &amp; strategic product production</b>	<b>1,841</b>	New steelmaking, Pohang, Plate capacity increase, Gwangyang & #5Sinter/#5Cokes, Gwangyang, etc
<b>Maintenance, cost savings, reduce environment impact</b>	<b>1,344</b>	#1 HR facility upgrade, Gwangyang #1 Caster rationalization, Gwangyang Coke plant automation, Pohang
<b>Raw material</b>	<b>1,089</b>	Macarthur Coal Mine, Namisa Iron-ore mine S.Africa Manganese mine, etc.
<b>Overseas projects</b>	<b>292</b>	Vietnam CRM, Mexico CGL, U.S API plant, Overseas processing centers, etc.
<b>Energy, New Business</b>	<b>340</b>	LNG Terminal, Magnesium plate plant

# Dividend & Share Price

## ■ '08 dividend payment (tentative)

- KRW 10,000 per share (includes interim dividend of 2,500won)

- Dividend yield: 2.6% ('08/e share price base), Payout ratio: 17.2%

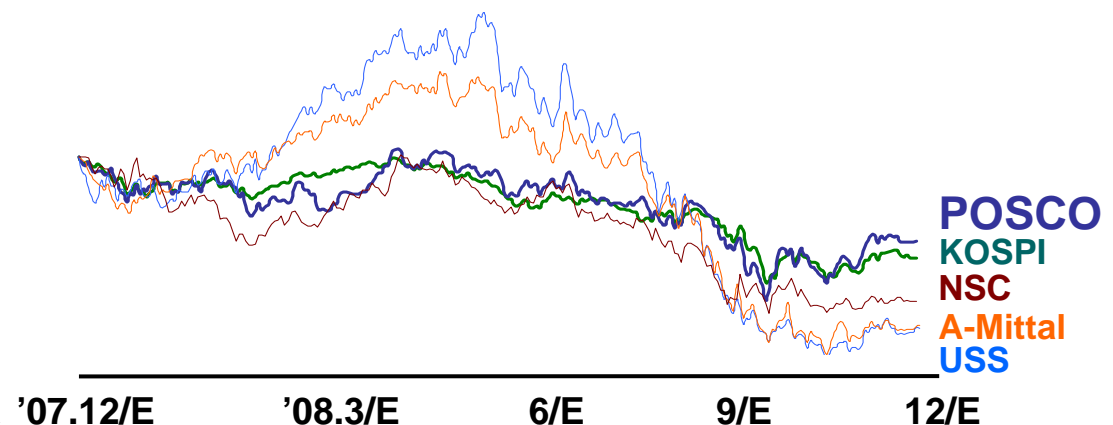
### < Dividend Payment >

(KRW, %)

	2002	2003	2004	2005	2006	2007	2008
Dividend	3,500	6,000	8,000	8,000	8,000	10,000	10,000
(Interim)	(500)	(1,000)	(1,500)	(2,000)	(2,000)	(2,500)	(2,500)
Dividend Yield	3.0	3.7	4.3	4.0	2.6	1.7	2.6
Payout Ratio	26.0	24.5	16.8	16.0	19.4	20.5	17.2

## ■ '08 share price trend

	'07.12/E	'08.12/E	change
POSCO	575K	380K	-33.91%
KOSPI	1897.13	1124.47	-40.73%
NSC (₩)	695	290	-58.27%
A-Mittal (\$)	77.35	24.59	-68.21%
USS (\$)	120.91	37.20	-69.23%



# Key Subsidiaries' Activities

## Posco E&C

- **Achieved KRW10tn of orders in '08: 15% avg. yearly growth since foundation in Dec. '94**
  - Strategic diversification of overseas business
    - Large-scale plant construction (Chile Vantanas coal power plant, etc.)
    - Receiver order for master plan of Hanoi City, Vietnam
  - Secure competitiveness in large-scale development bus. (Multi-complex in Song-do City)
- **Enter petrochemical EPC business through Daewoo Eng. M&A**

## Posco Power

- **Promote construction of new power plants**
  - Groundbreaking of Incheon's 1stage #5,6 plant (1,200MW, Dec.) ➡ total 2,400MW by '14
  - Approvals for Gwangyang by-product recycle power plant (300MW) ➡ start construct in '09
- **Set foot base for fuel-cell business**
  - Secure stable supply base and core tech. by building Pohang fuel cell plant (50MW/yr)
  - Fuel cell business selected as nation's next growth engine (Sept.)

### POSCO SS

- **Increased strategic product sales by creating new demand**
  - Strategic product sales ratio: 12.1%('06) → 20.4%('07) → 23.6%('08)
  - Increase high profitable forged production (forging vol.): 1.4('07.4Q) → 4.7Kt/month('08)

### POSCO C&C

- **Secure sustainable profitability with increased high-value-added-product sales**
  - Coated Steel (ALCOSTA, ALZASTA): 370Kt ('07) → 404Kt ('08)
  - Colored Steel (for appliances & construction): 167Kt ('07) → 197Kt ('08)

### POSDATA

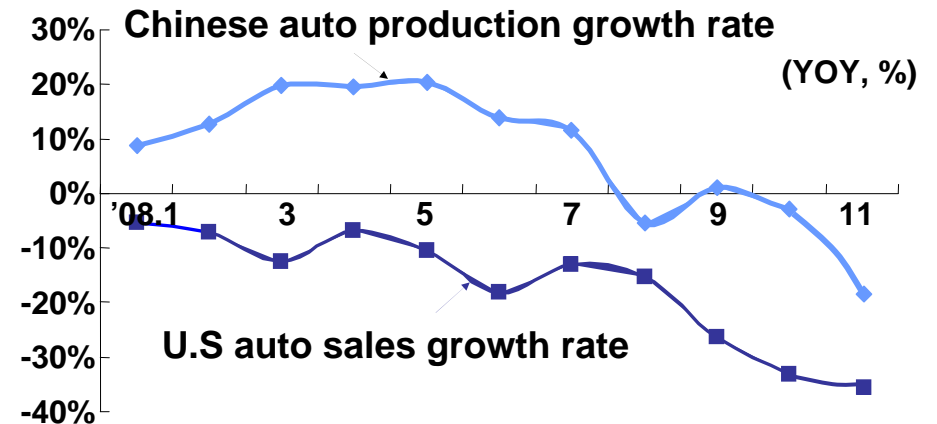
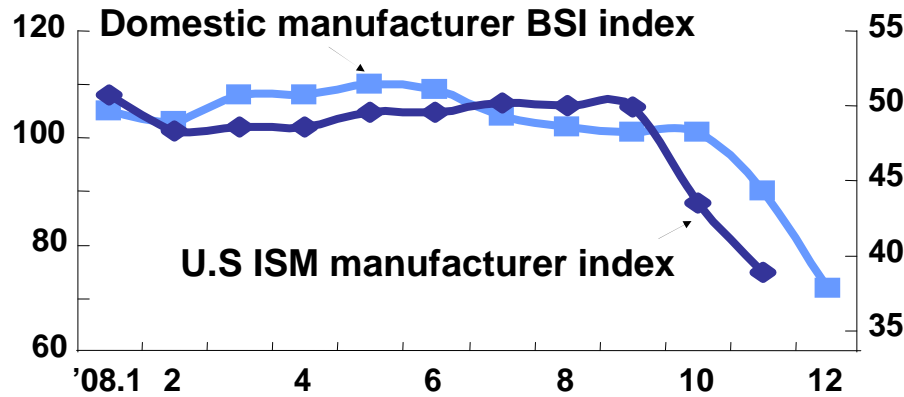
- **Promote IT service business**
  - Business diversification (environment IT, etc) & enter overseas (U-city in Yangi, China)
- **Receive orders for WiBro business & product certification**
  - Signed overseas supply contract of commercialized equip. & received int'l certification



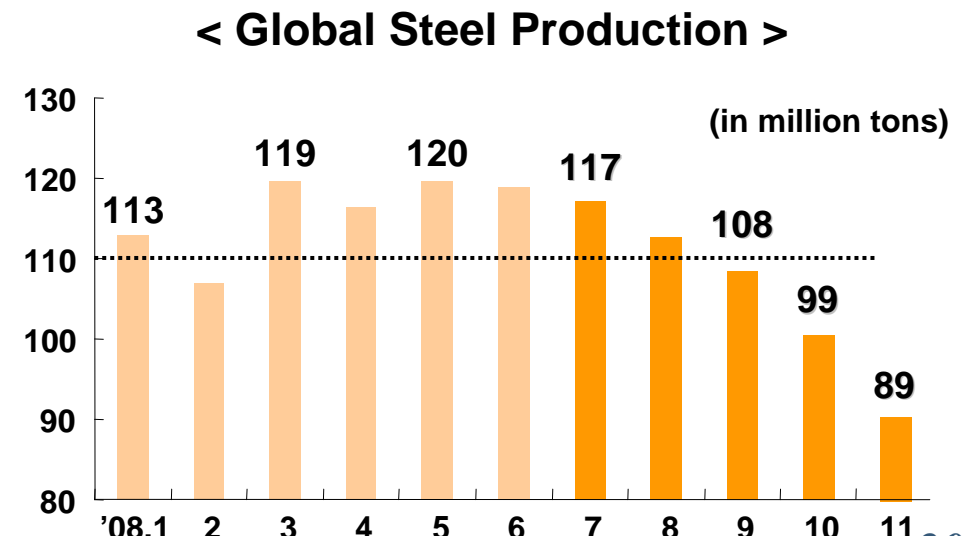
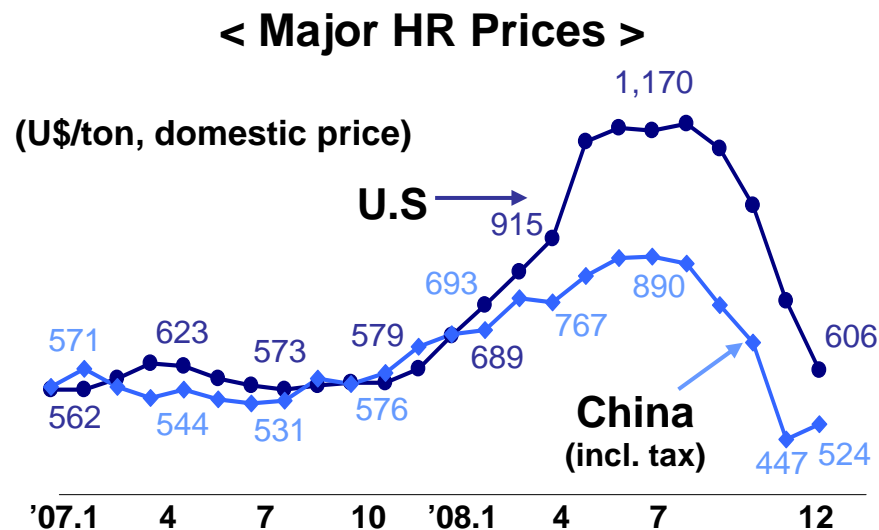
- 
- **2008 Operating Results**
  - **Activities & Accomplishments**
  - ➔ **2009 Business Plan**

# Steel Market Trend

- Price and production plunge as demand industry slows down
  - Major demand industries weaken followed by economy depression



- Global steel price collapse & huge reduction in production vol. by steel mills

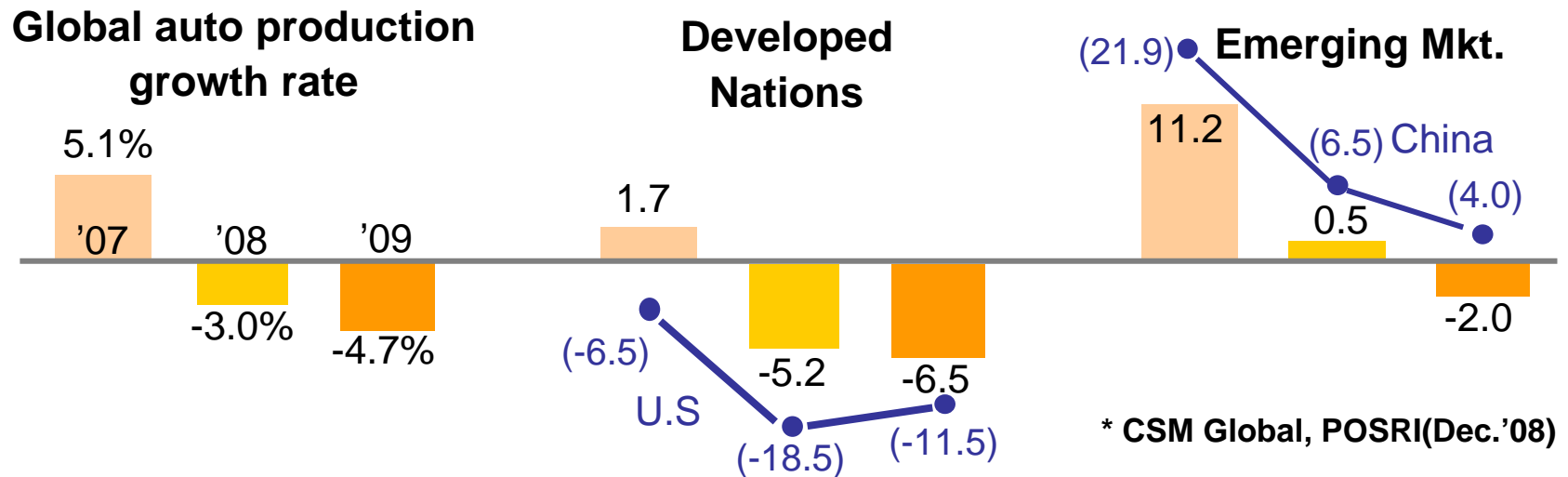


# 2009 Steel Market Outlook

- Demand industry (auto, ship, appliance, etc.) facing recession

## Auto

- Production/sales fall in developed nations and emerging markets



## Ship

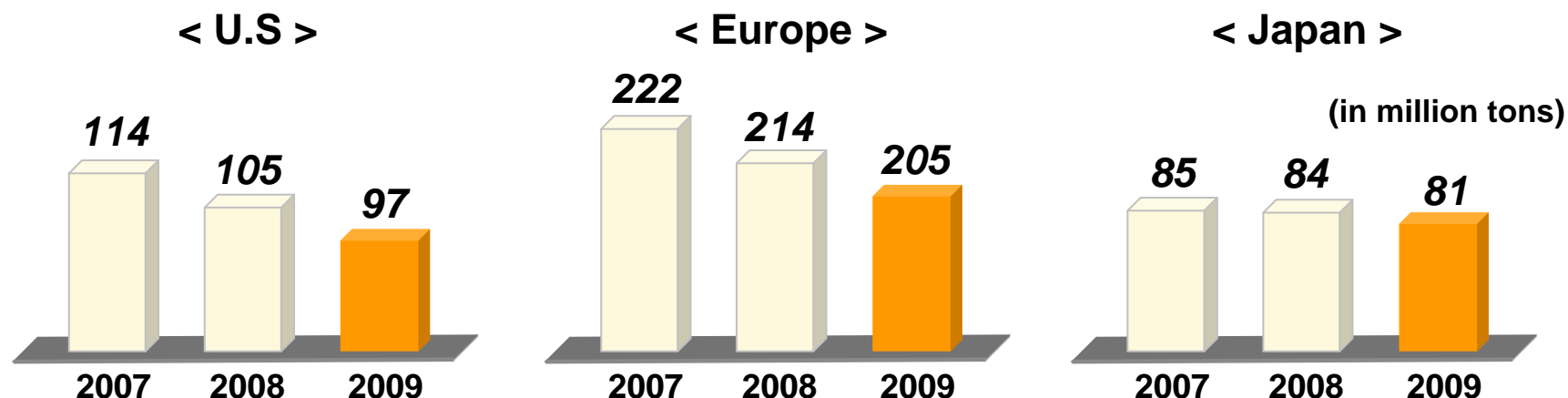
- **Less orders & more cancellations due to decreasing shipments**
    - Shipment growth rate: lowest since '03 ('07: 4.3% → '08: 4.1% → '09: 2.9%)
    - Shipbuilding orders: continue to decrease in '09 (166.1 → 86.6 → 56.3mn GT)
- \* POSRI(Dec.'08)

## Appliance

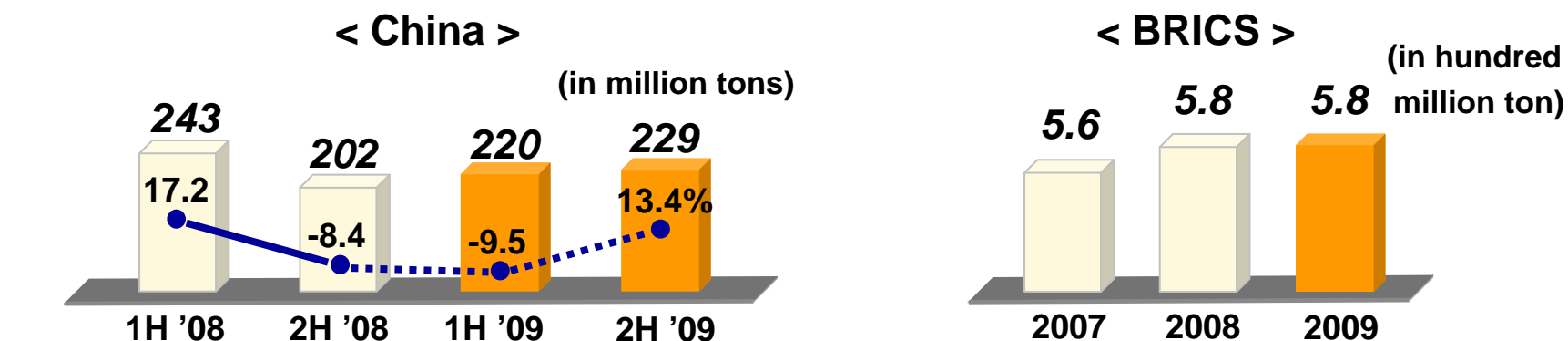
- **Production growth rate falls to 1% range in '09**
    - China: production growth slows as domestic demand & export stagnates (13.9% → 6.0% → 2.7%)
    - Korea: bigger decline due to weak domestic mkt. & more overseas production (-3.7% → -7.6% → -10.5%)
- \* Fuji Kimera Research Institute, POSRI(Dec.'08)

### ■ Global demand growth sees the first decline since '98

- Developed nations: negative growth for 2 consecutive yrs ('08 -4.2%, '09 -5.0%)



- China: weak 1H & slight upturn in 2H, benefited from economy support plans
- Emg mkts. (India, Russia, M.E): demand remains weak align with global downturn



\* POSRI(Dec.'08)

# Raw Material Market

- Price to fall due to weak demand & global economy downturn (Macquarie,etc)
  - Due to the sharp price increase in '08, prices expect to remain high

## Iron Ore

- Demand fell since Oct. '08 w/ steel prod'n cut

- Spot price (U\$/ton) \* Metal Bulletin (Fine ore/CFR)

'08.1      8      10      11      12  
195 → 180 → 112 → 73 → 80

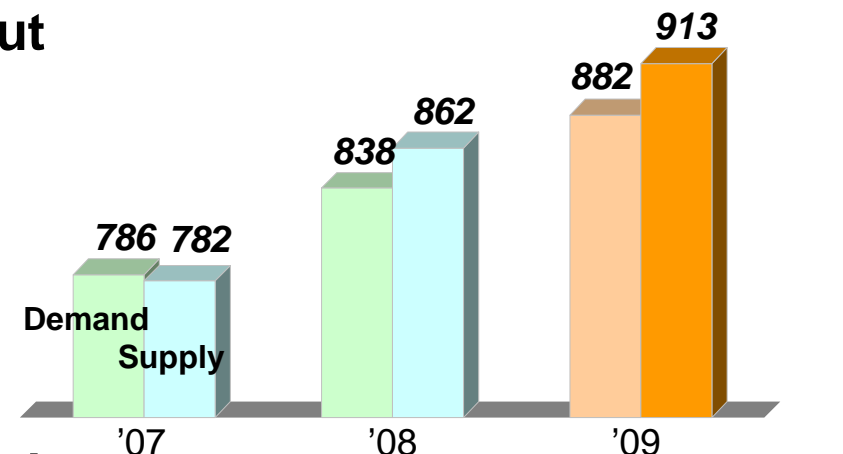
- Demand growth is slowing down globally

- Growth rate : +10.0% → +6.7% → +5.3%

- Mine development & prod'n from China continues

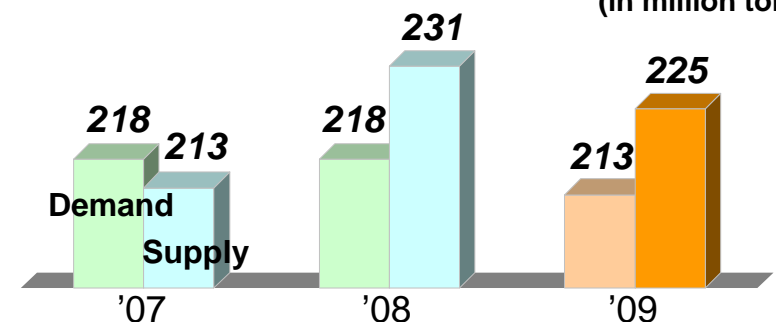
### < Iron Ore S/D Forecasts >

(in million tons)



### < Coal S/D Forecasts >

(in million tons)



\* Macquarie(Nov.'08)

## Coal

- Expect oversupply of 12Mt in '09
- Wider price decline in low quality, semi-anthracite coal



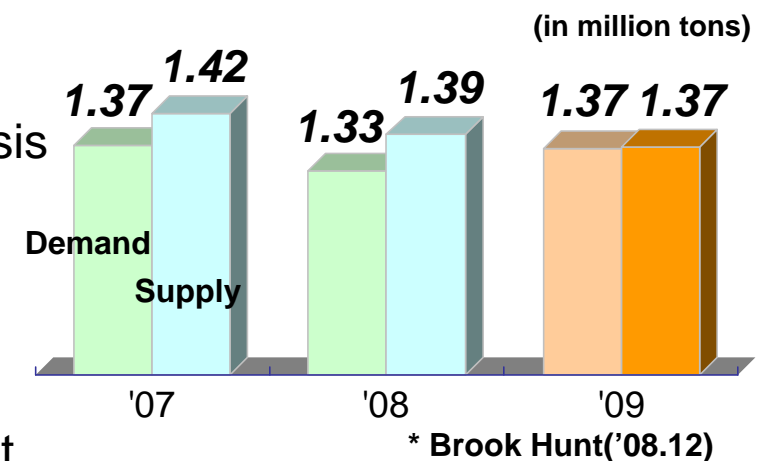
# Stainless Steel Market

- **Steady recovery from 2H due to continued production cuts by mills & benefits reaped from economic support plans**

## Nickel

- **Decreased since 1Q in '08 (U\$26→33→9K)**
  - Due to STS demand decrease & global financial crisis
- **Price likely stay low (U\$10K~12K) in '09**
  - STS demand decline w/ economy recession & oversupply from new projects
  - Further decline limited with suppliers' production cut

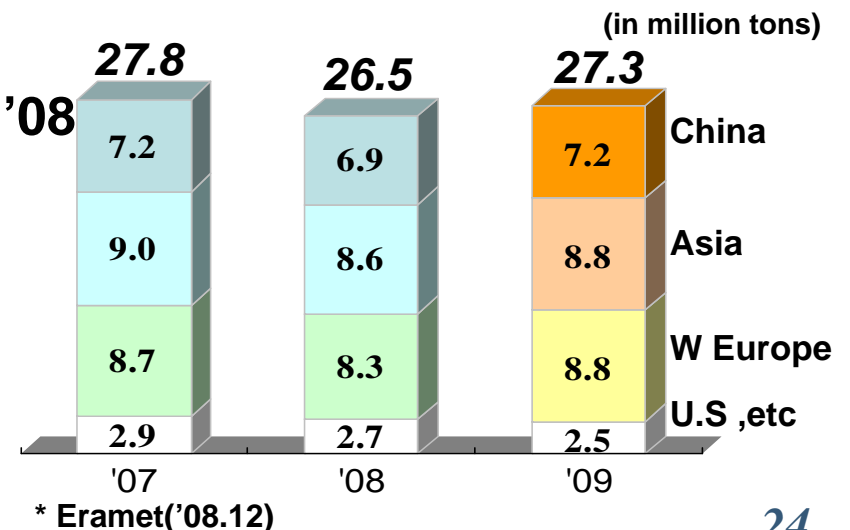
< Ni S/D Forecast >



## STS

- **Sizable prod'n cut due to low demand in 4Q, '08**
  - Global major mills cut 40~50%
  - China & Europe CR price down by 35%
- **Expect steady recovery from 2H of '09**
  - Production cuts continue
  - Benefits from economic support plans

< Regional STS Production Forecast >



# 2009 Business Plan

- **Flexible management in rapidly changing environment**
  - **Business plans by scenarios(Base & Contingency) in uncertain bus. env't**
  - **Improve management speed by shifting from quarterly to monthly planning**

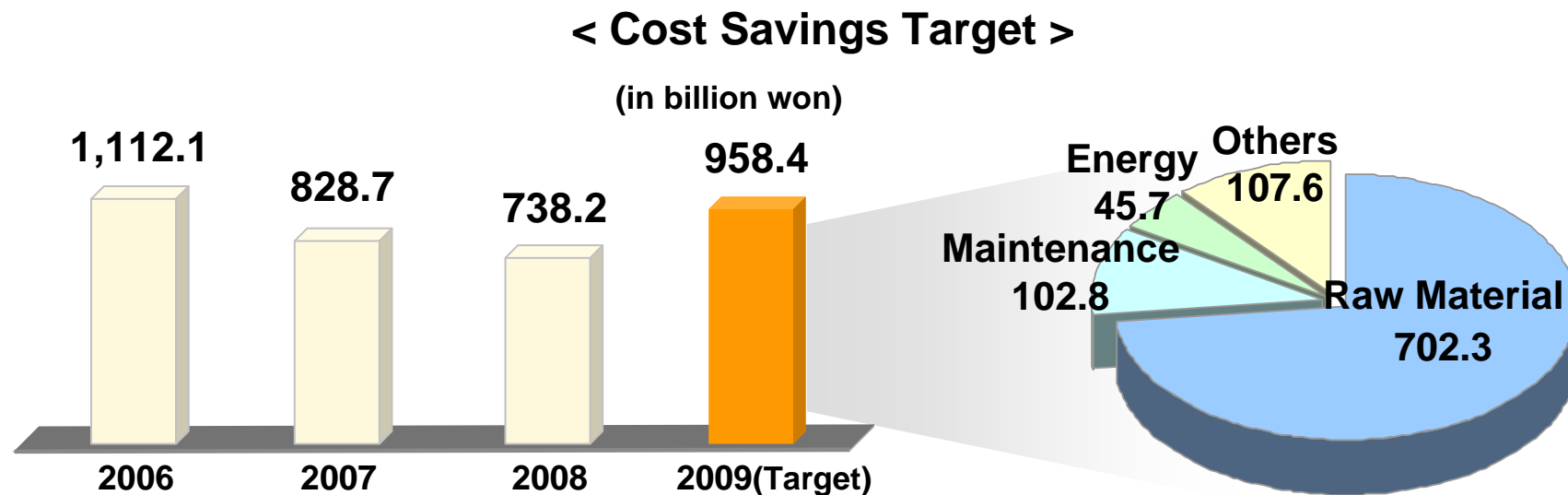
**Strengthen competitiveness  
to cope in weak  
business conditions**

- Set challenging cost savings targets
- Secure strategic-product based marketing competency
- Optimal operation system to cope in fast changing market
- Well managed cash flows and liquidity

**Increase investments  
in preparation for  
post-recession**

- Increase domestic capacity & invest in HVA products
- Continue investment for global growth
- Increase R&D investment for exclusive & advanced tech.

- **Strengthen competitiveness to cope in weak business conditions**
  - **Implement cost saving target that sets the world's best cost competitiveness**
    - Improve cost structure & customized cost saving program for each division · subsidiaries



- **Secure strategic-product based marketing competency**
  - Strengthen customer lock-in through differentiated marketing to core · major customers
- **Optimal operation to cope in rapidly changing market conditions**
  - Strategic product mix management & shift to economical operating pattern

- **Strengthen growth investment in preparation for post-recession**
  - **Invest to expand domestic capacity & HVA products ('09 CAPEX KRW 5.9tn)**
    - Secure long-term growth engine in preparation for forthcoming post-downturn
    - Accelerate investments for setting up 41Mt production capacity
      - New steelmaking, Gwangyang Plate, #5 Sinter, #5 Cokes, #4 BF, #7 CGL, etc
  - **Continue investments for global growth**
    - Take the opportunity to grow globally in an era of industry restructuring
      - Diversification of growth investment other than Greenfield: M&A, JV, Equity investment
      - Raw material & resource development to secure superior competitiveness
      - Complete downstream investments : U.S API pipe plant, Mexico CGL, Vietnam CR Mill
      - Build SCM base to establish marketing network: 35 ('08) → 42 ('09)
  - **Expand R&D investments to develop exclusive steel making technology**
    - Complete World First, World Best product technology & strategic processing
      - R&D to sales ratio : 1.37% ('07) → 1.35% ('08) → 1.44% ('09)

# 2009 Business Plan (subsidiaries)

## ■ Risk management & strengthen growth investments

### POSCO E&C

- Keep sound financials through risk mgmt. designed for each project
- Enter plant bus. through strengthened synergy w/ Daewoo Eng.
- Strengthen SOC sector & maintain overseas biz. ratio (within 25%)

### POSCO Power

- Economic construction of LNG plant & by-product-gas-combined power generating plant
- J/V of fuel-cell stacking plant & build production facilities

### POSCOSS

- Develop core tech. that assist increasing sales in strategic products
  - 12 core tech: mass ingot production, high speed rolling for STS wire rod, etc.
- Participate in group-based cost saving program (target: KRW 33.5bn)

### POSCO C&C

- Synergy through M&A and rationalization of Dalian POCOS
  - CCL (Colored line) facility modification: construction → appliance use

### POSDATA

- Strengthen external competitiveness of the IT service business
  - SOC (systems in light rail, etc), manufacturing SI, network integration, etc.



# 2009 Business Plan (Financials)

(in million tons, trillion KRW)	<u>2008</u>	<u>2009</u>
• <b>Crude Steel Production</b>	<b>33.1</b>	<b>29 ~ 32</b>
- Consolidated	35.0	30 ~ 33
• <b>Finished Product Sales</b>	<b>31.2</b>	<b>27 ~ 30</b>
• <b>Sales</b>	<b>30.6</b>	<b>27 ~ 30</b>
- Consolidated	41.7	38 ~ 42
• <b>Investment</b>	<b>4.9</b>	<b>5.7 ~ 7.5</b>

\* POSCO Investment (KRW 7.5tn): CAPEX (5.9), Overseas Steel/Raw Material (1.5), Energy/New Biz. (KRW 87bn)

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



# posco

## **2009 CEO Forum**

**2009. 1.15.**