

A large white wind turbine stands prominently on the left side of the image. Its blades are white with red tips. The nacelle features the POSCO logo and Korean text. The background shows a clear blue sky and a range of green mountains.

posco

3Q 2009

Operating Performance

Oct. 14, 2009



▶ 3Q '09 Operating Performance

- Activities & Accomplishments
- Steel Industry Environment
- 2009 Business Plan

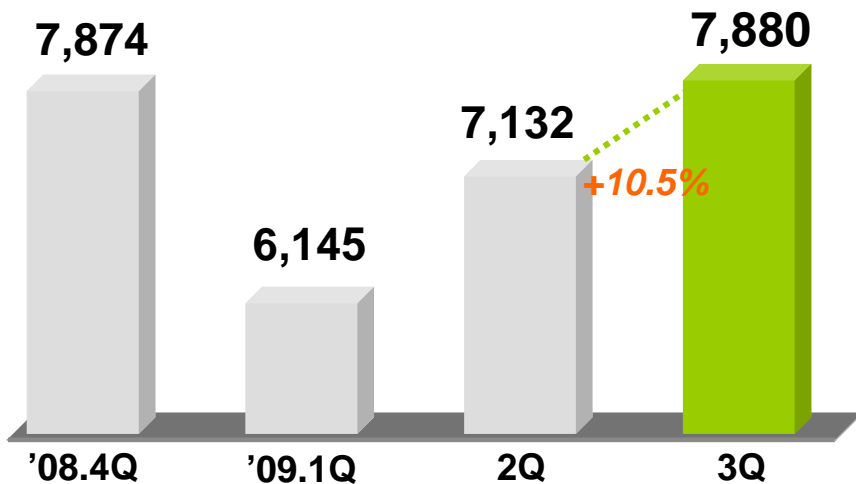
Figures provided in this presentation are based on unaudited financial statements of the Company. Certain contents in this presentation are subject to change during the course of auditing process.

Production / Sales

- **2.5mt/mo sales achieved** with increased production & market recovery
 - Utilization Ratio(%) : 75(1Q) → 85(2Q) → **92(3Q)**

Crude Steel

(in thousand tons)

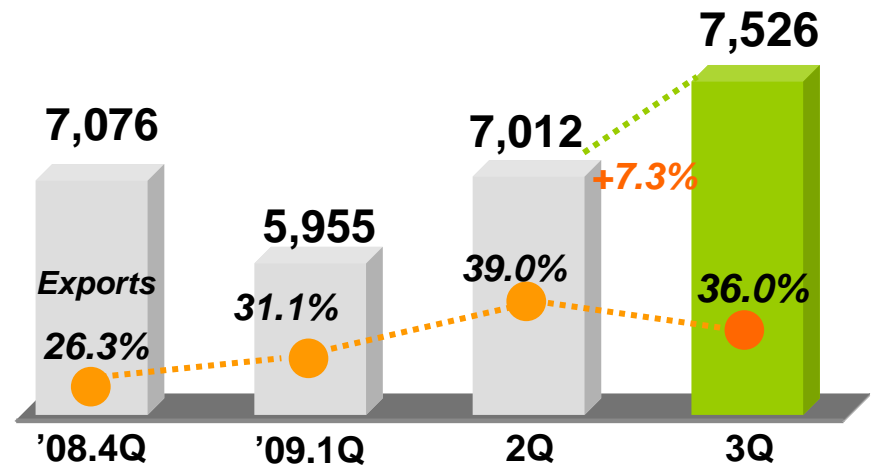


B/F	5,887	6,787	7,305
High-mill	-	18	133
S T S	258	327	442

* #4BF(G) revamping : Apr.17th ~Jul.20th '09

Finished Product Sales

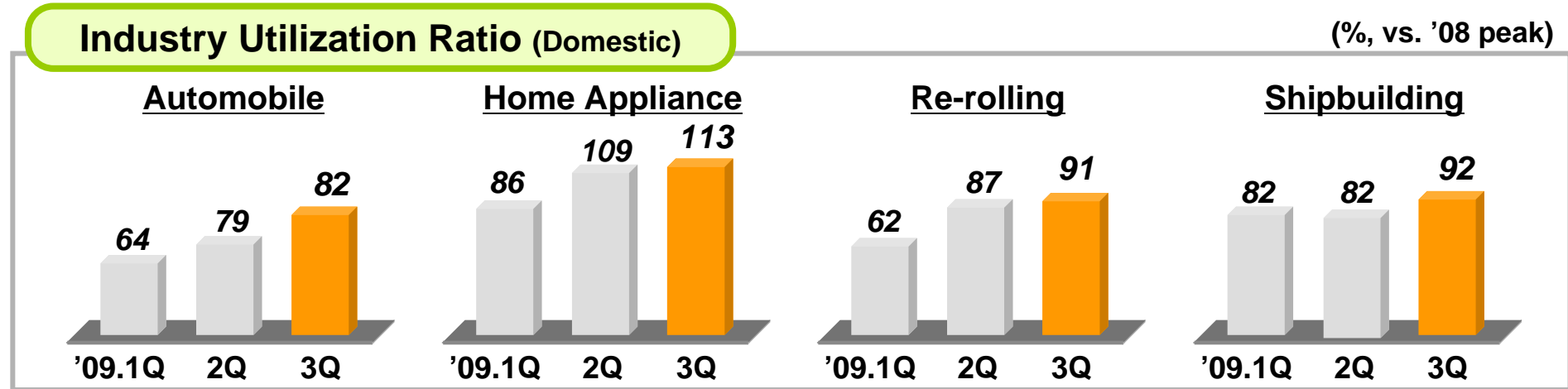
(in thousand tons)



Domestic	4,102	4,274	4,819
Export	1,853	2,738	2,707
*Inventory	814	443	451

Sales by Product

- Sales continue to grow as domestic demand stay strong

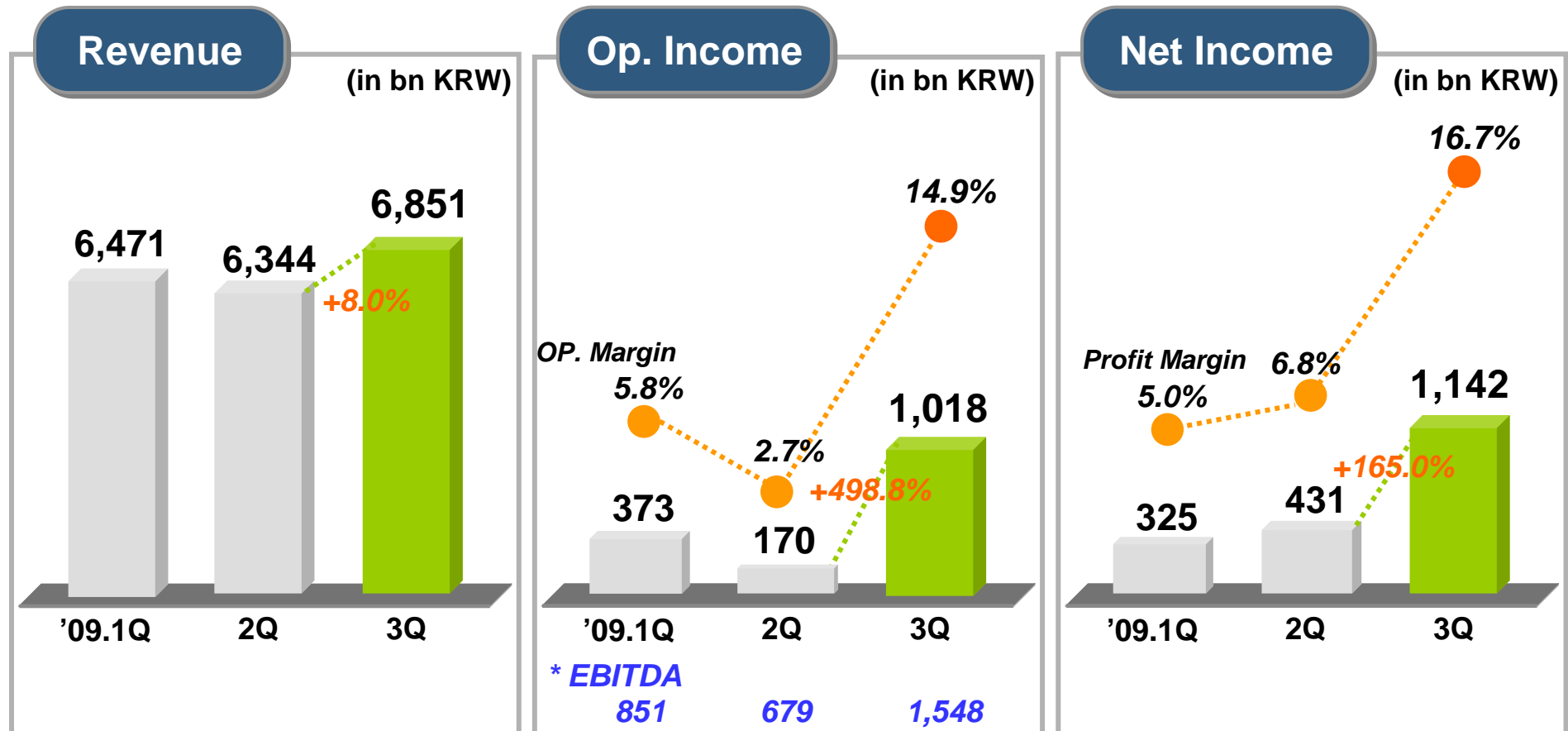


	'09. 1Q	2Q	3Q	QoQ
Hot Rolled	1,781	1,899	2,170	14.3%
Plate	1,156	1,108	1,093	△ 1.4%
Wire Rod	432	506	514	1.6%
Cold Rolled	1,921	2,678	2,843	6.2%
Electrical Steel	175	205	220	7.3%
S T S	241	308	412	33.8%
Others	249	308	274	△ 11.0%

* #2 Plate (P) renovation : '09 Sept.17th ~ 25th

Income Summary

- **Op. income reached KRW 1tn** due to rising price & lower raw mat'l cost
 - Average export price : U\$ 625('09.2Q) → **U\$ 704**
 - FY09 raw material usage : Iron Ore 46%('09.2Q) → **94%**, Coal 54% → **96%**



Summarized Income Statement (POSCO)

(in billion KRW)

	2009 1Q	2009 2Q	2009 3Q	QoQ
Revenue	6,471	6,344	6,851	8.0%
Gross income (Gross Margin)	656 (10.1%)	451 (7.1%)	1,351 (19.7%)	199.6% -
S G & A	283	280	333	18.9%
Operating income (OP. Margin)	373 (5.8%)	170 (2.7%)	1,018 (14.9%)	498.8% -
Non-op. income	36	275	188	△31.6%
Interest income	△17	△35	△ 23	-
Dividend income	46	3	11	266.7%
Equity method gain	121	124	102	△17.7%
FX related gain	△120	197	123	△37.6 %
Others	6	△14	△ 25	-
Net income (Profit Margin)	325 (5.0%)	431 (6.8%)	1,142 (16.7%)	165.0% -

Financial Structure

- **Liability-to-equity ratio dropped** as earnings increase & debt reduced
 - Non-current assets grew due to #4BF(G) revamping & STS CRM installation

(in billion KRW)

	2009 1Q	2009 2Q	2009 3Q	QoQ
Assets	37,235	37,638	38,184	1.5%
Current	13,267	12,578	12,193	△ 3.1%
Non-current	23,968	25,060	25,991	3.7%
Liabilities	9,680	9,329	8,756	△ 6.1%
Debt	6,960	7,132	6,278	△ 12.0%
Equity	27,555	28,309	29,428	4.0%
※ Liab./Equity	35.1%	33.0%	29.8%	-

* Changes in debt during '09.3Q

- Payback of CP (KRW 370bn) & domestic bond (KRW 200bn)
- Payback of short-term loan of foreign currency (USD 105mn)

Summarized Statement of Financial Position (POSCO)

	2009 1Q	2009 2Q	2009 3Q	(in billion KRW) QoQ
Current assets	13,267	12,578	12,193	△3.1%
Cash equivalent assets	4,717	5,988	5,802	△3.1%
Notes receivable	2,879	2,505	2,505	-
Inventory	5,319	3,590	3,483	△3.0%
Non-current assets	23,968	25,060	25,991	3.7%
Investment securities	8,755	9,325	9,877	5.9%
Tangible assets	14,978	15,507	15,889	2.5%
Total assets	37,235	37,638	38,184	1.5%
Liabilities	9,680	9,329	8,756	△6.1%
Current liabilities	3,253	2,939	2,355	△19.9%
Non-current liabilities	6,427	6,390	6,402	0.2%
Interest bearing debt	6,960	7,132	6,278	△12.0%
Equity	27,555	28,309	29,428	4.0%
Total liability & Equity	37,235	37,638	38,184	1.5%

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

Consolidated Financial Summary

■ Steel sector revenue & operating income increased

No. Consolidated Subsidiaries

	'09.1Q	'09.2Q	'09.3Q
Total	111	110	115
Domestic	37	37	41
Overseas	74	73	74

Consolidated Crude Steel Prod'n (quarter avg.)

	(in thousand tons)			
	'08	'09.1Q	'09.2Q	'09.3Q
POSCO	8,284	6,145	7,132	7,880
Zhangjiagang	165	128	200	213
POSCO SS	219	172	182	213

		(in billion KRW)			
		2009 1Q	2009 2Q	2009 3Q	QoQ
I/S	Revenue	8,788	8,922	9,431	5.7%
	OP. Income (Margin)	586 (6.7%)	350 (3.9%)	1,185 (12.6%)	238.6% -
	Net Income	399	427	1,125	163.5%
B/S	Assets	47,934	47,632	48,289	1.4%
	Liabilities	19,707	18,640	18,211	△2.3%
	Equity	28,227	28,992	30,078	3.7%

Consolidated Financial Summary

Income by Sectors

(in billion KRW)

	Revenue			OP. Income		
	2009.1Q	2009.2Q	2009.3Q	2009.1Q	2009.2Q	2009.3Q
Steel	9,406	9,595	10,655	348	221	1,150
E & C	1,615	1,966	1,672	52	95	70
Energy	111	77	116	24	18	18
IT & Others	144	142	148	14	△2	14
Consolidated	8,788	8,922	9,431	586	350	1,185

Financial Structure by Sector

(in billion KRW)

	Assets		Liabilities		Equity	
	2009.2Q	2009.3Q	2009.2Q	2009.3Q	2009.2Q	2009.3Q
Steel	47,791	48,785	14,868	14,649	32,923	34,136
E & C	6,233	5,985	4,143	3,897	2,090	2,088
Energy	1,302	1,728	714	1,108	588	620
IT & Others	1,295	1,266	764	745	532	521
Consolidated	47,632	48,289	18,640	18,211	28,992	30,078

* Includes inter-company transactions

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- A large white wind turbine with red-tipped blades stands prominently on a mountain ridge. In the background, several other similar turbines are visible against a clear blue sky with a few wispy clouds. The landscape below is covered in green trees and shrubs.
- 3Q '09 Operating Performance

▶ **Activities & Accomplishments**

- Steel Industry Environment
 - 2009 Business Plan

3Q Key Activities

■ Facility addition - upgrade for domestic capacity expansion

- **Gwangyang #4 BF, (Apr.17th ~ Jul.20th '09) & related facilities rationalization**
 - World's first to produce 5mt/yr from a single BF w/ expanded capacity (3,800→5,500m³)
 - #1 CCL (Mar. ~ Jul.'09), #1 HR (May. ~ Jun.'09), #2 CR (Dec.'08 ~ May.'09)
- **Pohang new steelmaking plant (Jul.'08 ~ Jun.'10, Progress 59%)**
 - Increase capacity (+1.95mt/yr), improve quality & cost competitiveness
- **Gwangyang new plate plant, (Jul.'08 ~ Jul.'10, Progress 51%)**
 - Become global No.1 plate producer by adding 2mt/yr capacity

■ Strengthen competitiveness & market base of Stainless Steel division

- **Acquisition of Vietnam ASC (Asia Stainless Corporation) (Sept.)**
 - Early penetration in Vietnam & secure captive market for STS HRc
 - * ASC: only wide STS CR Mill in Vietnam, capacity upgrade in progress : 30Kt('09) → 85Kt('10)
- **MOU for strategic alliance signed with 4 STS precision mills**
 - Strengthen market base through R&D cooperation & providing optimized product-service
 - * Poongsan, Korinox, 2 Samsung C&T's overseas subsidiaries

■ Lay foundation for global growth

- **Mexico CGL* (POSCO-Mexico) completed (Aug): automotive steel, 400Kt/yr**
 - Expand sales in North & Central America auto market & set up integrated service system
- **Japan automotive steel processing center (POSCO-JNPC#2) (Sept): 150Kt/yr**
 - Expand sales to auto & parts makers in Nagoya 🖱️ 41 centers running as of '09.9/E
- **Vietnam CR Mill (POSCO-Vietnam) construction completed (Oct. 19th): 1.2mt/yr**
 - Early entrance in Southeast Asia premium steel market

■ Establish production - sales base in India

- **Progress in India Project (integrated steel mill)**
 - Establish POSCO Foundation to promote community service (Oct.)
 - Central government pledge to support & expedite the project (Sept.)
- **Set up local production base to meet fast-growing automotive steel demand**
 - Construct automotive steel processing center (POSCO-ICPC) (Sept.'09 ~ Apr.'10)
 - Construct CGL* (Sept.'10 ~ May '12): automotive steel, 450Kt/yr

* CGL: Continuous Galvanizing Line

■ Promote environment-friendly coal-gas business

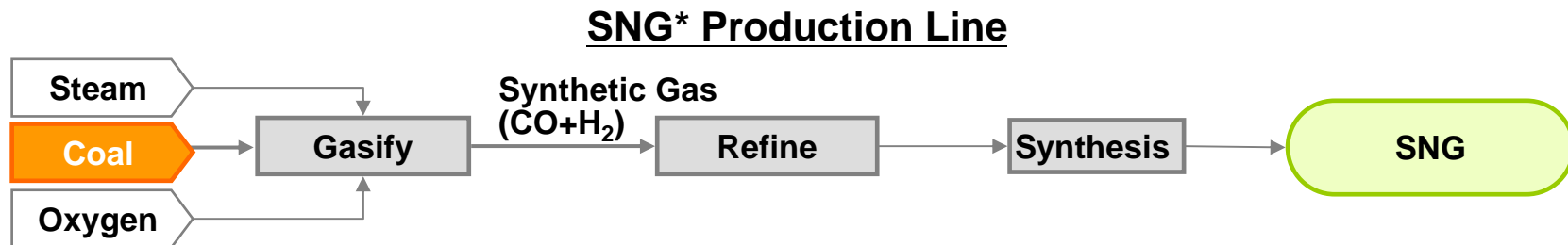
- Invest in **SNG (Synthetic Natural Gas) business**

- Construct 500Kt/yr SNG plant (~'13) ➡ LNG import substitute effect 200bn KRW

- Cooperate with **SK Energy in SNG production technology development**

- MOU for R&D ➡ develop core tech & set base to attract overseas plant construction

* SKE: coal gasification, POSCO: SNG synthesizing



* SNG: clean-energy w/ equal component of LNG, produced from low-cost coal through gasfication, refinement, and synthesis stages

■ JV in advanced material, Titanium business

- Found JV with Kazakhstan UKTMP: POSCO 50%, UKTMP 50%

- Construct Titanium Slab plant in Kazakhstan (to be completed in '12)

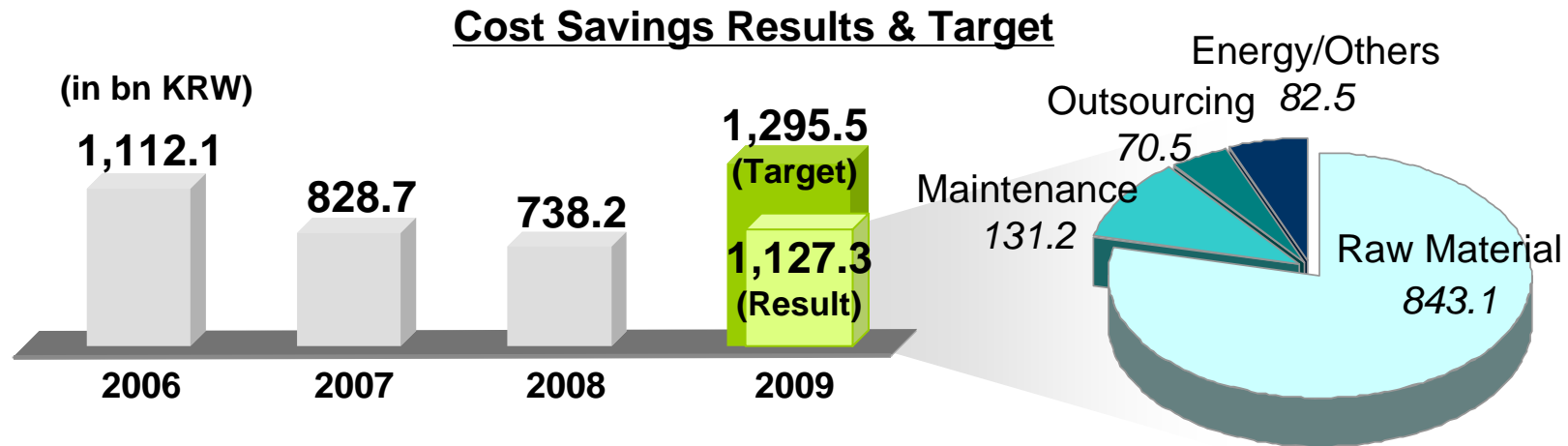
- Produced Slabs to be processed into finished product in Pohang HR, STS plant

➡ Establish integrated production line of Titanium plate (currently all being imported)

3Q Key Activities

■ Continue cost savings activity

- **Cost savings in '09 (cumulative) : 1,127.3bn KRW (Progress 87%)**
 - Key Activities : expand use of cheaper raw material and by-products, etc.



■ R&D to secure technology leadership

- **World's first to develop 590MPa outer-panel automotive steel**
 - Intensity 70% ↑ , weight 20% ↓ ➡ improve fuel efficiency & reduce CO2 emission
- **Exhibition of high-function-auto-steel at Toyota: strengthen local sales base**
 - Introduce POSCO exclusive next-generation-steel (AHSS*, TWIP*, etc.) & EVI partnership

* AHSS (Advanced High Strength Steel), TWIP (Twinning Induced Plasticity)

EVI (Early Vendor Involvement) : develop & supply optimized auto steel by early vendor involvement in steel production process

Subsidiaries' Business Activities

Steel

- **POSCO SS, acquired 10% equity in Vietnam VPS* (Aug.)**
 - Strengthen responsibility mgmt. & maximize synergy with projects in Vietnam

*VPS(VSC-POSCO Steel): JV in Vietnam producing wire rods, long products (change in POSCO equity 40% → 50%)
- **POSCO C&C, expand sales of new-functional product: 9Kt('08) → 26('09)**

E&C

- **POSCO E&C IPO**
 - Offering: 8,987K shares (POSCO: sales of existing 4,730K shares, E&C: issue 4,257K new shares)
 - Eligibility approval (Sept.10th), pricing (Oct.19th), subscription (Oct.21st~22nd), listing (Oct.30th)

* Change in POSCO equity : 89.5% → 64.9%

Energy


- **Continue power plant expansion : 1,200MW in 1st stage** (progress 33%)
- **Accelerate Fuel-Cell business**

(POSCO Power) - Seoul City to adopt 600MW(Jul.), transfer of stack tech. from US FCE in progress

IT

(POSDATA)

- **Public & construction sector:** auto fee collect system in #9 subway, etc.
- **Steel & manufacturing sector :** Hysco's integrated prod'n mgmt. sys. etc.

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- A large white wind turbine with red-tipped blades stands prominently on a mountain ridge. In the background, several other similar turbines are visible against a clear blue sky with a few wispy clouds. The foreground shows green foliage and the silhouette of the mountain ridge.
- 3Q '09 Operating Performance
 - Activities & Accomplishments

▶ **Steel Industry Environment**

- 2009 Business Plan

Global Steel Market

- Crude steel prod'n growth accelerate as **global demand enters recovery**
 - De-stocking complete in developed countries & steel consuming industry recover

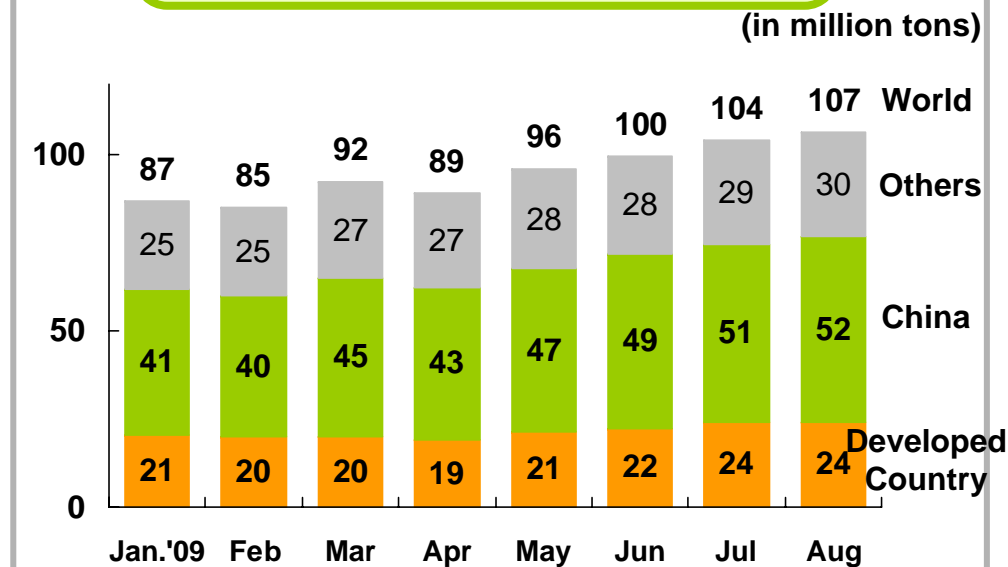
Inventory Trend by Region

(in million tons)		
U.S	Japan	Germany
8.5 (Jan.'09) → 5.6 (Aug.)	5.8 (Jan.'09) → 4.7 (Aug.)	1.5 (Jan.'09) → 1.1 (Aug.)

*Source : MSCI, JISF, CRU (Sept.'09)

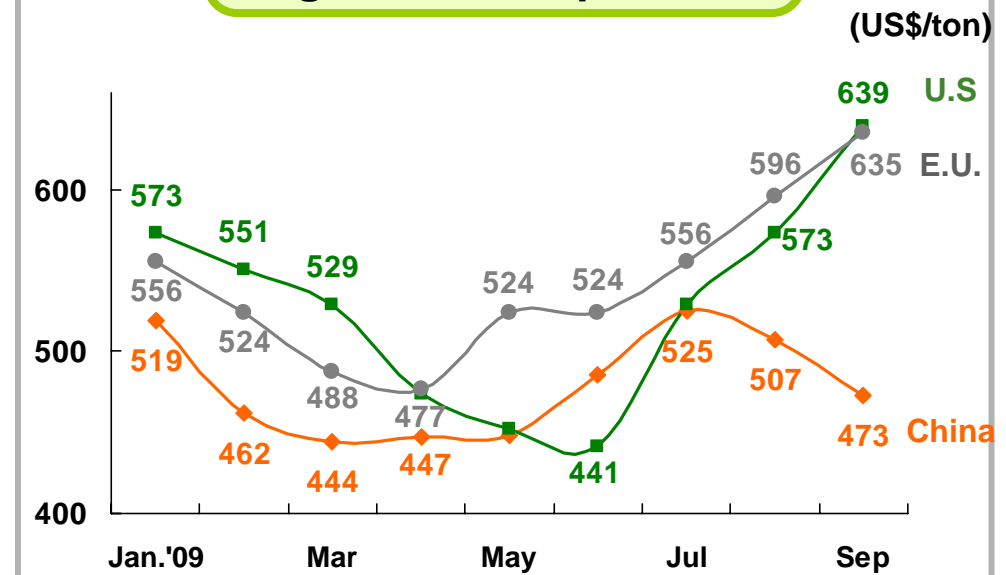
- While developed countries show uptrend, **China show price adjustment**
 - US/EU price continue rising for last 4months, exceeding price in China

Global Crude Steel Production



*Source : worldsteel (Sept.'09)

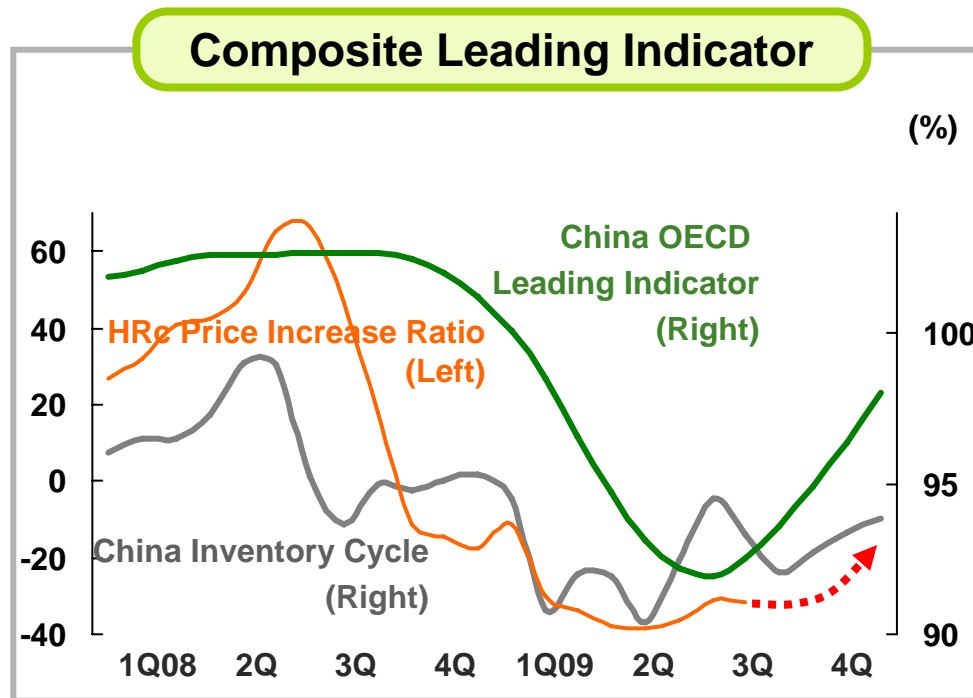
Regional HRc Spot Price



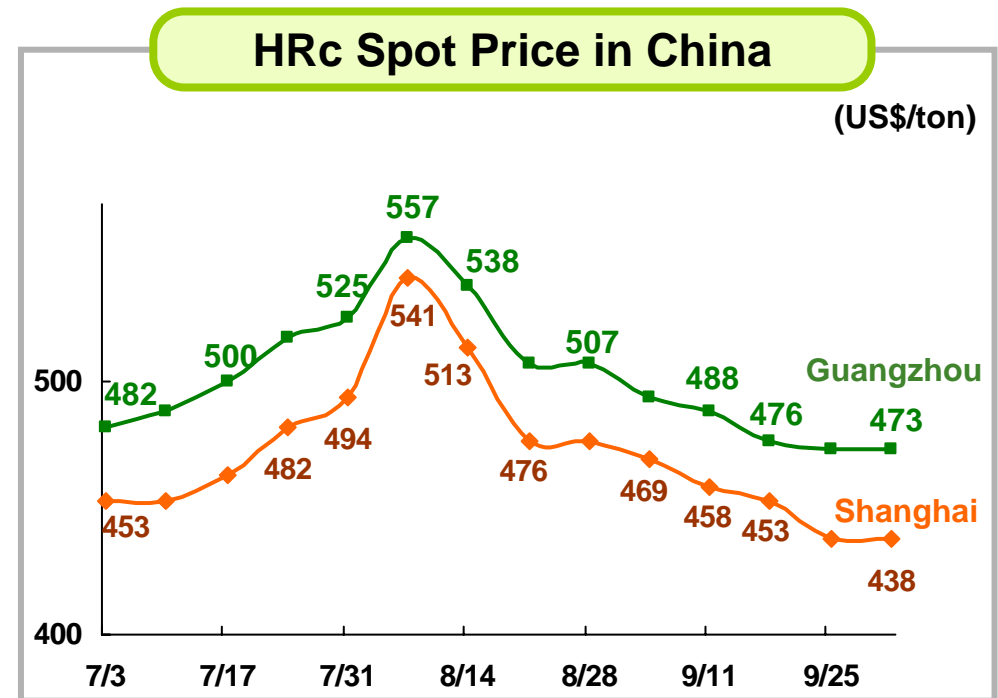
*Source : CRU, mysteel (Sept.'09)

China Steel Market

- **Price adjustment due to high inventory but further price decline limited**
 - Drop in spot price slows down in September after sharp decline in August
 - High raw material spot price limits further decline
- **Strong demand to continue in 2H with stimulus package effect**
 - Consuming industry to keep grow w/ fixed asset investment & demand stimulus plan
 - Expect price recovery after 4Q as industry leading indicator show positive signs



*Source : mysteel, OECD (Sept.'09)



*Source : mysteel (Sept.'09)

Global Steel Market Outlook

■ Visible recovery expected from '10 in key industries & global economy

- Developed countries turned positive growth while emerging mkt. show solid growth

GDP Growth (QoQ)

	'09.1Q	2Q	3Q	4Q	'10.1Q	2Q	3Q	4Q
U.S	-3.3	-3.9	-2.4	-0.4	1.7	2.4	2.0	2.1
China	6.1	7.9	8.5	9.3	10.0	10.5	10.0	9.9

(%)

* Source : Global Insight (Sept.'09)

■ Less-than-expected decline of '09 demand, '10 to recover to '08 level

- Visible recovery from '10 mainly from key industries in developed countries
- Demand growth to continue in emerging countries (China, India, etc.)

Global Steel Demand Outlook

	2008	2009	2010	YoY
Developed Mkt.	355	235	270	15%
BRIC	553	626	663	6%
Emerging Mkt.	115	104	114	10%
World	1,207	1,107	1,206	9%

(in million tons)

* Source : worldsteel (Oct.'09, Developed: US·EU·Japan, Developing: M.E.·Africa·ASEAN6)

Domestic Steel Market Outlook

- **'10 steel demand to increase by 16% as consuming industry improve**
 - Expect less export & more import despite higher flat product (HR, Plate, etc) prod'n

Domestic Supply & Demand Outlook

(in thousand tons)	2008	2009		2010			YoY
		2H		1H	2H		
Domesitc	58,571	26,109	46,107	25,079	28,272	53,350	15.7%
Export	20,787	10,568	20,192	9,747	9,687	19,434	-3.8%
Production	64,357	30,007	55,444	29,377	31,865	61,242	10.5%
Import	15,001	6,670	10,855	5,449	6,094	11,542	6.3%
Includes Semi-products	29,653	11,102	19,652	10,273	10,583	20,856	6.1%

* Source : POSRI(Sept.'09)

Domestic Consuming Industry Outlook

Auto

- Gradual recovery w/ stimulus plan in domestic mkt & global economy recovery
 - Auto production(in thousands units): 1,761(2H'09) → 1,570(1H'10) → 1,810(2H'10)

Ship-building

- Despite long backlog, production to drop with delivery delay & cancellation
 - Shipbuilding(in million GT) : 15.2(2H'09) → 14.5(1H'10) → 14.6(2H'10)

Con-struction

- Maintain solid growth with continued SOC investment thorough 2H
 - Construction(in trillion KRW) : 87(2H'09) → 78(1H'10) → 90(2H'10)

Iron Ore

- **BHP & some mills adopt new price sys.**
 - Large Asian mills prefer benchmark price
- **Spot price rise as industry recovers**
 - Spot (FOB) : U\$57 (May.'09) → U\$72 (Oct.'09)
 - * FY09 Benchmark price: U\$62/ton (Fe 63.5%)
- **Tight supply with growing demand**
 - FY10(f): UBS, GS+20%, CRU+12% (Sept.'09)

Iron Ore Outlook

(in million tons)

	2008	2009	2010	2011	2012
Demand (a)	848	885	1,018	1,130	1,222
China	438	602	655	743	816
Supply (b)	928	888	966	1,040	1,103
(b) - (a)	80	3	△52	△90	△119

* Source : Macquarie Research (Sept.'09, Seaborne Trade)

Coal

- **Rising price with demand recovery**
 - Spot : \$115/t (Feb.'09) → \$160~175/t (Sept.'09)
 - * FY09 Benchmark price: \$129/ton
 - Sharp increase of demand in China
 - Import : 3.0mt ('08) → 29mt ('09F)
- **Tight supply expected until ~ '12**
 - Import to China & infrastructure expansion in Australia to play key role
 - FY10(f)(Sept.'09) : GS +39%, Citi +55%

Coal Outlook

(in million tons)

	2008	2009	2010	2011	2012
Demand (a)	223	206	225	246	261
China	3	29	20	26	29
Supply (b)	223	203	225	243	258
(b) - (a)	-	△3	-	△2	△3

* Source : Macquarie Research (Sept.'09, Seaborne Trade)

Stainless Steel Market

Market Trend

• Overseas

- China:
Weak price & demand as distributors liquidate inventory in concern of monetary contraction
- Europe:
Mills remain 80~90% utilization w/ growing order

• Domestic

- Recovery mainly from auto & appliance sector
- Order delays due to declining Ni price & China STS market condition

☞ Demand to show seasonal recovery in 4Q

Nickel & Chrome

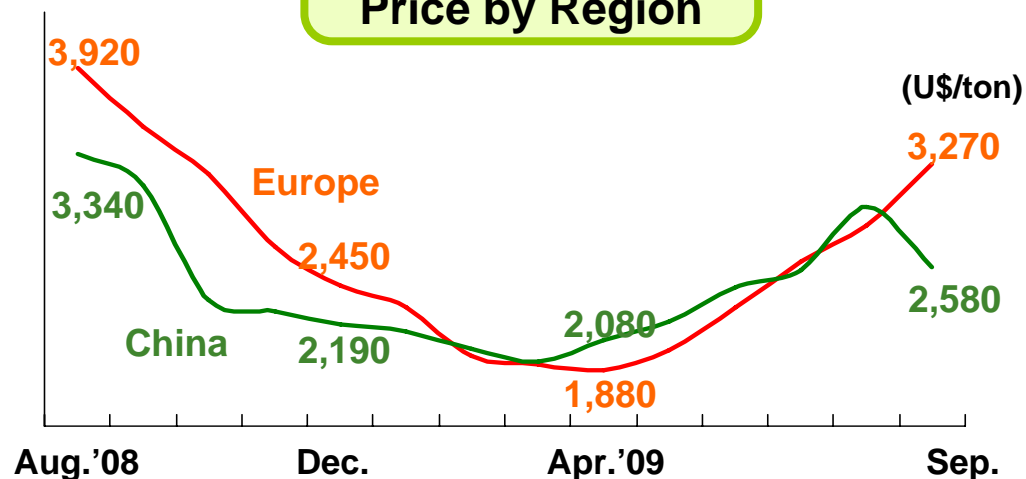
• Nickel

- Upturn until August due to improving economy & rising STS prod'n, but **currently under correction**
- ☞ Expect floor price at U\$17K/t during 4Q due to growing demand with economy recovery

• Chrome

- Spot price fell as oversupply concern rise with STA mills cutting production
- ☞ Further drop limited with higher production cost

Price by Region



Global S/D Forecast

(in thousand tons)

		2008	2009	2010	2011
Ni.	Demand(a)	1,284	1,218	1,285	1,400
	Supply(b)	1,372	1,227	1,304	1,425
	(b) - (a)	88	9	19	25
Cr.	Demand(a)	6,727	6,588	7,421	8,569
	Supply(b)	7,267	5,945	7,973	8,968
	(b) - (a)	547	△644	552	399

* Source : Macquarie (Jul.'09), CRU(Aug.'09)

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- 3Q '09 Operating Performance
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 - ▶ **2009 Business Plan**

2009 Business Plan

- **30mt** of crude steel production, **3tn KRW** of operating income

(in million tons, tn KRW)

	2008	2009	4Q
• Crude Steel Production	33.1	29.5	8.4
- Consolidated	34.7	31.0	8.7
• Finished Product Sales	31.2	28.3	7.8
• Revenue	30.6	27.1	7.4
- Consolidated	41.7	38.0	10.9
• Operating Income	6.5	3.2	1.7
- Consolidated	7.2	3.8	1.7
• Investment	4.9	7.3*	4.2

* Investment: CAPEX (KRW 4.5tn), Overseas/Raw Material (1.0tn), Energy/NewBusiness (150bn), Growth (1.6tn)

The data above represents company's internal objects,
thus should not be used as a basis for investment decisions

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