

posco

***2010
CEO Forum
January 14th 2010***





► 2009 Operating Results

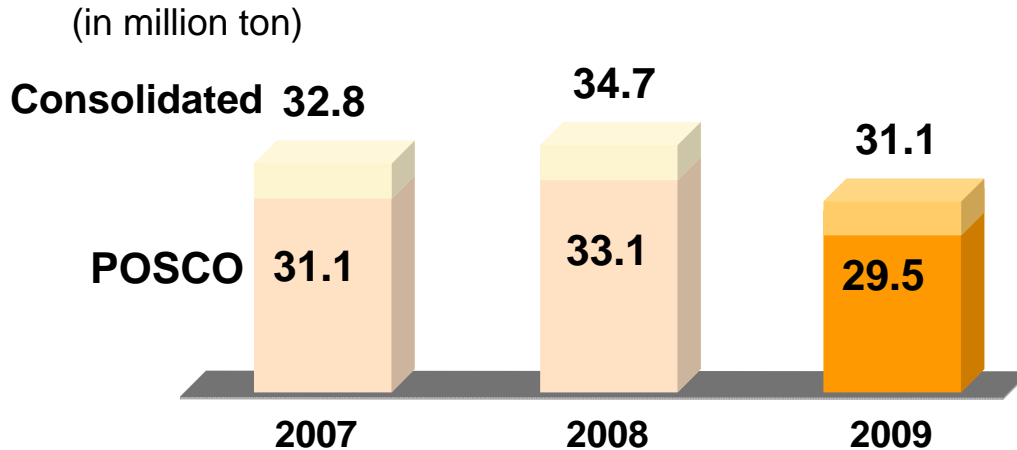
- Activities & Accomplishments
- 2010 Business Plan

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

■ Production & sales down due to weak global steel market

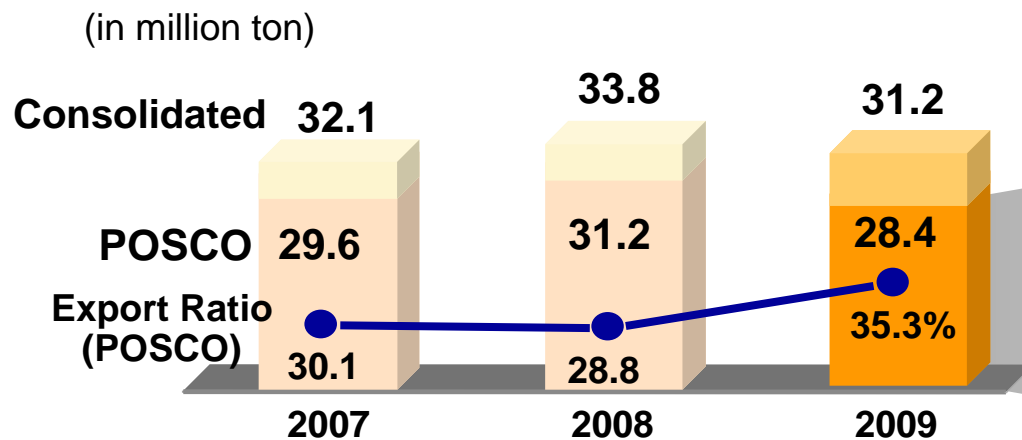
< Crude Steel Production >



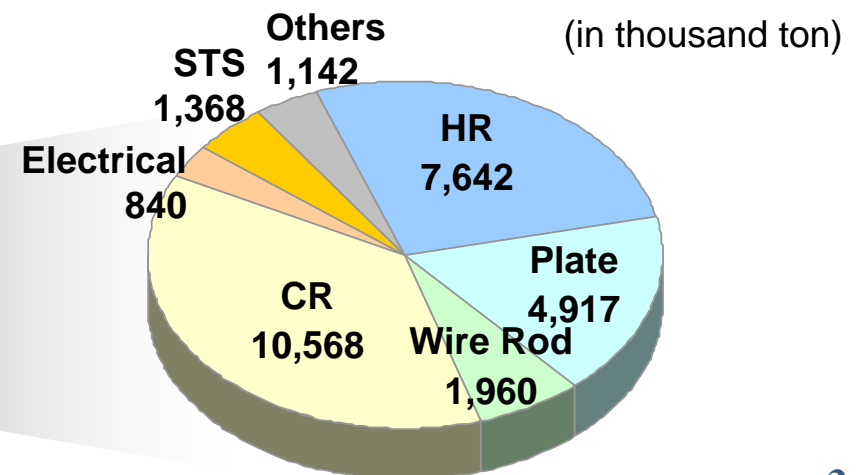
(in thousand ton)

	2007	2008	2009
POSCO	31,063	33,136	29,530
Zhangjiagang STS	780	658	747
POSCO SS	936	874	773

< Finished Product Sales >

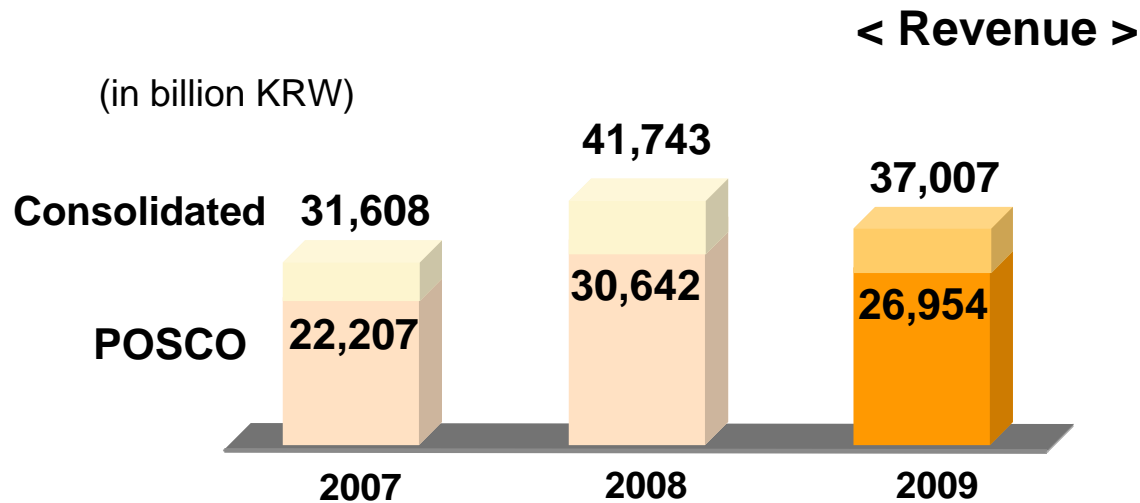


'09 Sales by Products



Income Summary

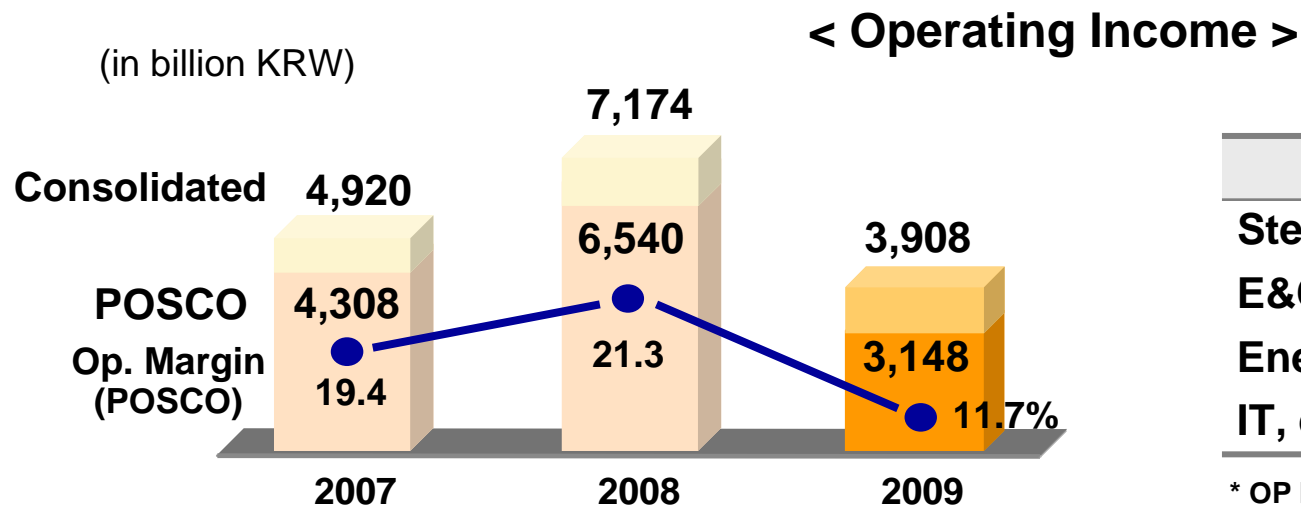
■ Revenue & earnings down as sales price dropped



(in billion KRW)

	2007	2008	2009
Steel	34,715	46,470	40,901
E&C	3,915	5,567	7,781
Energy	567	744	513
IT, etc.	523	602	600

* Sales by sectors : includes inter-company transactions



(in billion KRW)

	2007	2008	2009
Steel	4,653	7,085	3,411
E&C	301	300	346
Energy	58	62	81
IT, etc.	17	25	35

* OP by sectors : includes inter-company transactions

POSCO Quarterly Income

- Operation improved in 2H w/ mkt. recovery, low RM cost, cost cut

< Production & Sales >

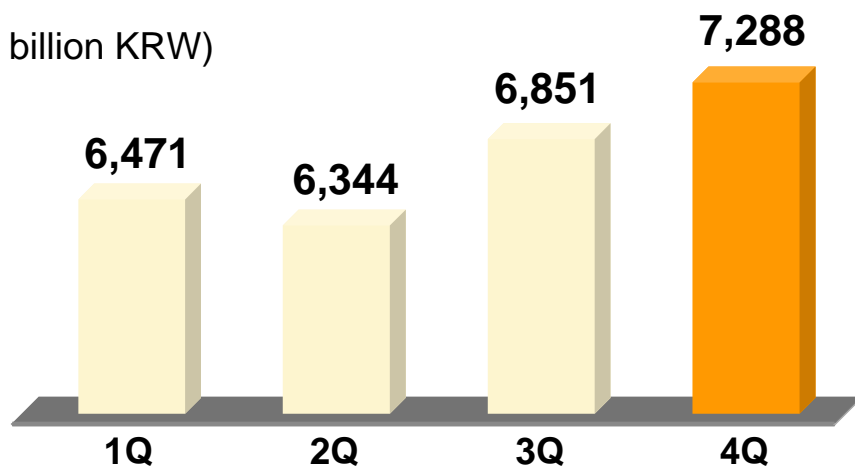
(in thousand ton)

		1Q	2Q	3Q	4Q
Utilization Ratio		75%	85%	92%	100%
Crude Steel Production	Carbon	5,887	6,805	7,438	7,927
	STS	258	327	442	446
Product Sales	Carbon	5,714	6,704	7,112	7,539
	STS	241	308	413	406

* Gwangyang #4 BF revamping (Feb. ~ Jul.'09), High-mill rationalization (Oct.'08 ~ Apr.'09)

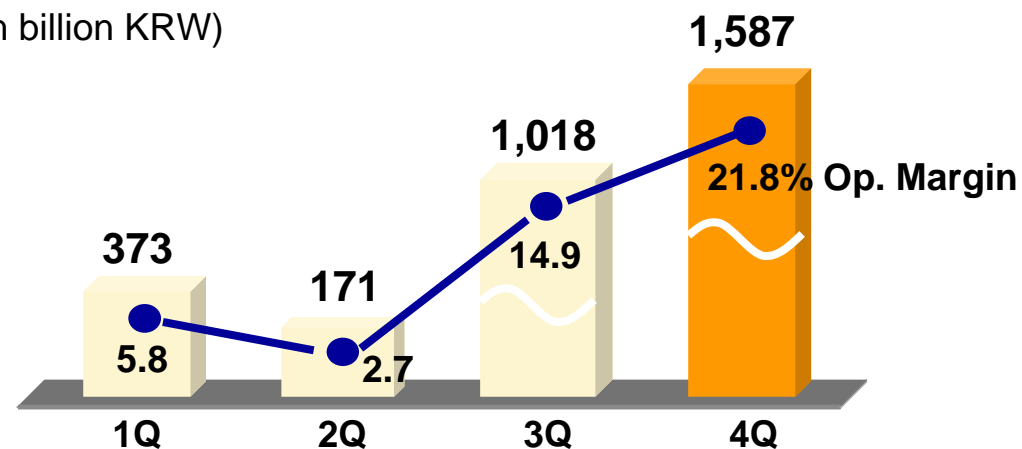
< Revenue >

(in billion KRW)



< Operating Income >

(in billion KRW)



☞ 2009 Cost Savings : 1,359.5 bn KRW

Summarized Statement of Income (POSCO)

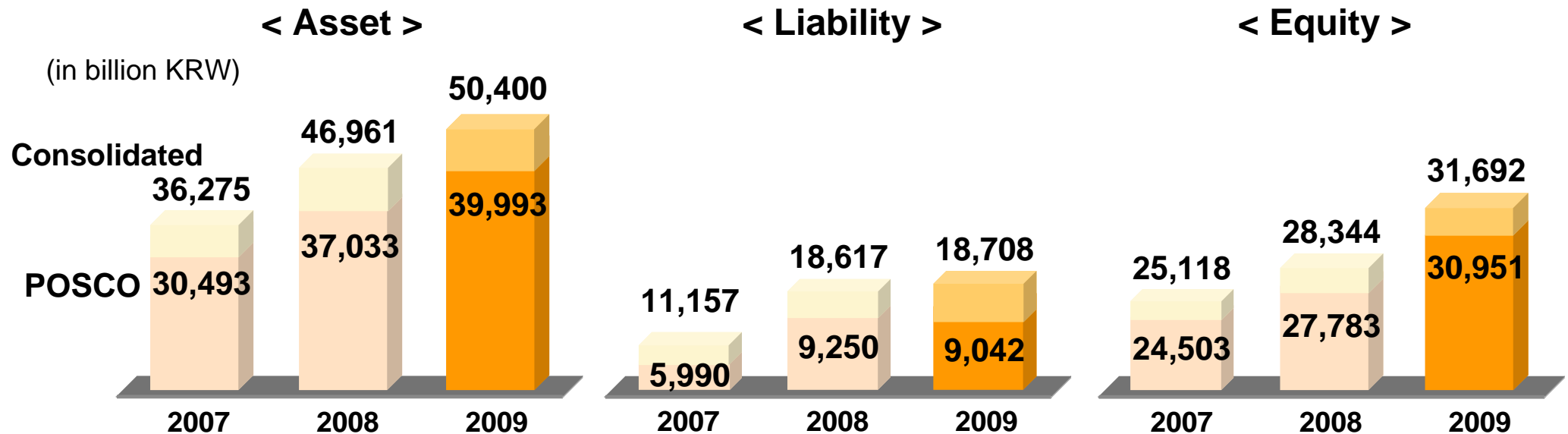
(in billion KRW)

	2007	2008	2009	YoY(%)
Revenue	22,207	30,642	26,954	△12.0
Gross income	5,601	7,935	4,380	△44.8
(Gross margin)	(25.2%)	(25.9%)	(16.2%)	-
S G & A	1,292	1,395	1,232	△11.7
Operating income	4,308	6,540	3,148	△51.9
(OP margin)	(19.4%)	(21.3%)	(11.7%)	-
Non-op income (expense)	484	△711	435	-
Interest income	23	48	△80	-
Dividend income	59	95	60	△36.8
Equity method gains	573	△23	350	-
FX related gain	△64	△783	334	-
Net income	3,679	4,447	3,172	△28.7
(Profit margin)	(16.6%)	(14.5%)	(11.8%)	-

Financial Structure

- Consolidated asset grew to 50 trillion KRW

- Investment grew & earnings solid / leverage reflects healthy financials



(in billion KRW)

	Asset			Liability			Equity		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Steel	37,417	47,168	50,802	9,458	14,923	14,959	27,959	32,245	35,843
E&C	3,434	6,558	6,143	1,867	4,524	3,966	1,567	2,034	2,177
Energy	1,007	1,181	1,749	484	628	1,112	523	553	637
It, etc.	796	1,296	1,284	330	724	763	466	572	521

* Includes inter-company transactions

Summarized Statement of Financial Position (POSCO)

(in billion KRW)

	2007	2008	2009	YoY(%)
Current assets	8,768	13,693	12,918	△5.7
Cash equivalent assets*	3,566	3,722	6,754	81.5
Notes receivable	1,895	3,229	2,684	△16.9
Inventory	3,221	6,416	2,996	△53.3
Long-term assets	21,725	23,340	27,075	16.0
Investment securities	8,165	8,633	10,213	18.3
Fixed assets	13,202	14,466	16,646	15.1
Total assets	30,493	37,033	39,993	8.0
Liabilities	5,990	9,250	9,042	△2.2
Current liabilities	2,812	4,283	2,686	△37.3
Long-term liabilities	3,178	4,967	6,356	28.0
(Interest bearing debt)	(2,754)	(5,129)	(6,113)	19.2
Equity	24,503	27,783	30,951	11.4
Total liability & equity	30,493	37,033	39,993	8.0

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

- 2009 Operating Results

- ▶ **Activities & Accomplishments**

- 2010 Business Plan

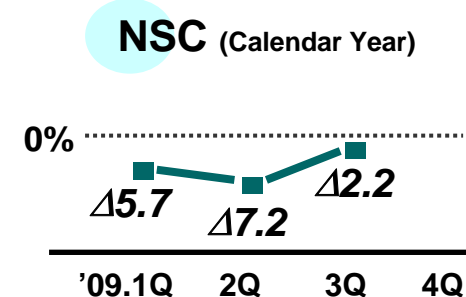
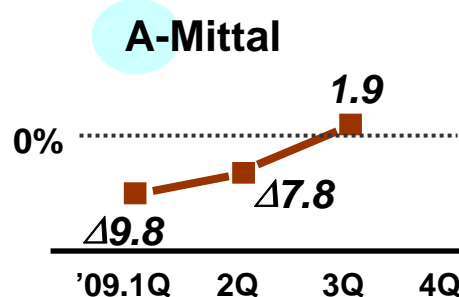
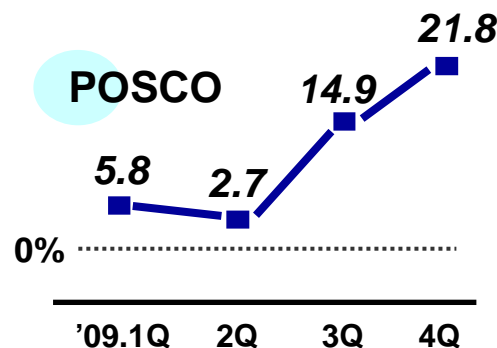


POSCO Key Activities

■ Overcome crisis through contingency plan management

- **Synchronize processes & shorten business planning cycle (Qtr. → Month)**
 - Strengthened cooperation throughout value chain : RM · Production · Sales · Finance
- **Achieve historic-high cost savings**
 - '09 Result : 1,359.5 billion KRW (+41.9% of initial target)
- **Expand market base through strengthening marketing activities**
 - Increased domestic market share (carbon steel) : 44% ('08) → 47 ('09)
 - Increased export ratio: 29% ('08) → 35 ('09)

< Operating Income of Major Steel Mills > (%)



👉 **Quickest recovery among global peers**

■ Invest in domestic capacity & high-end product

• Expand domestic production capacity

- G) #4BF revamping (Feb.18th ~ Jul.21st) & related facilities rationalization
 - Increased production (3.1 → 4.2Mt) with expanded capacity (3,800 → 5,500m³)
 - #1 CCL, #1 HR, #2 CR
- P) New Steelmaking Plant rationalization (~ Sept.'10, Progress 66%) : Capacity 4.65Mt/yr, +1.55Mt
- G) New Steelmaking · Plate plant (~ Jul.'10, Progress 76%) : Capacity increase +2Mt/yr

• Enhance premium product competency

- Electrical steel expansion & renovation : GO capacity (170→250Kt/yr)
- High-mill rationalization & CEM process development
- Acquisition of Taihan ST, focusing on high-value-added STS product
 - Taihan ST capacity : STS CR 180Kt/yr, precision rolling 25Kt/yr, distribution 40Kt/yr
- Foundation of POS-HiMETAL to increase Fe-Mn self-sufficiency

■ Expand overseas investment for growth

• Overseas integrated steel mill projects

- India central government approved on forest diversion of plant site in Orissa (2,900acre)
- MOA Signed to build integrated steel mill in Indonesia : 1st stage of 3Mt/yr (~'13), total 6Mt

• Downstream facility in Asia & America

- Vietnam CR Mill completed : 1.2Mt/yr
- Mexico CGL completed : 400Kt/yr
- U.S API Pipe Plant completed : 270Kt/yr
- Vietnam ASC (Asia Stainless Corporation) acquired : STS CR 30Kt/yr
- Global SCM base expanded : China, S.E.A(2), Japan(2), India, Mexico ('09/E Total 42)

• Raw material mine development investment

- Participated in Australian mine development, Roy Hill (1st 3.75% equity, total 15% planned)
- Acquired 16.7% equity in Jupiter Mines (Australian iron-ore development company)
- Plan of acquiring 7.8% stake in Mozambique coal mine development project, Revuboe

■ **Promote green business & set foundation for new growth**

• **Foundation of 'Green Growth Committee' & establish master plan**

- Invest 7 trillion KRW in green growth business until '18
 - Develop low-carbon steelmaking technology & renewable energy business

• **Environment-friendly green growth business**

- Constructed RHF to recycle byproducts (dust, sludge) into HBI, DRI
- Invested in waste (sewage sludge, household waste, etc.) recycle · power generating business
- Construct 500Kt SNG (Synthetic Natural Gas) plant in Gwangyang Works by '13
- PRT (Personal Rapid Transit) business in Suncheon city & Suncheon bay district

• **New material business investment**

- J/V to build Titanium Slab plant in Kazakhstan ('10 ~ '13)
- MOU signed to build Magnesium smelting plant (~'10, 10Kt/yr)

2009 Total Investment : 4.9 trillion KRW

(in billion KRW)

Category	Investment	Major Activities
Capacity expansion, high-end product competency	2,518	P) New steelmaking, G) Plate plant, G) #5 Sinter / #5 Cokes plant, etc.
Maintenance, cost savings, reduce environment impact	1,674	G) #4 BF revamping, G) #1 HR facility renovation, etc.
Overseas steel	280	India CGL, Vietnam ASC acquisition, Global SCM bases, etc.
Energy, new business	390	LNG Terminal, SNG business, etc.

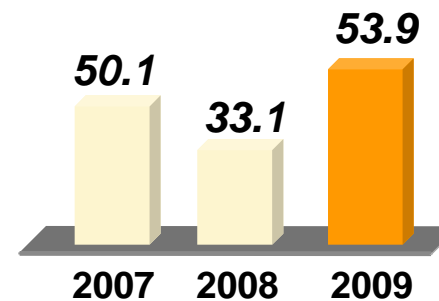
Share Price / Dividend

■ POSCO outperform KOSPI & peers, recoup market cap. of 50tn

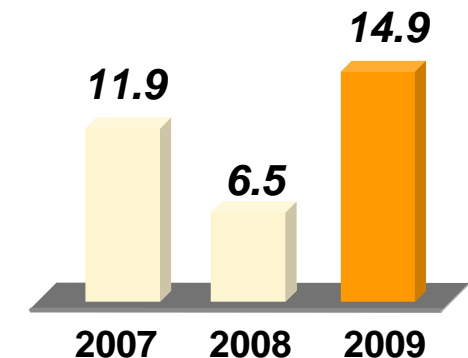
< Share Price Comparison >

	'08.12/E	'09.12/E	YoY
POSCO (Won)	380,000	618,000	+62.6%
KOSPI	1,124.47	1,682.77	+49.7%
A-Mittal (\$)	24.59	45.75	+86.1%
U S S (\$)	37.20	55.12	+48.2%
N S C (¥)	290	375	+29.3%

< Market Capital >



< P E R >



■ '09 Dividend Plan

- 8,000 KRW/share (includes interim dividend of 1,500 won)

- Payout Ratio : 19.4%, Dividend Yield: 1.29% ('09/E share price base)

< Dividend History >

	2002	2003	2004	2005	2006	2007	2008	2009
Dividend (Won)	3,500	6,000	8,000	8,000	8,000	10,000	10,000	8,000
(Interim)	(500)	(1,000)	(1,500)	(2,000)	(2,000)	(2,500)	(2,500)	(1,500)

Subsidiaries' Key Activities

Steel

- **POSCO SS expanded sales of import-substitutable carbon-alloy steel**
 - Order increased by 150Kt : wire-rod 115, beam 10, billet 25
- **POSCO C&C developed high-function - high VA products (12 in '09)**
 - Commercialized AL-ST5409L used for auto exhausts

E&C

- **Achieved sales revenue of 6.7tn & diversified overseas business**
 - Domestic: "Naengjung~Busan" highway extension, Songdo art-cultural complex, etc.
 - Overseas: Vietnam highways, S.America power plants market*
- (POSCO E&C)
- * Peru Kallpa, Chile Santa-Maria power generation plant

Energy

- **Construct Incheon LNG#5,6(1,200MW) & G) By-product recycling#1,2(300MW)**
 - **Accelerate fuel-cell business (U.S FCE agreed to transfer Stack technology)**
- (POSCO Power)

IT

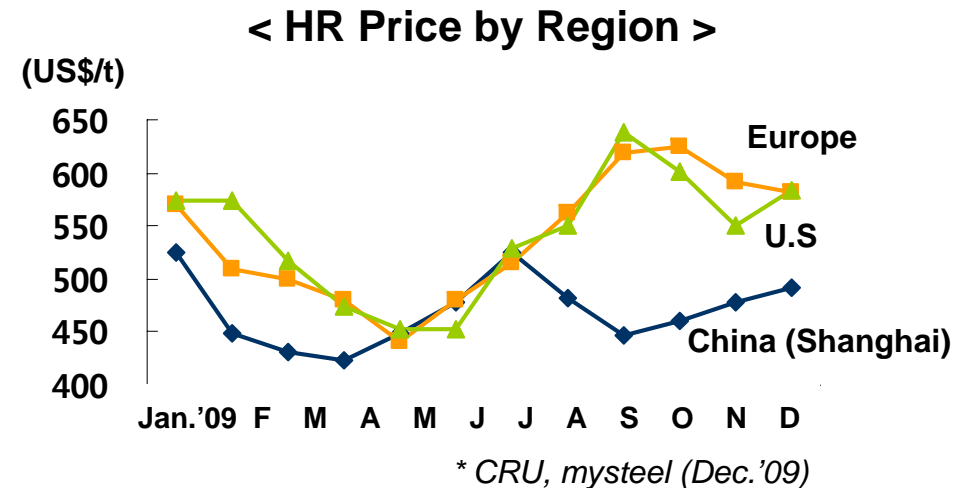
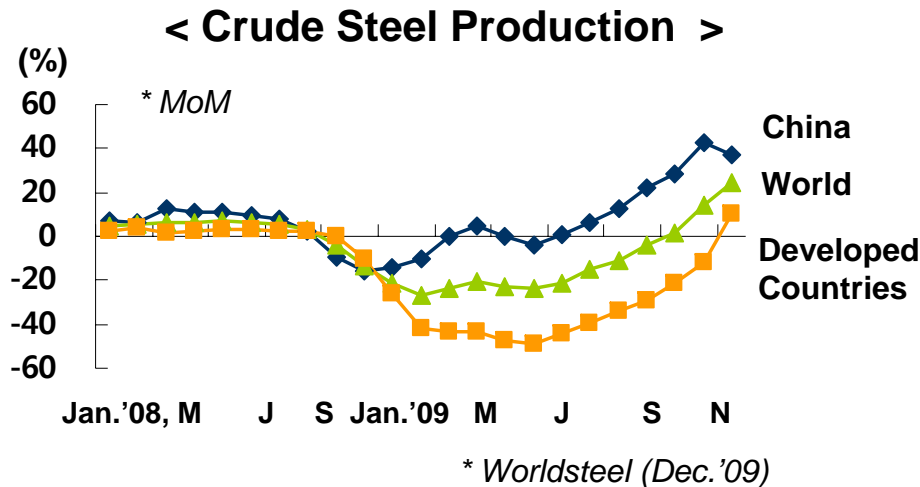
- **Merge with POSCON (POSCO ICT foundation on Jan. 22, '10)**
 - **Focus on IT business (railway system, construction IT, U-Eco City, etc.)**
- (POSDATA)

- 2009 Operating Results
- Activities & Accomplishments
- ▶ 2010 Business Plan

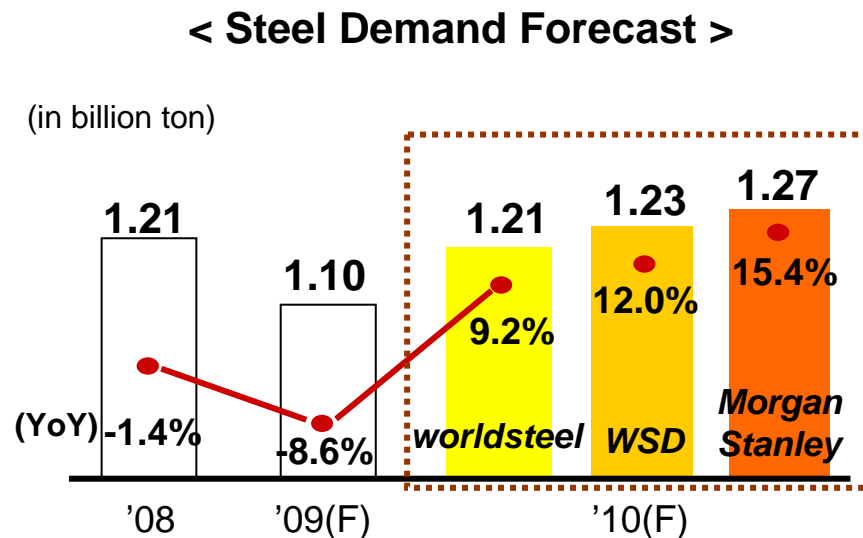


Global Steel Market Trend & Outlook

- Production & price recover in expectation of economy improvement



- Demand to grow 10% due to restocking & market recovery



< Steel Demand by Country >

(in million ton)

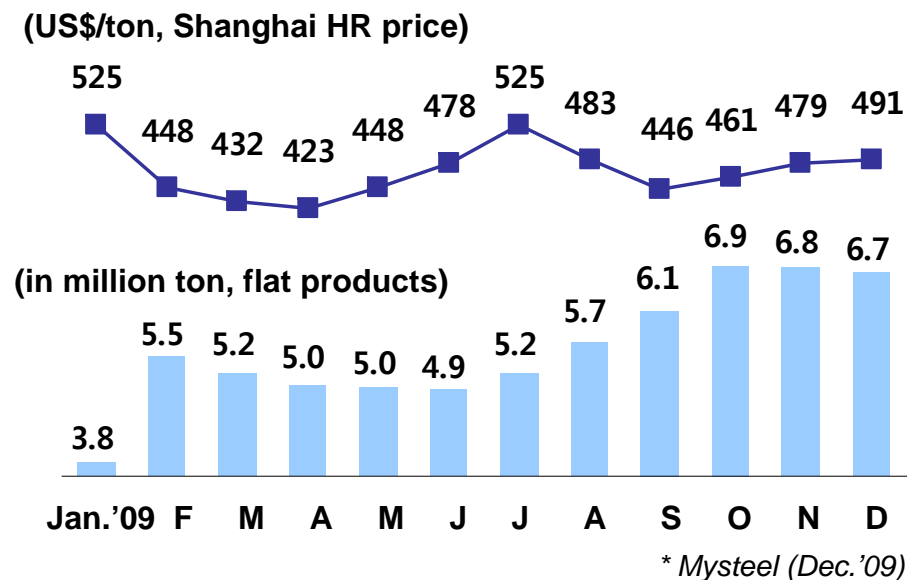
	2008	2009	2010	YoY
U.S	110	68	88	+30%
EU	144	96	107	+12%
Japan	76	53	61	+16%
China	461	550	576	+5%
India	51	56	63	+12%

* Worldsteel (Oct.'09), WSD (Dec.'09)

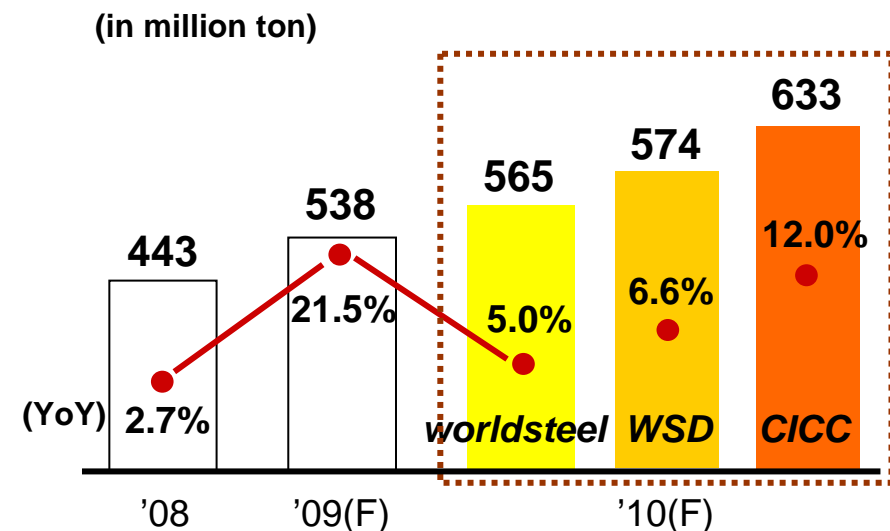
China Steel Market Outlook

- **Price in recovery with strong RM price, low inventory & solid demand**
 - Soft uptrend in spot price after major mills announce higher price
 - Raw material spot price strong since '09.4Q
- **Demand to grow again in '10 due to favorable market condition**
 - Consumption to rise above 5% led by 9% economic growth & firm demand
 - Expect price rise due to fast demand recovery after '10.2Q

< China Spot Price & Inventory Trend >



< China Steel Demand Forecast >



Domestic Steel Market Outlook

■ Steel consumption to grow 13% due to demand industry recovery

< Domestic Consuming Industry Outlook >

Auto

- **Improve as economy recover & new model introduced**

- Auto production (in thousand unit) : 3,472 ('09) → 3,683 ('10)

Ship-building

- **Decrease in shipbuilding volume as orders decline**

- Shipbuilding (in million GT) : 29.4 ('09) → 23.9 ('10)

Construction

- **Stable uptrend with large SOC investments**

- Investment (in trillion won) : 160 ('09) → 165 ('10)

* POSRI(Dec.'09)

■ Supply to increase as steelmakers start new facilities

< Domestic Supply & Demand Outlook >

(in thousand ton)

	2008	2009	1H	2H	2010	YoY
Demand	58,571	44,302	23,912	26,255	50,168	13.2%
Export	20,787	20,208	9,920	10,995	20,914	3.5%
Production	64,357	55,727	29,439	32,914	62,353	11.9%
Import	15,001	8,782	4,393	4,336	8,729	-0.6%
Incl. semi-product	28,941	18,680	8,783	9,044	17,827	-4.6%

* POSRI(Dec.'09)

Raw Material Market Outlook

■ Strong spot price to continue due to tight supply & demand

Iron Ore

- **Demand increase with economic recovery**

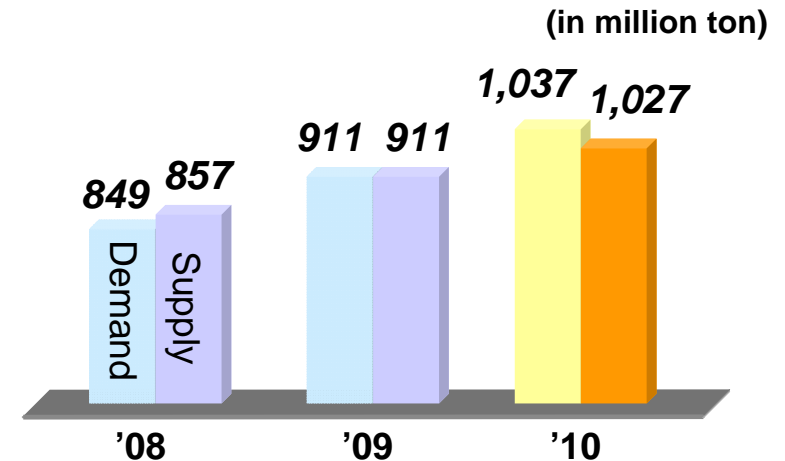
- Chinese import (MT) : 444 ('08) → 618 ('09F)

- Spot price (US\$/t, Fines/CFR, Metal Bulletine)

Jan.'09 Mar. Jun. Sept. Jan.'10
81 → 64 → 82 → 89 → 130

- **Expect concentrated market in supply from J/V by BHPB & RioTinto in W.Australia**

< Iron Ore Supply & Demand >



Coal

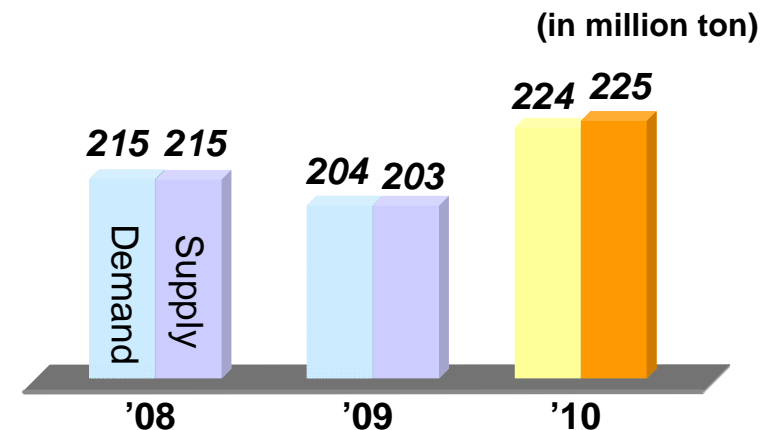
- **Sharp rise in Chinese import & growing consumption of major mills**

- Chinese import (MT) : 6.8 ('08) → 33 ('09F)

- Spot price (US\$/t) : 115 (Feb.'09) → 170~180 (Jan.'10)

- **Expect delay in price settlement as suppliers demand new pricing system (Yr. → Qtr.)**

< Coal Supply & Demand >



* Macquarie (Dec.'09, Seaborne Trade)

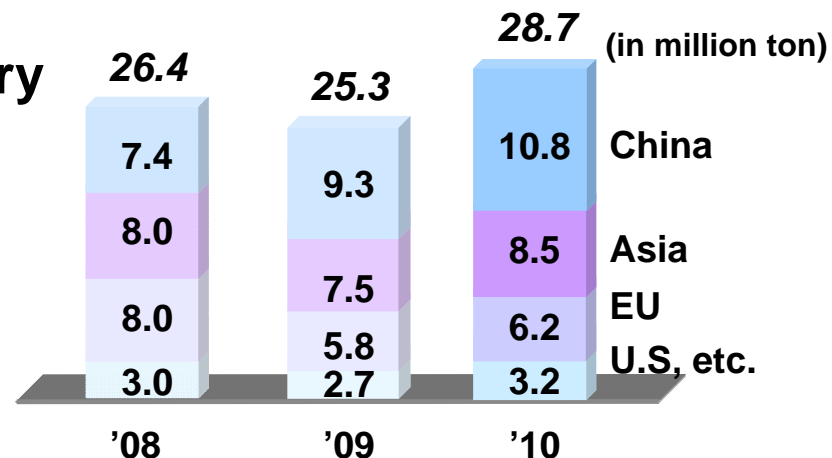
Stainless Steel Market Outlook

■ Expect demand recovery & steady Nickel price in '10.1H

STS

- **Strong price led by prod'n cut & low inventory**
 - Major mills cut production by 20 ~ 30%
 - Spot price in China rose by 12% after Nov.'09
- **Demand to grow due to restocking & economic recovery in '10**
 - Impact from strong Ni. price & inventory control

< STS Production by Region >

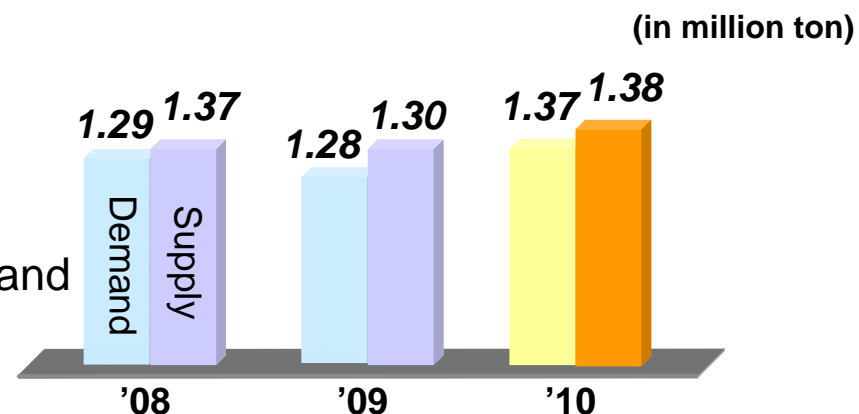


* Heinz H. Pariser

Nickel

- **Price rising since '09.2Q (U\$11K→16K→17K/t)**
 - Driven by economic recovery & restocking in China
- **'10 price to remain at U\$17K ~ 20K/t**
 - Accompanied by strong commodity mkt. & STS demand
 - High level of inventory limits sharp price hike

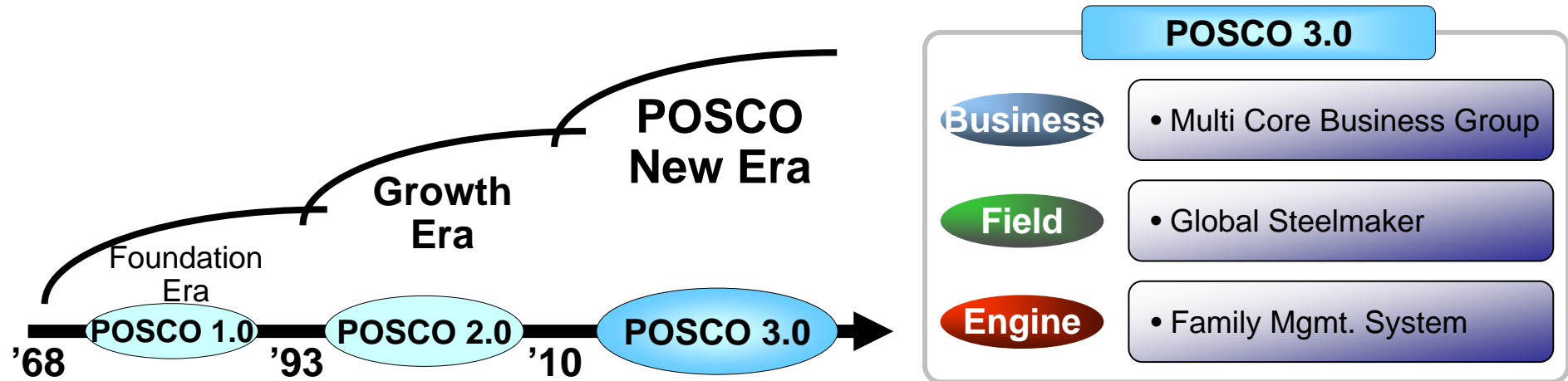
< Ni. Supply & Demand >



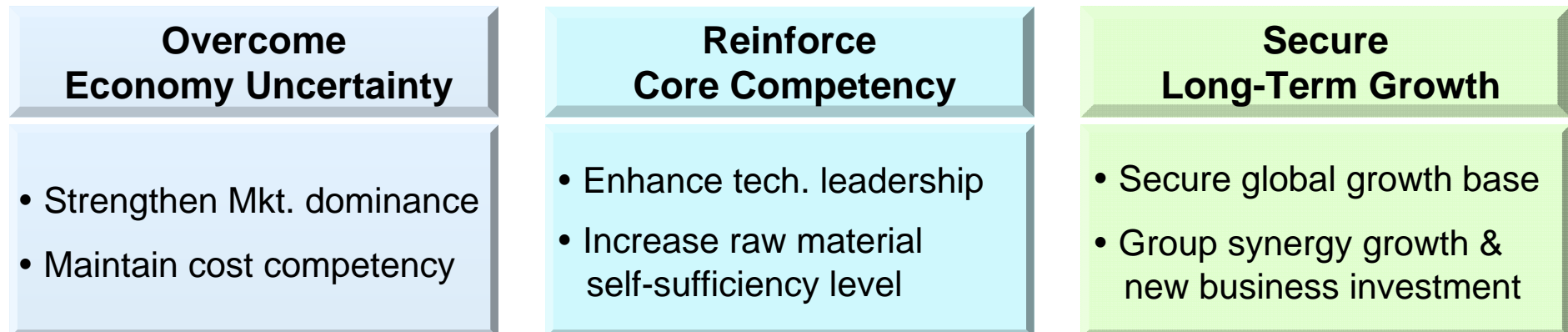
* Macquarie (Dec.'09)

2010 Business Plan

- Leap to 'POSCO 3.0' Era
focusing on core business, global growth, family management



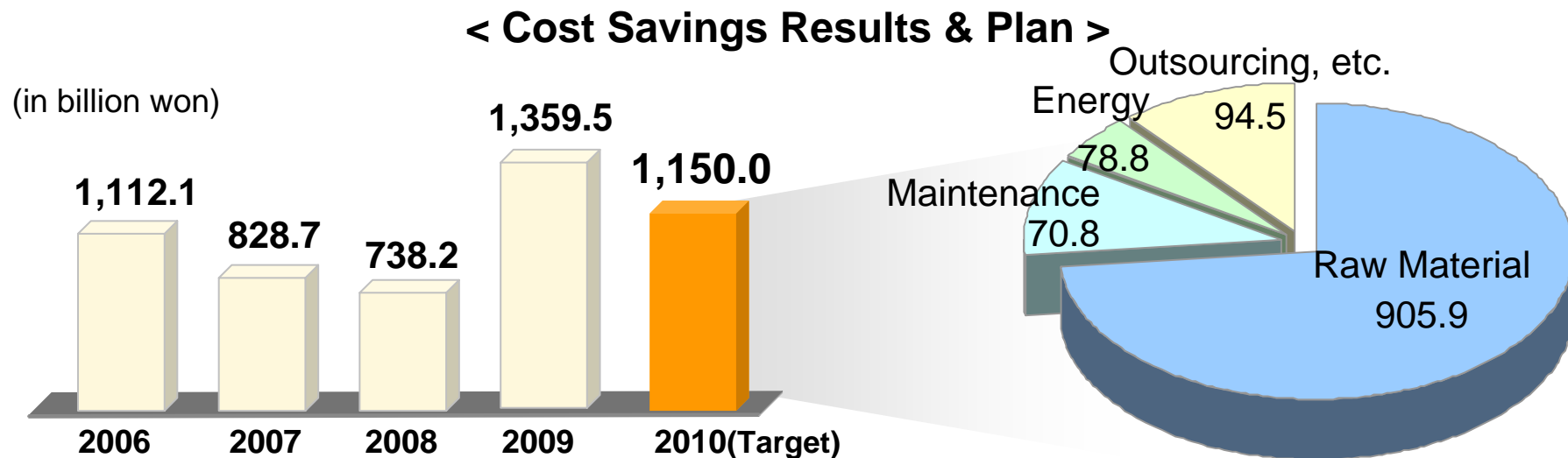
- Carrying out 'Survival Management' to defend long recession & 'Offensive Management' to seek opportunities in post-crisis



■ 32Mt sales vol. under full production & reinforced market dominance

- **34Mt crude steel production with operation of new - upgraded facilities**
 - P) #4 BF revamping (Jul.~Sept.) , New steelmaking (Sept.) , G) Plate-New steelmaking (Jul.)
- **Secure & expand domestic M/S by locking-in strategic customers**
 - 'POSCO Partner Program' : provide better service & import substitutable products, etc.
- **Strengthen global sales base by expanding marketing infrastructure**
 - Construct global SCM base : 42 ('09) → 48 ('10)

■ Continue cost reduction (Target : 1,150bn KRW)



- **R&D investment for technology leadership** (500bn, R&D ratio 1.7%)
 - **Expand World Best, World First product** : sales vol. 2.9Mt ('09) → 3.9 ('10)
 - **Develop low-cost-high-quality breakthrough tech.** : 141cases ('09) → 163 ('10)
 - * On-line maintenance technology of lower shaft in BF, reduce limestone use by 50% in furnace, etc.
 - **Bring FINEX technology into global projects**

- **Continue raw material investment** (Self-sufficiency 18% → 30%)
 - **Invest in early stage mine development & J/V with mid-size supplier**
 - Participate in new prospecting mine (Australia, Brazil, etc.) & enter emerging resource countries
 - **Capacity expansion investment in existing mine & increase off-take**
 - **STS raw material investment** : J/V with India IMFA (Fe-Cr, 35Kt/yr), etc.

■ **Accelerate investment in global growth projects**

- **Start construction of India integrated mill & secure mining license**
- **J/V in Indonesia to build integrated mill & begin groundbreaking**
- **Construct India CGL (Sept.'10 ~ May '12, 450Kt/yr)**

■ **Mutual growth within POSCO group & expand new business**

- **Establish POSCO family mgmt. system & strengthen mutual cooperation**
 - Foster strategic businesses : E&C, resource development, energy, ICT business, etc.
 - Strengthen mutual cooperation through family integrated information sharing-IT system
- **Expand investment in green business & new material**
 - Develop low-carbon steelmaking technology, explore renewable energy business, etc
 - Set foundation for comprehensive material business (Mg, Ti, Fe-Mn, Fe-Cr, etc.)

2010 Business Plan (Subsidiaries)

Steel

- **POSCO SS : Accelerate investments in new growth engine**
 - New steelmaking plant, rolling mill rationalization
- **POSCO C&C : Maximize profit by premium product development**
 - Expand new HVA product sales (AL-STC for autos, Metal PCB for IT, target 56Kt)

E&C

(POSCO E&C)

- **Enhance competitiveness & penetrate strategic overseas market**
 - Order amount : 9.6tn ('09) → 11.5 ('10 target)
 - Overseas steel plant: Venezuela STS 2tn, India VIRAJ STS 500bn KRW

Energy

(POSCO Power)

- **Earlier completion of power plant construction**
 - Incheon LNG (Nov.'11 → Jun.'11) & by-product recycle power plant (Nov.'10 → Sept.'10)
- **Construct fuel-cell stack plant & develop applied products**

IT

(POSDATA)

- **Establish group synergy business & strengthening IT leadership**
 - Expand engineering business & begin green business: smart grid, U-Eco city, etc.
 - Establish group business base through subsidiaries' IT system integration

2010 Business Plan (Financials)

(in million ton, trillion KRW)	2009	2010
• Crude Steel Production	29.5	34.4
- Consolidated	31.1	36.1
• Finished Product Sales	28.4	32.4
• Sales Revenue	27.0	29.5
- Consolidated	37.0	43.0
• Investment	4.9	9.3*

* Investment: CAPEX (5.0tn), Overseas Steel (1.0tn), Energy (300bn), Growth (3.0tn)

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

posco

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