

The 2nd Moscow Metals Summit

POSCO & Global Focus

June, 1st 2004

Chung-Myong Cho

- I. Company in Brief
- II. World Steel Environment
- III. Medium Term Strategy
- IV. Global Focus

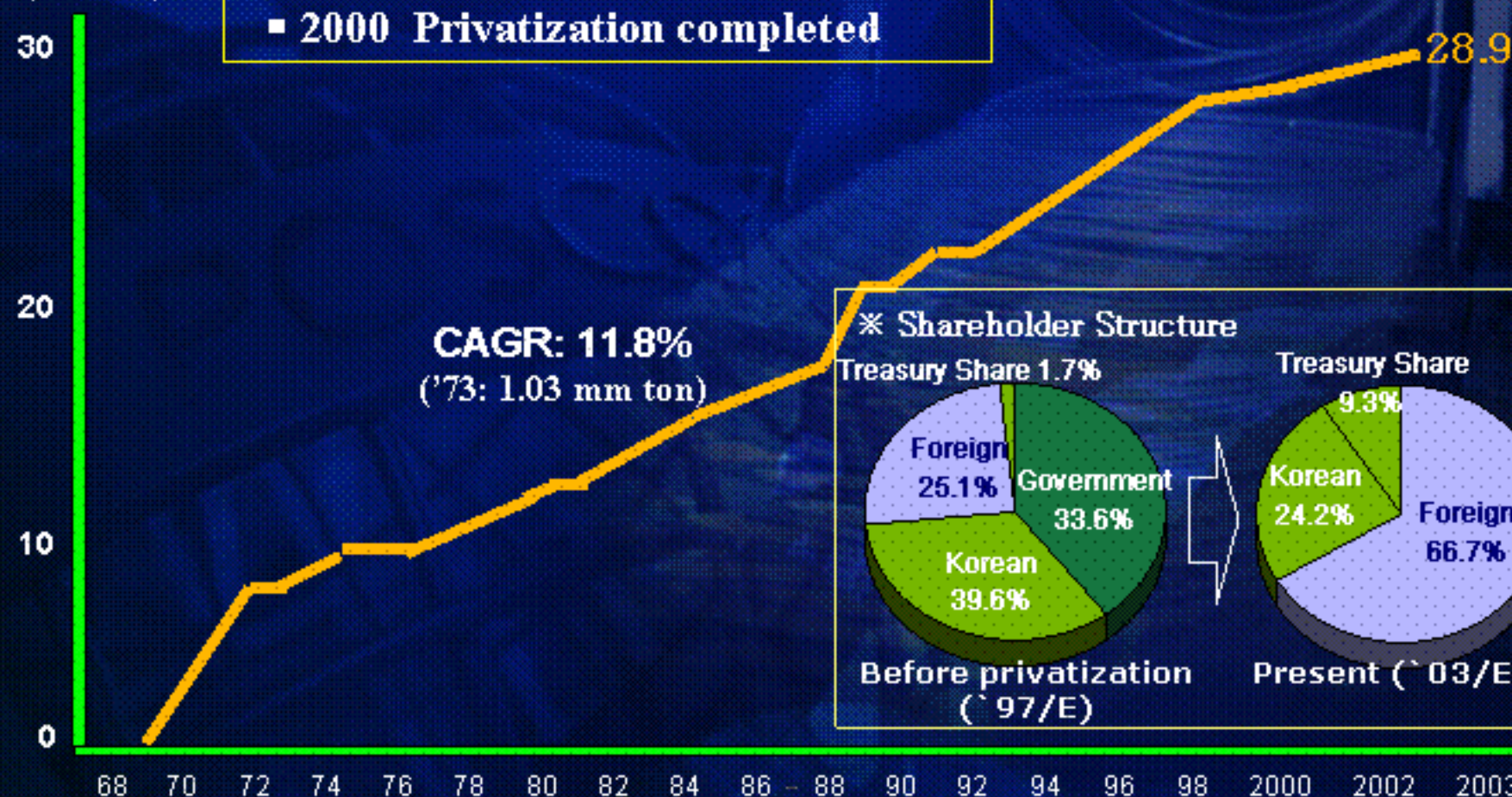
Section 1

Company in Brief

Company History

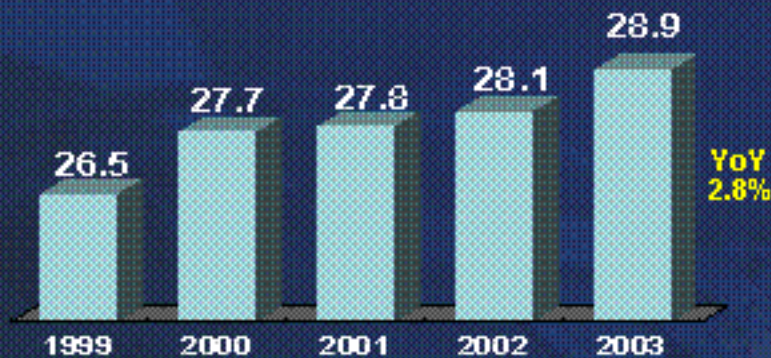
Crude Steel Production
(mm tons)

- 1988 listed on KSE
- 1994 listed on NYSE
- 1995 listed on LSE
- 2000 Privatization completed

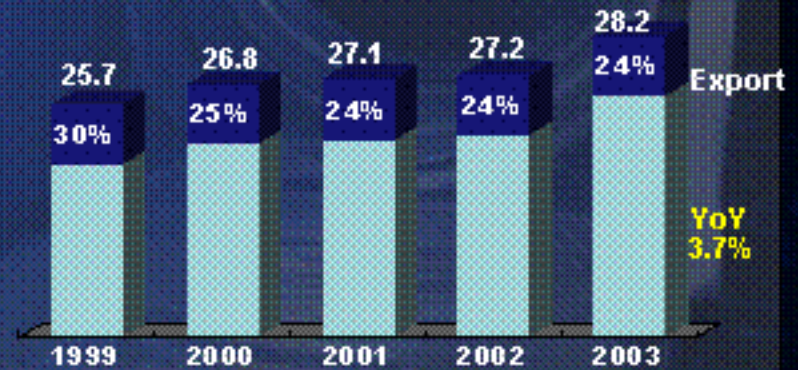


Consistent Operating Performance

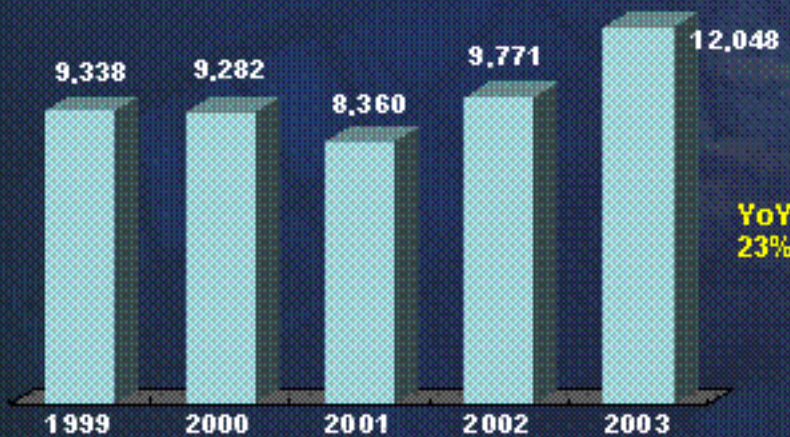
Crude Steel Production (mm ton)



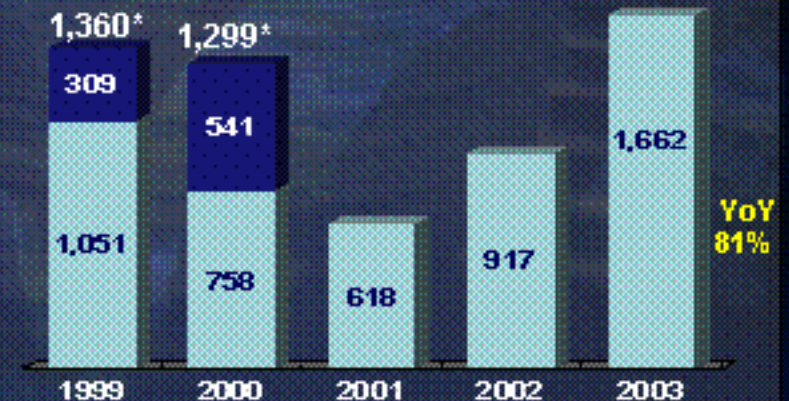
Sales Volume (mm ton)



Sales (US\$ Mn)



Net Income (US\$ Mn)

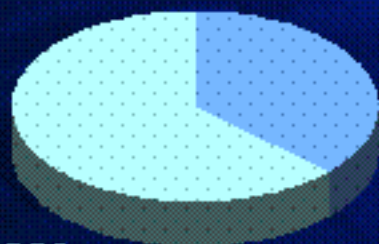


* Including extraordinary earnings from sale of Shinsegi Telecom

Market Leader in South Korea

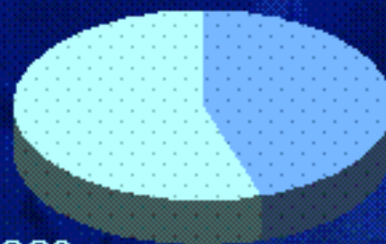
(Market Share, 2003)

Hot Rolled Products



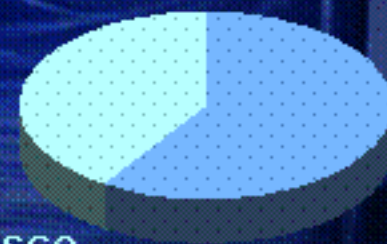
POSCO
63%

Cold Rolled Products



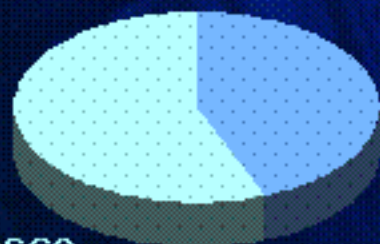
POSCO
55%

Plates



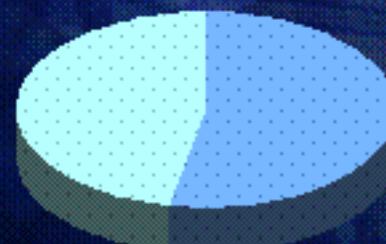
POSCO
44%

Wire Rods



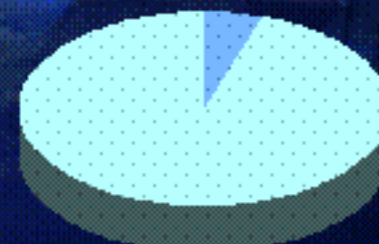
POSCO
56%

Stainless Steel



POSCO
47%

Electrical Steel



POSCO
95%

Global Leading Competitiveness

□ WSD's 2003 Comparisons of World-Class Steelmakers

	POSCO	Bao	Nucor	CSC	NSC	JFE	Arcelor
Profitability in 2000-2003	10	10	6	8	3	3	4
Dominance country	10	7	4	10	7	6	7
Skilled workforce	10	7	10	8	10	10	8
Cash Operating Cost	9	8	8	8	6	6	6
Access to outside funds	10	9	10	9	7	6	4
Environment & Safety	9	9	9	9	9	9	9
Product Quality	9	7	6	8	10	10	8
Weighted Average	7.96	7.25	6.86	6.75	6.09	5.92	5.53
Ranking	1	3	6	8	13	14	17

*Source: World Steel Dynamics (Oct. 2003)

‘World’s Most Admired Company’ in Steel (‘03.3)

‘Most Competitive Steel Company’ (2002, 2003)

‘Best Corporate Governance Company’ in Asia (‘03.9)

‘The Masters of the Web 50’ (‘03.11)

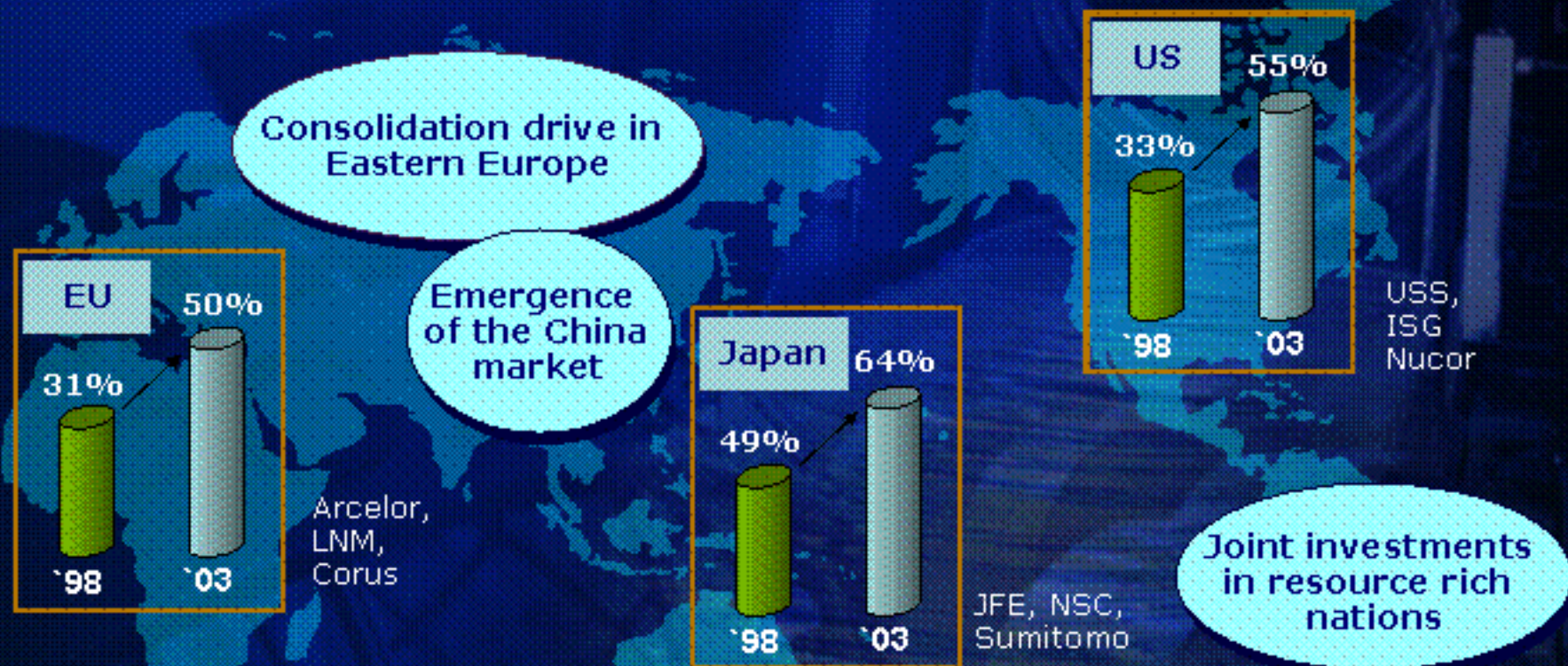
- Unique Steel Company in this category -

Sovereign Rating : S&P A- , Moody's A3 (‘03.8)

Section 2

World Steel Environment

Industry Consolidation & Globalization

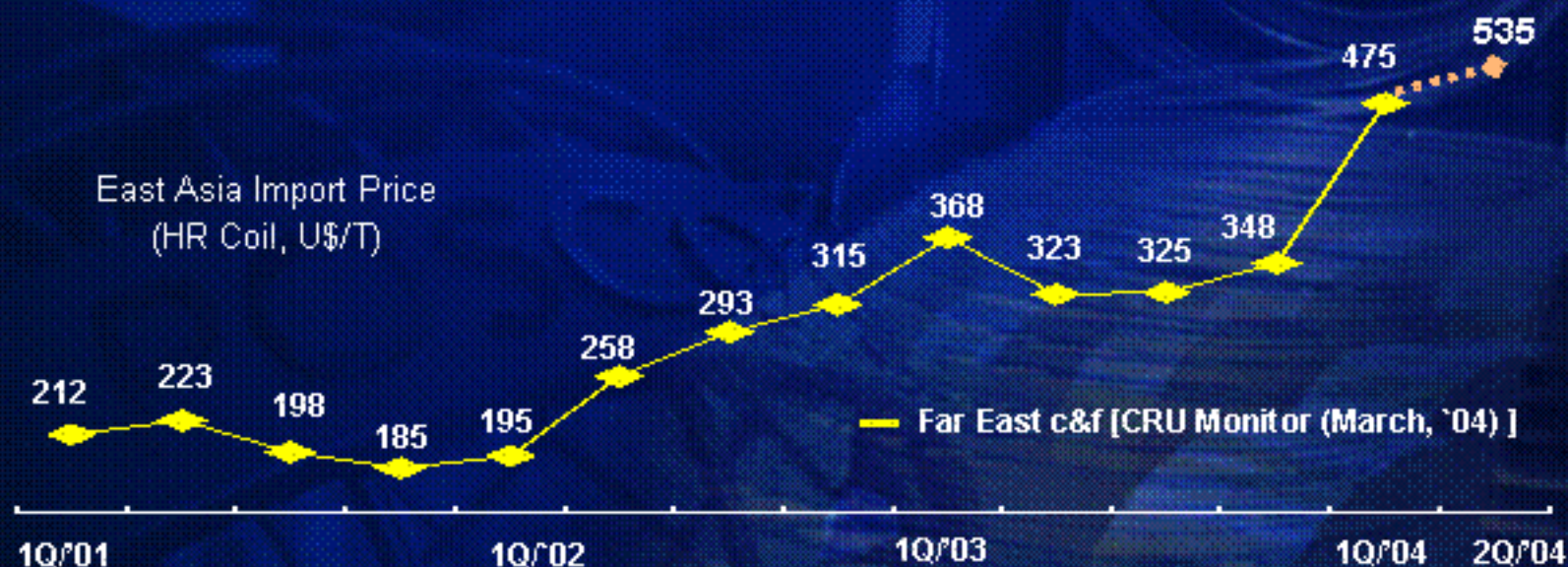


Regional Production Ratio by TOP3 Producers

Emergence of A Steel Company with the Capacity Over 40 Million Tons

Steel Price Trend

- ❑ Strong demand to continue backed by China ,CIS and developed countries recovery
- ❑ Cost push factor of raw material prices effective on coming years
- ❑ Expect different price cycle to be maintained

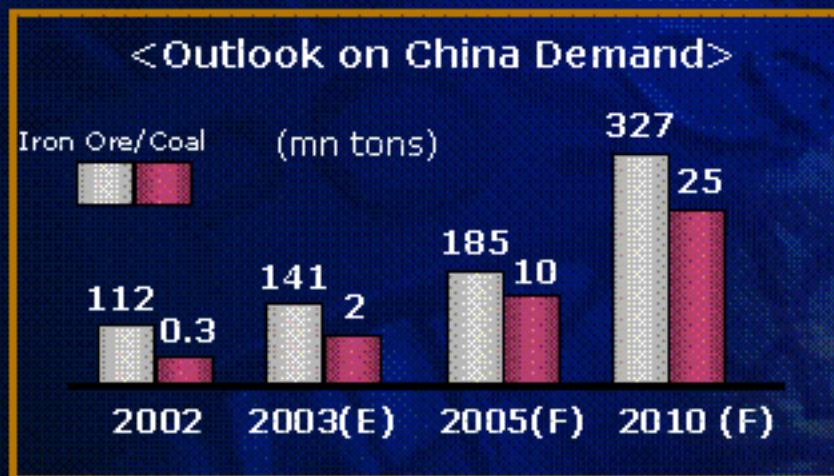


- ❑ Absorbed the over-capacity and raised world utilization ratio
- ❑ Structural change from oversupplied to undersupplied

Tight Balance of Raw Materials

- ❑ A tight balance due to increased demand in China, coupled with transportation
- ❑ Price strength to continue due to the oligopolized market
- ❑ High freight rates due to restrained supply of new vessels

Import Surge in China



Up-stream Oligopoly



- ❑ **Steel companies' effort to secure the raw material**
 - **Considered Mining investment: NSC to China, TISCO to Ukraine**
 - **Long-term contract: Bao, ISPAT etc**
 - **Export restraint: US, China etc**

Section 3

Medium-Term Strategy

Medium-Term
Goal

Achieve Global Excellence

Direction

Secure Growth
Engines

Improve
Competitiveness

Continue
Management
Innovation

Major Strategy

- ❖ Expand the Capacity to Strengthen the Growth Base
- ❖ Enhance Competitiveness of Strategic Products
- ❖ Commercialize innovative Technology to Maintain Global Cost Leadership
- ❖ Continue Management Innovation for Transparency and Good Corporate Governance

Capacity to 42 Million Tons

Domestic : 32mn Tons (~'08)

- ❖ Optimize and streamline current production flow
- ❖ Maximize high value-added products and improve the sales of their portion
- ❖ Continue to revamp and rationalize existing facilities

Overseas : 10mn Tons (~'13)

- ❖ Enlarge overseas production base
 - Target: China, India and Southeast Asia
 - Implement FINEX technology
 - Cooperate with local government and companies
- ❖ Invest in up-stream process in resources-rich countries

Improvement in Product Mix

Focus on Strategic Products

❖ Differentiation and increased competitiveness via high value-added products

※ 4 Major Strategic products:
Automotive sheets,
high-grade API,
STS 400, electrical sheets

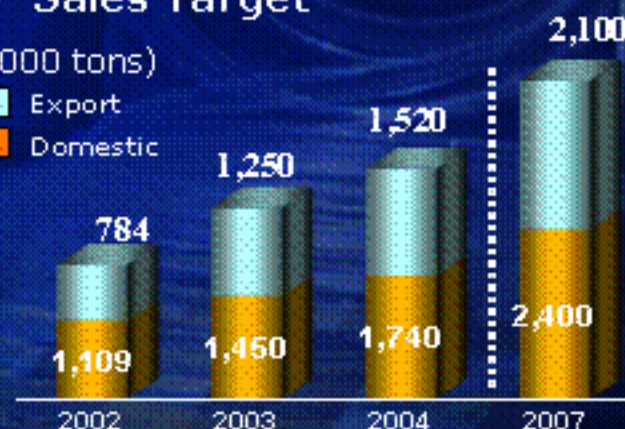


Automotive Steel Sheets

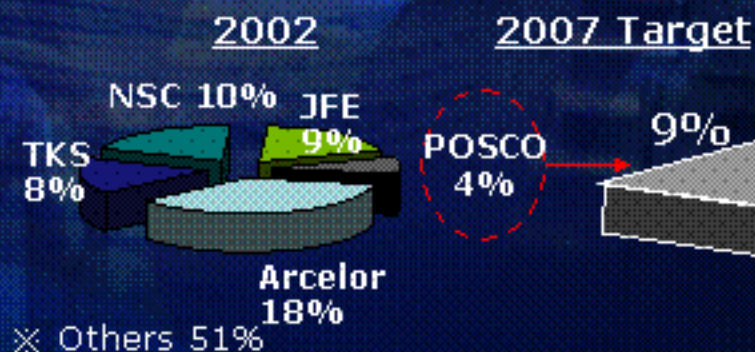
❖ Sales Target

(⁰⁰⁰ tons)

■ Export
■ Domestic



❖ Market shares by major mills



1.7% of Revenue in R&D: U\$ 197Mn ('03) → U\$ 234 Mn ('04)

FINEX

A revolutionary process using directly fine iron ore and coal to produce Pig Iron

- ❖ Demo Plant Completion in '03
- Production capacity : 600,000 tons
- ❖ Achieve full commercialization of technology by 2004
- ❖ Completion of FINEX plant by '06
- Production capacity : 1.5 mn tons

Strip Casting

An innovative technology linking directly steel making process with rolling process

- ❖ Demo Plant Completion : 1H 2006
- ❖ Commercialization by end of 2007

Reinforcement of STS Business

World's Top 5 STS producer

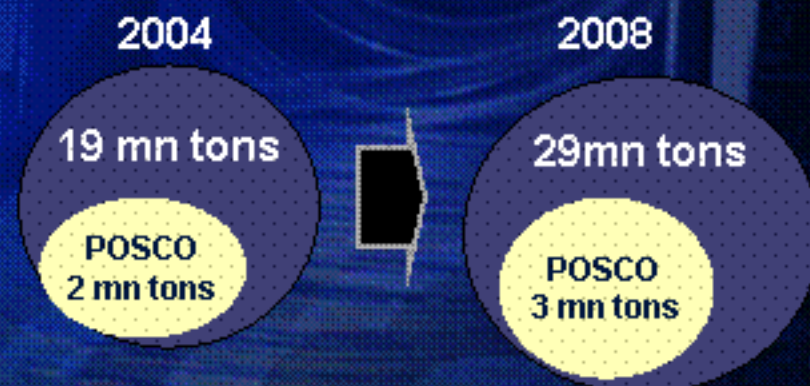


<POSCO's Production Expansion >



Medium-term Plan (~ '08)

- Become a Global Leader through capacity expansion

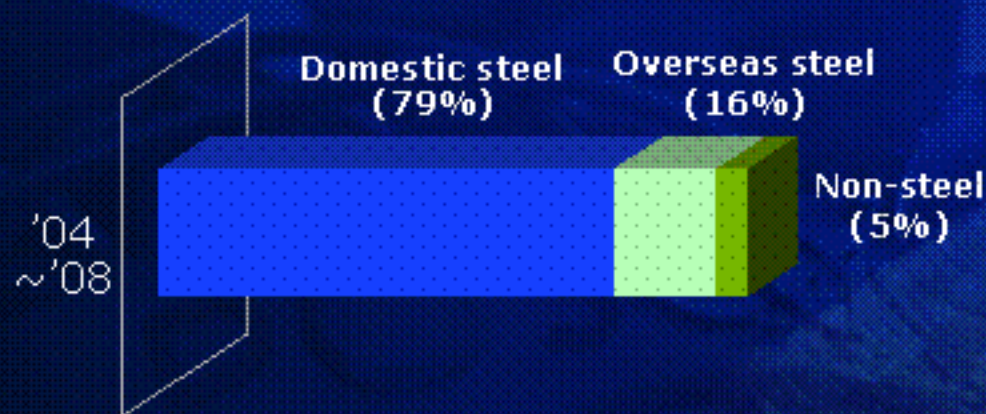


- Improve Sales Mix
 - Share of CR: 30 → 44%
 - Share of 400 Series: 16 → 25%
- Reinforce global marketing abilities, especially in Japan/Southeast Asia
- Secure stable raw material purchase

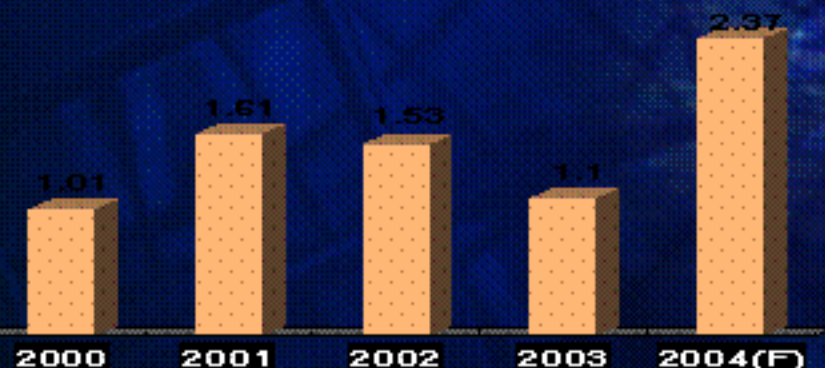
- Reinforce the STS operation through strategic reorganization and functional integration

Increase Investments

Investment of U\$2.3 bn Annually for the Next 5 Years



Annual Investments (in billion USD)



Major Domestic Investment Plan

- ◆ **Increase capacity**
 - FINEX construction
 - Revamp hot-rolled facility
- ◆ **Improve Product Mix**
 - Construction of # 5, 6 CGL for auto sheets
 - Revamp No. 2 plate plant
 - Revamp electric sheets plant
- ◆ **Maintenance**
 - Furnace refurbishment
 - Incinerator rationalization
 - Facilities replacements

Section 4

Global Focus

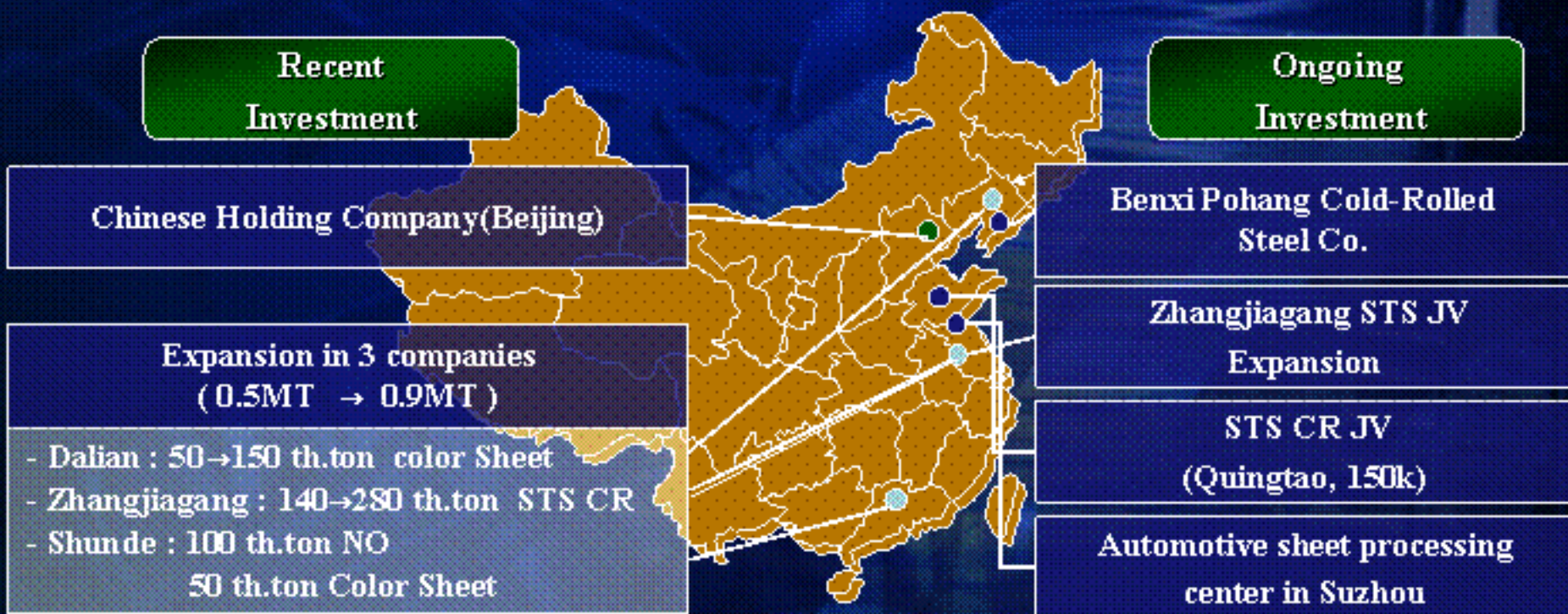
Penetrate into
New market

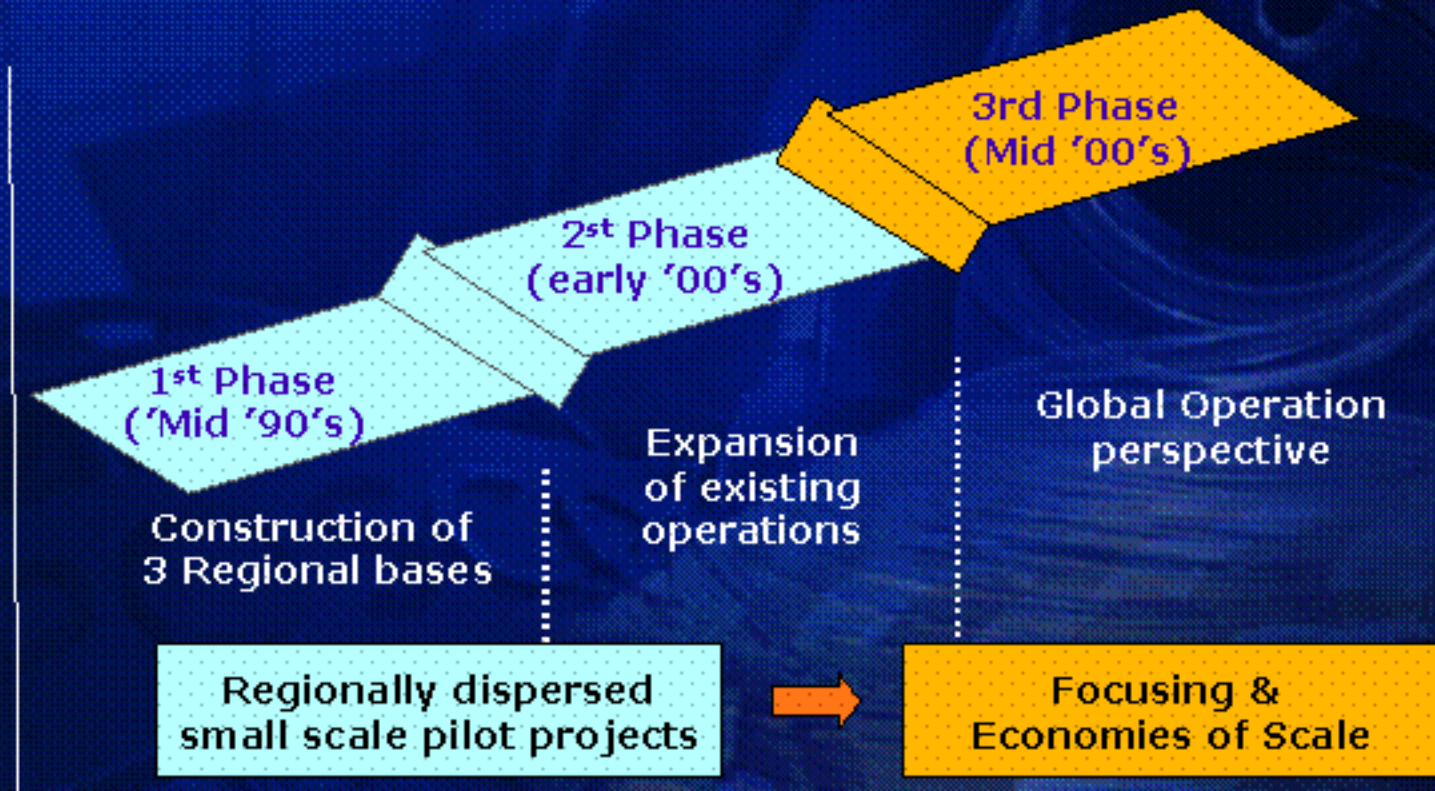
Improve
Competitiveness

Secure
Raw materials

**Global investment will be increased step by step and focusing
on BRICs : China, India, Brazil, and Russia**

- Create landmark win-win business models of Economic Cooperation with China
- Utilize high-quality local human/material resources





➤ The **Cores of POSCO's China Operations**

- Knowledge of market and utilization of FDI incentives
- Proper selection of partners: government, steel mills, distributor
- Localization efforts and good labor relations
- Transparency of management

POSCO's Strategy in India, Brazil, Russia

Economic Forecast

- India's income per capita will rise 35 times current levels by 2050
- Over the next 50 years, Brazil's GDP will grow at average 3.6%
- Russia's GDP will exceed Italy, France, UK, and Germany by 2028

Source: Goldman Sachs (October, 2003)

India

- ❖ Stable raw material supply to POSCO
- ❖ Penetration into the new market

Brazil

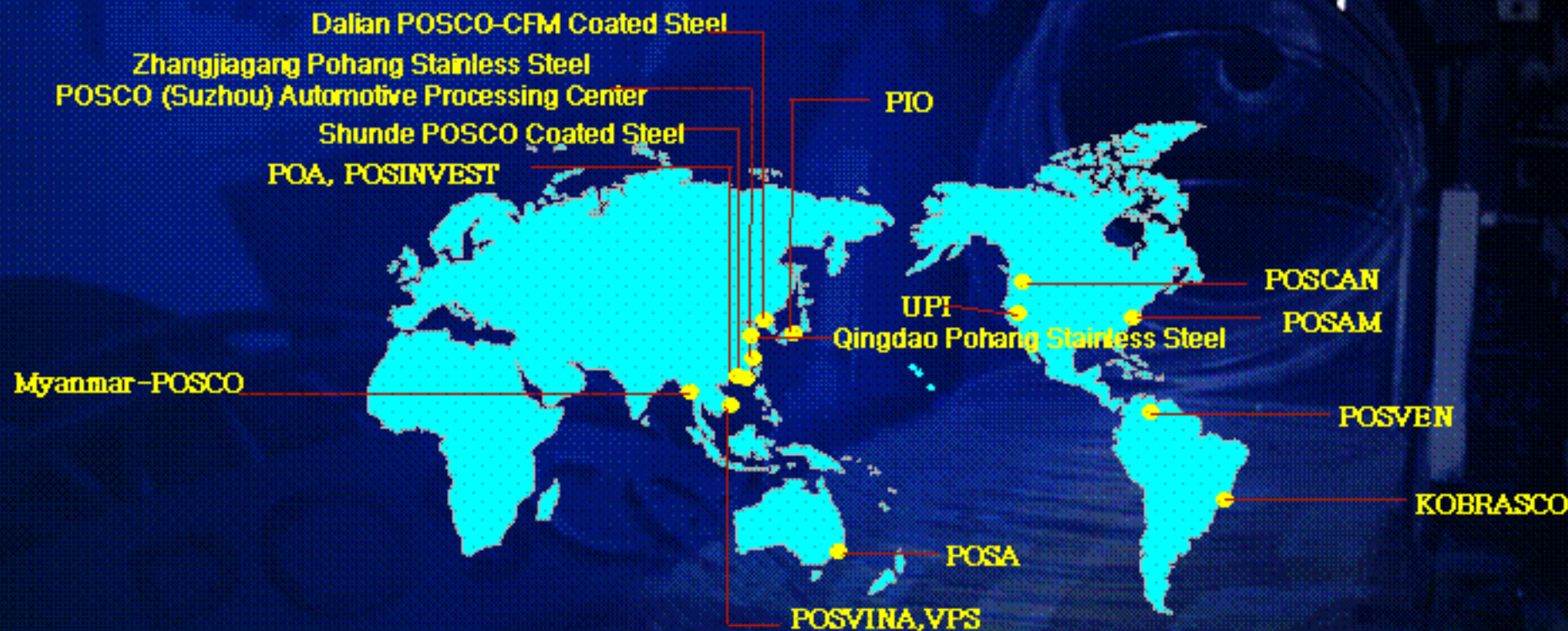
- ❖ A slab supply center for Asia market
- ❖ Cooperation with raw material suppliers

Russia

- ❖ Which market?
- ❖ How ?
- ❖ With whom?

Appendices

POSCO Global Network



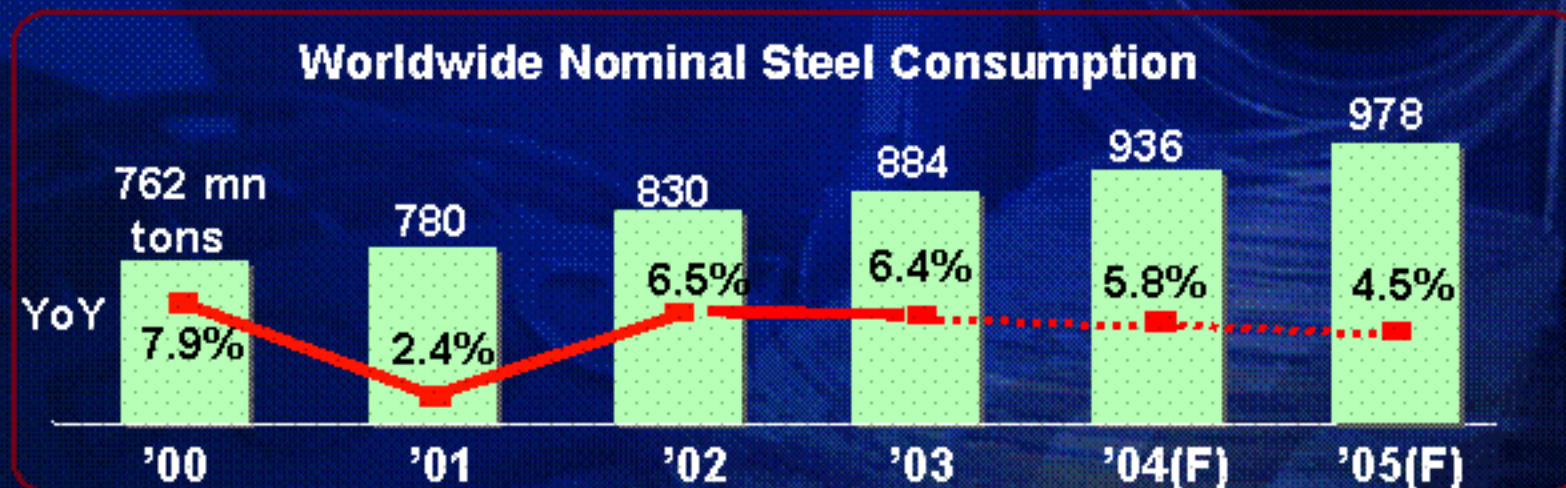
➤ Current POSCO's global focus is on China

(in Million USD)

	Total	China	POSCO Group		Investment Distribution		
			POSCO	POSCO Subsidiaries	Raw Material	Manufacturing	Marketing/ etc
Corporate No.	40	17	26	14	5	13	22
Total Investment	3,828	2,246	3,448	380	305	2,755	768
Paid-in Capital	850	339	715	135	113	245	492

World Steel Industry

- **Positive outlook on back of continued growth of BRICs economy and economic recovery of the developed countries**



(Source: April, POSRI)

- ▶ **Demand: Continued growth due to worldwide economic recovery**
 - Increasing the share of China in world consumption: 18.5%('00) → 31.0('04)
- ▶ **Production: Production growth by the developing countries but limited due to tight raw material balance**
 - Production level in 1Q '04, combined estimated to increase by 8.7% yoy due to production increase from China and Russia

□ POSCO network in China

(In million USD)

		Total Investment	Paid-in Capital	Sales('03)	POSCO Shares
Holding Company	POSCO-China	35.0	15.0	-	100%
Steel Production	PCCS	70.2	14.4	114.9	40%
	ZPSS	1,034.5	139.0	538.1	82.5%
	SHUNPO	47.7	21.6	73.8	93.8%
	QPSS	130.7	28.1	-	80%
	SDC	12.6	3.3	28.0	POSTEEL
	Benxi Pohang Cold-Rolled Steel Co.	664.3	-	-	10%
Coil Center	POSCO Automotive Processing Center	20.2	16.1	-	100%
	POS-Tianjin Coil Center Co.	8.8	5.9	42.8	10%
	Zhangjiagang Xiaosha Steel Coil Service	8.5	1.5	23.8	POSTEEL
	Shunde Xingpu Steel Center Co.	11.0	2.3	56.0	10.5%
	POS-Qingdao Coil Center Co.	9.1	6.3	0.6	POSTEEL
Etc	POA	1.2	1.2	650.5	100%
	POSINVEST	20.0	20.0	3.6	100%
	Shanghai POS-PLAZA	146.4	62.4	14.0	POSCO E&C
	Guangzhou Jindo Container Manufacturing Co.	18.3	0.9	73.0	10%
Total		2,245.9	339.3	1,621.6	

Subsidiaries with ownership

□ POSCO network in Non-China

(In million USD)

		Total Investment	Paid-in Capital	Sales('03)	POSCO Shares
Raw Material	POSA	30.2	30.2	50.9	100%
	KOBRASCO	201.4	38.5	145.9	50%
	POSCAN	40.1	40.1	36.9	POSTEEL
	POSCHROME	33.5	4.1	22.8	25%
Steel Production	POSVINA	3.9	2.0	22.2	50%
	VPS	42.2	6.7	75.8	35%
	VINAPIPE	8.1	0.4	11.5	10.6%
	SUS	717.0	21.8	453.1	10%
	MYANMAR POSCO	5.3	2.2	6.1	70%
	POSLILAMA	24.2	5.8	11.8	POSCO E&C
Steel Trade & Coil Center	POSAM	308.5	306.8	111.7	100%
	PIO	0.3	3.9	257.2	100%
	POSMETAL	15.2	1.3	32.6	POSTEEL
	POS-THAI	11.0	7.8	44.2	11.7%
	POS-HYUNDAI	10.8	1.8	34.2	10%
	POSMI	9.3	3.0	29.2	9.17%
	POSMMIT	3.7	1.1	32.3	30%
	ASSAN-HYUNDAI	2.0	0.2	76.3	POSTEEL
Etc	IBC	96.0	14.0	10.0	POSCO E&C
	POSEC-HAWAII	19.3	18.1	-	POSCO E&C
Total		1582.0	509.8	1,464.7	