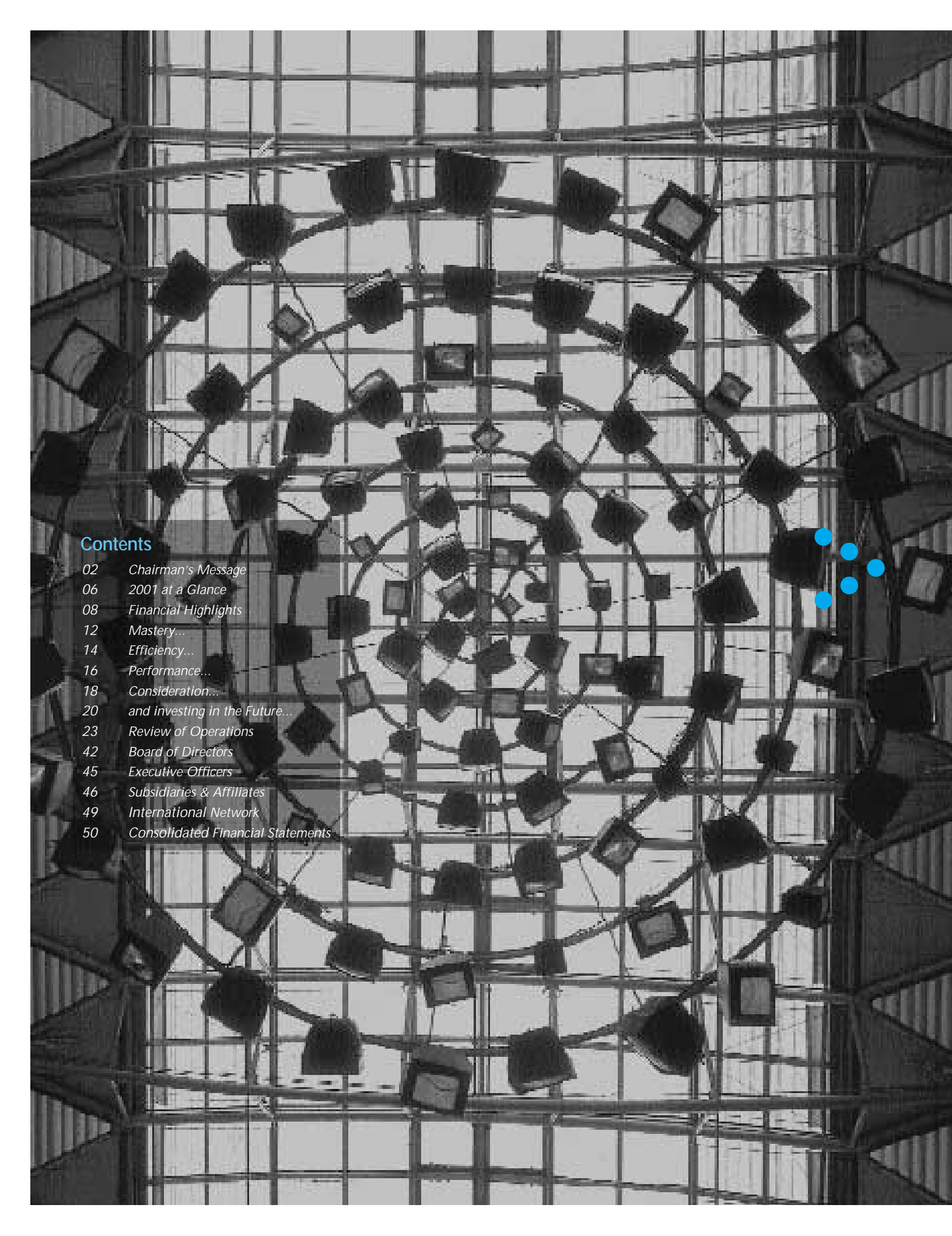




A solid performance and a strong future

POSCO builds its
competitiveness through
mastery, efficiency, performance, consideration
and investing in the future.



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Established in 1968, POSCO is the leading steel producer in Korea. It is a company of global renown that is ranked among the largest, most efficient steel manufacturers in the world.

From its beginnings as a crude steel manufacturer, POSCO has rapidly grown into a producer of diverse and sophisticated high-grade steel products for a wide range of industries, satisfying the needs of some of the world's most quality-sensitive companies.

POSCO produces over 26 million tons of steel products annually at its Pohang and Gwangyang Works. These products are shipped to more than 60 countries around the world, as well as fulfilling demand at major domestic industries including shipbuilding and automobiles.

POSCO has a reputation for technological excellence, and its commitment to R&D investment from day one has resulted in cutting-edge discoveries, and technical support of world-class standards.

In 2000, POSCO was privatized, and since then our investor base has grown and diversified. Phase 1 of our process innovation drive completed in 2001 effectively erased any legacies of public ownership and has transformed the Company into an efficient and transparent privatized corporation that maximizes shareholder value.

As competition escalates in the steel industry worldwide, we are ready to meet the challenge. We will secure our competitiveness through MASTERY of core skills and technology; through EFFICIENCY in all areas of our operations; by continuing our blue-chip PERFORMANCE and building a stock price that reflects our true value; through CONSIDERATION of the needs of our customers; and finally, by INVESTING IN THE FUTURE and nurturing potential growth businesses, not only in novel fields, but also in the field we know best - steel.

A solid
performance and
a strong future

POSCO 2001 Annual Report

CHAIRMAN'S MESSAGE



To our Shareholders, Customers, and Partners,

The year 2001 brought with it a host of both old and new challenges for the world's steelmakers that continued to fundamentally alter the competitive dynamics of the business. The global industry slowdown that began in the second half of 2000 continued to worsen in 2001, triggering high-single-digit declines in steel prices that reignited simmering trade disputes. These and other circumstances combined to create a fertile environment for mergers and acquisitions as industry players scrambled to find ways to gain a competitive edge to ride out the downturn.

At POSCO, we responded to these challenges by setting new records for both crude steel production and sales volume, reaffirming our position as the world's leading steelmaker. Unfortunately, these gains could not counterbalance the sustained downward pricing pressure in global markets. While sales edged down 5.2% to 11,086 billion won, net earnings were off 16.2% year-on-year after adjustment for a one-time extraordinary gain on the sale of our Shinsegi Telecomm holdings in 2000. Two particularly bright spots were a solid 15.6-point drop in our debt ratio to 72.8% and a satisfying 59.5% rise in our stock price to 122,000 won at year-end. All-in-all, we stayed comfortably profitable with an industry-leading 12.9% operating margin as we met most of our performance targets for the year.

The Year in Review

[Process Innovation](#)

Without a doubt, the most significant internal achievement of 2001 was the on-schedule launch of our POSPIA integrated information system. POSPIA's commissioning in July marked the culmination of the first phase of PI or process innovation, a 30-month initiative that has put in place the global best practices and enterprise-wide information system that will lay the foundation for our emergence as a truly customer-driven company.

In its initial six months of operation, POSPIA clearly delivered on this commitment, halving delivery lead-time for hot rolled coil from 30 days to 14 days as it boosted on-time delivery performance from 83% to 95%. POSPIA is also proving to be a valuable e-business portal for both our customers and suppliers, lowering the cost of doing business as it eliminates inefficient, costly layers from the supply chain.

POSPIA has also had a dramatic impact on organizational efficiency. With real-time logistical and cost information now available on-demand, production planning lead-time has been slashed from 60 days to just 15 days. The end-of-month accounting process is now completed in a single workday instead of six. The standardization of product and inventory classifications and records has also given a significant boost to overall administrative efficiency.

[Global Competitiveness](#)

As POSPIA sharpened our organizational competitiveness, enabling us to more effectively handle the challenges presented by sluggish global markets, our investment strategy continued to focus on projects designed to ensure our continued manufacturing competitiveness in the face of intensifying global competition.

During the year, our ongoing transition to a highly profitable business structure was accelerated by continued breakthroughs in process technology and facility design, producing a cost savings of 343.1 billion won. We also continued to increase investment in capacity expansion for high-value-added product categories like electrical steel sheet and stainless steel. Similarly, we aggressively pushed ahead with development of high-quality structural steel and other high-margin steel categories that will keep us at the top of the industry in both quality and profitability.

In its initial six months of operation, POSPIA clearly delivered on this commitment, halving delivery lead-time for hot rolled coil from 30 days to 14 days as it boosted on-time delivery performance from 83% to 95%.

As the global steel industry consolidates through mergers, acquisitions, and alliances, we continue to take strategic steps to solidify our industry leadership. Our alliance with rival Nippon Steel is a case in point. Announced in August 2000, the alliance had a total of 23 R&D and technical exchange projects in progress in 2001. We're also cooperating and collaborating with steelmakers in China and Europe in a variety of areas of mutual interest.

[Restructuring](#)

Our decision to make energy a core part of our growth strategy led to the liquidation of our POS-Energy subsidiary in September, bringing the energy business back in-house. This strategic move lays the groundwork for maximum synergy with our steelmaking operations as the Gwangyang LNG Terminal and other key energy projects come online later in the decade.

While all our domestic subsidiaries and affiliates recorded a profit in 2001, we once again took the opportunity to reevaluate the performance of our global network to ensure resources are being used as effectively and efficiently as possible. In this year's review, we made the decision to wind-down our PT. KS-POSCO joint venture mini-mill in Indonesia based upon significant concerns regarding its ongoing viability in that market.

[Shareholder Value](#)

At POSCO, we are working hard to ensure we are as attractive to prospective investors as we are to prospective customers. In 2001, we declared a combined interim and year-end dividend of 50% of par value-the highest to date and the same percentage declared in 2000-paying out 2,500 won per common share.

The year also saw us initiate our first stock buyback program. With our share price steadily declining after peaking in July, we announced the repurchase and retirement of 2,891,140 common shares representing 3% of the total outstanding in August. After briefly dropping below the year-opening price of 76,500 in September, our shares began a steady climb in the final quarter of the year. Buoyed by a rallying stock market and a mid-November upgrade of our credit rating from BBB to BBB+ by Standard & Poor's in conjunction with the same upgrade in Korea's sovereign rating, our stock finished the year up 59.5% at 122,000 won, outperforming the overall market index by nearly a factor of two.

The Year Ahead

Looking ahead to 2002, the economic forecast for the bellwether markets-US, Japan, and Europe-calls for continued sluggishness. The picture is further complicated by a large degree of uncertainty about economic stability in Latin America as well as questions about how far America's global war on terrorism will expand.

In the steel industry, discussions on voluntary production cuts to address the global oversupply problem will continue, making the prospect of real progress on this issue in the near future unlikely. While the U.S. is counting on stiff import tariffs and industry consolidation to get its most viable domestic steelmakers back on their feet, China's December 2001 entry into the WTO is opening up opportunities in that growth market as it sets the stage for a major showdown with fast-improving Chinese steelmakers. At the same time, mega-mergers and regional consolidations will continue to gain momentum in Europe and Japan as local steelmakers confront the realities of the marketplace.

[Process Innovation, Phase 2](#)

Based on the above analysis, we have identified three strategic areas of focus that will get us well on our way toward our corporate value target of 35 trillion won by 2006. We will start by launching PI-2, a follow-up

initiative that will reinforce the competitive edge PI has given us as it accelerates our transformation into a truly customer-driven organization.

Just as the PI initiative standardized, streamlined, and integrated administrative operations, PI-2 will do the same for manufacturing, getting our steelmaking divisions online and integrating them into our ERP system as we work to tap the full potential of our POSPIA integrated information system. The enterprise-wide adoption of a balanced scorecard management system and activity-based costing will make this online system even more effective. We'll also be launching a comprehensive Six Sigma program to ensure that PI-2 enhances the quality of both products and process across the entire organization.

Focus on Core Competencies

Second, we will focus on effectively using corporate resources to reinforce our core competencies in the field of steel. We will be investing both in the modernization of existing production facilities as well as the addition of next-generation facilities to produce high-value added products such as high-grade sheet steel for automobile bodies, American Petroleum Institute-grade steel for gas pipelines, and high-quality stainless steel products.

As a customer-driven company, customer relationship management will be at the heart of our marketing activities as we position ourselves as a successful, strategic partner with both current and prospective customers. In real-world terms, we will be pushing our on-time delivery ratio above 95% as we expand our portfolio of manufacturing and other technical support services. Logistics will also play a key role as we add distribution centers and implement an online inventory management system that encompasses both our suppliers and customers.

Investment in Growth

Finally, we will be executing a highly focused investment strategy as we target growth markets in China and Southeast Asia with high-value-added products. We will be adding 140,000 tons of cold rolled stainless steel capacity in China in 2003 as we establish ourselves as the regional market leader in that category. We also intend to build 10 coil centers across the region in the next few years as we assemble a production network that is capable of providing superior quality and service to local customers in key markets.

At home, we will be breaking ground on the Gwangyang LNG Terminal project as we stay on schedule to enter the energy distribution business in 2005. In addition to current ventures in bioscience and environmental fields, we will also continue to explore opportunities in other emerging high-tech areas.

Although the business outlook for 2002 may be uncertain, the one thing we are truly confident of is our ability to proactively deal with whatever lies ahead. Among the many ways we will be demonstrating that confidence is with more timely and comprehensive disclosure of investor information-including quarterly consolidated financial statements-as we work to meet the highest global standards. We look forward to the opportunity of sharing our progress with you throughout 2002 as we continue to work quietly behind the scenes to build a solid future for all.

Just as the PI initiative standardized, streamlined, and integrated administrative operations, PI-2 will do the same for manufacturing, getting our steelmaking divisions online and integrating them into our ERP system as we work to tap the full potential of our POSPIA integrated information system.



A solid performance and a strong future

2001 AT A GLANCE

2001 POSCO

JANUARY

Beginning on January 15, POSCO began an extensive transformation of the organization at the two steel works and headquarters from a function-oriented to a customer-oriented organization in preparation for the full-scale commencement of POSPIA in July. The shift from a function-oriented to a customer-oriented organization has heightened our ability to satisfy customer requirements and made us more adaptable and flexible to changes in the market by removing redundancies in core processes such as sales and production.

APRIL

The POSCO Group was ranked as the seventh largest business group in Korea with total assets of 21.2282 trillion won (including the assets of its 14 affiliated companies), becoming the first public corporation-turned-private enterprise to be included on the list of large business groups in Korea. Designation as a large business group will place the Company under more stringent regulations and scrutiny, imposed by law to promote fair trade practices, and is another important step in the company's transformation into a private enterprise.

JUNE

POSCO became an official sponsor of FIFA World Cup Korea/Japan when it signed a sponsorship contract with the Korean Organizing Committee at the POSCO Center on June 13. Involvement in this world-famous event will carry the image of privatized POSCO around the world, building awareness of the company and its achievements.

JULY

On July 2, POSCO launched POSPIA, the company's new digital management system. POSPIA, a combination of the Company name and "utopia", is an enterprise resource planning system that integrates all major business processes ranging from purchase to sales and production. The system gathers management information from each department and makes it available enterprise-wide and is moving POSCO a step closer to realizing the optimal management system.

On July 3, POSCO broke ground on the POSCO Museum. The 3-storey museum building with a total display area of 3630m² is scheduled for opening on April 1, 2003, the 35th anniversary of POSCO's establishment. The museum project was initiated in recognition of the need to preserve valuable relics of the Company's past and represent its history in a systematic manner.

A Worldcup™ Official Su



2001 POSCO

SEPTEMBER

POSCO changed its visual identity (VI) on September 28 to more accurately reflect the shift in the Company's image to a customer-oriented, global leader. The sky blue of the company name and logo is intended to convey the idea of our forward-looking, environmentally friendly approach.

AUGUST

On August 25 at a meeting of the Board of Directors, it was decided to retire a total of 2,891,140 shares to increase returns to shareholders. This is the first retirement of stocks since the company was listed in 1988, and is a clear expression of our continued commitment to shareholders as we transform into a privatized corporation. With the retirement of shares and the fall in the number in circulation, net income per share and net-worth will increase by 3%, while dividend capacity will grow, all of which will amount to an increase in the share price.

NOVEMBER

Standard and Poor's, the U.S. credit evaluation institution, upgraded POSCO's credit rating from BBB to BBB+. The elevation of the rating coincided with S&P's upgrade of Korea's sovereign credit rating to BBB+ on November 13, and is a reflection of the company's sound financial position and strong competitiveness.

OCTOBER

To enhance employee welfare and motivation, POSCO adopted a system of alternate Saturday's free from October 16 to replace the previous system of reduced work hours in winter. This change was introduced in line with POSCO's commitment to providing a balanced work life to all employees.

DECEMBER

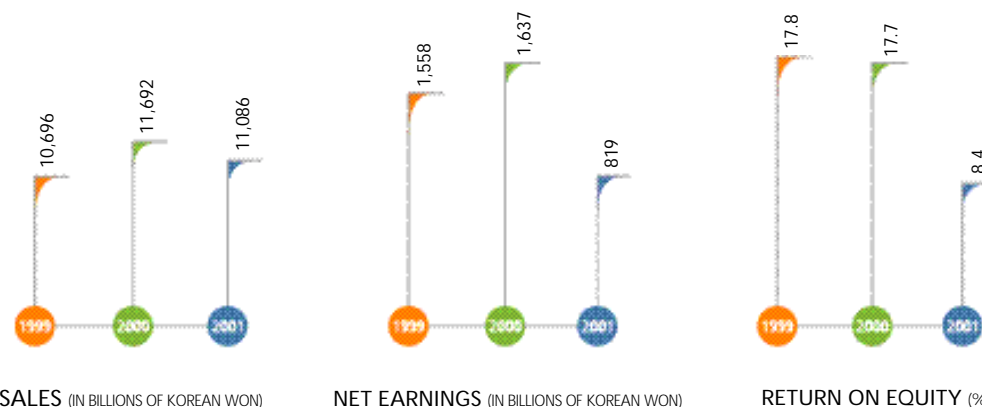
POSCO held the first POSCO MAPPERS Conference from December 3 to 7. The purpose of MAPPERS is to search out measures, or a "map", to improve management and administration focusing on the areas of Marketing, Accounting, Public Relations, Personnel, Education, Resources & procurement and Strategy (which also lend their first letters to the conference's name). The conference brought together managers from these major areas of corporate management to share area-specific ideas and knowledge and make them available company-wide.



FINANCIAL HIGHLIGHTS

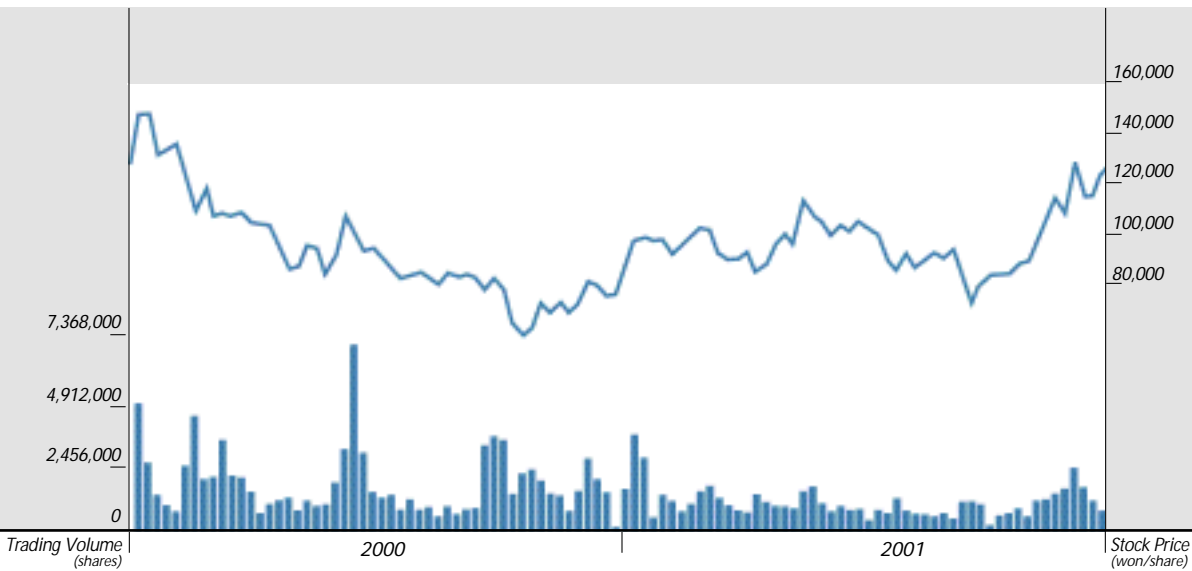
Following a year of dramatic growth in 2000, a weakening in the global steel market led to a fall in sales prices in 2001, negatively affecting financial results. However, despite adverse market conditions and unlike many of our global peers, we achieved record-setting sales volumes in 2001 amounting to 11,086 billion won, and an operating margin of 12.9%, leading to favorable net earnings of 819 billion won, or 10,043 won per share. We also recorded EBITDA of 2,623 billion won for the year, which was substantially higher than our facilities investment of 1,352 billion won, reflecting our strong cash flow position, which has allowed us to meet our capital expenditure requirements and secure financial flexibility.

	01	2000	1999
(In billions of Korean won, except per share data)			
Sales	11,086	11,692	10,696
Operating income	1,429	2,099	1,819
Net earnings	819	1,637	1,558
EBITDA	2,623	3,249	3,136
Total assets	17,616	17,767	17,227
Total liabilities	7,419	8,337	8,141
Total shareholders' equity	10,196	9,430	9,087
Operating margin (%)	12.9	18.0	17.0
Return on equity (%)	8.4	17.7	17.8
Net debt to equity (%)	42.7	37.6	34.2
Number of shares outstanding (1000's)	93,589	96,481	96,481
Earnings per share (won)	10,043	19,161	16,242
Year-end stock price (won)	122,000	76,500	125,000

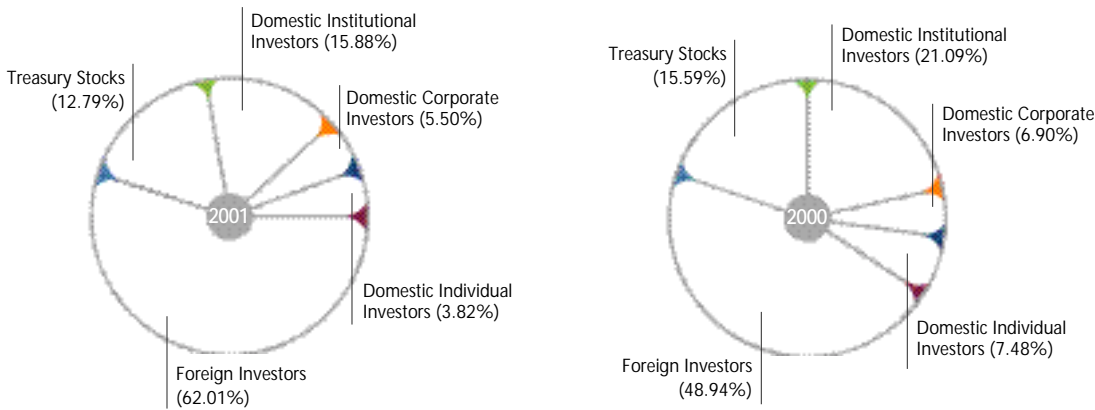


Our solid returns, despite the difficult market environment, were well reflected in our performance in the stock market. At year-end 2001, our stock price rose by nearly 60% from the beginning of the year, and we paid a 10% interim dividend with a dividend payout ratio of 24.9%, a double digit increase over the previous year. In 2001, we continued our focus on enhancing shareholder value through the retirement of 3%, or approximately 2.9 million shares of treasury stocks.

STOCK PRICE PERFORMANCE (2000~2001)



POSCO recorded a strong increase in share value during the fourth quarter of 2001, as the benefits of enterprise-wide process innovation (PI) became noticeable. We expect further value increases to be achieved in 2002 as we continue our drive to enhance our cost competitiveness and efficiency.



OWNERSHIP STRUCTURE (%)



POSCO BUILDS ITS
COMPETITIVENESS
THROUGH...

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1 STRENGTHS



As the most competitive steel company in the world today, POSCO maintains its lead by actively pursuing mastery of the management skills and technology that give it a clear competitive edge in the global steel industry.

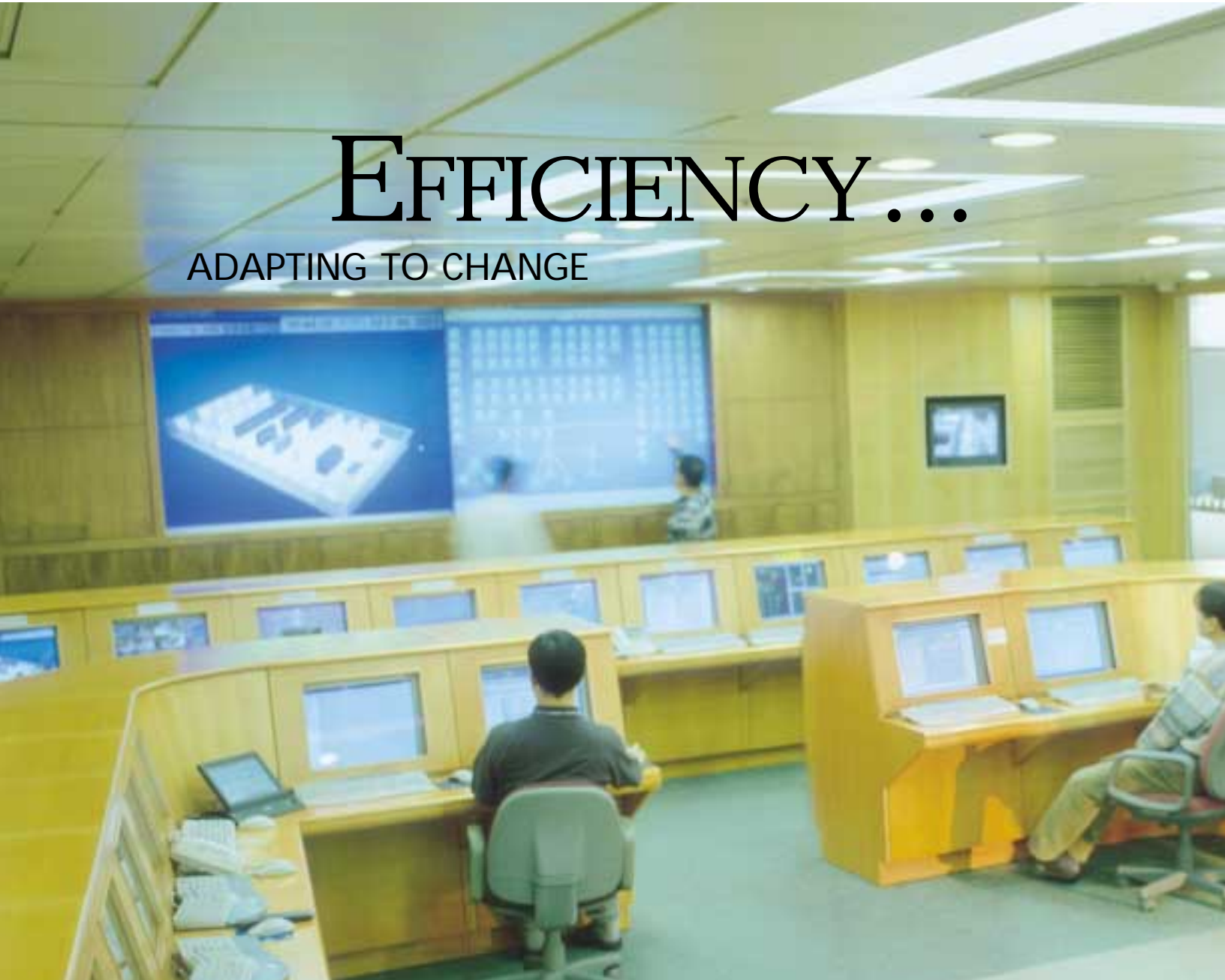


MASTERY... GLOBAL LEADER

Achieving mastery in all facets of the business is the key to becoming a global leader. That is why POSCO has established KPI (Key Performance Indicator) throughout the entire company; so that we not only outdo our competitors, but that we keep on outdoing ourselves. From production and research and development, to marketing and employee training, welfare and the environment, all areas are constantly under review to ensure that we are mastering the skills necessary to maximizing our productivity and efficiency. To remain at the leading edge in the industry, you also need to master the technology and POSCO has proven itself an innovator in this respect time and again. FINEX technology is just one example of the myriad, leading-edge products, technologies and processes that we are in the process of developing or have already introduced to the industry.

EFFICIENCY...

ADAPTING TO CHANGE



POSCO began maximizing efficiency across the entire spectrum of operations three years ago when it commenced the first phase of an enterprise-wide Process Innovation (PI) initiative, which was successfully completed in 2001. Under Phase 1, we redesigned our internal processes to focus on our customers, and constructed ERP (Enterprise Resource Planning) and SCP (Supply Chain Planning) systems that have allowed us to smoothly integrate and accelerate our operations. Our customers are now experiencing the tangible results of PI - delivery lead times halved from 30 to 14 days, and delivery date notification occurs within seconds. Phase 2 will see us expand the systems introduced under Phase 1 - BSC, ABC, and CRM - and deploy a 6-sigma master plan that will propel us toward our goal of being the most efficient company with the highest product quality in the industry.



2 STRENGTHS



Our previous focus on expansion and growth is now shifting towards enhancing our efficiency in the face of massive industry restructuring and economic downturn. Our Process Innovation initiative has already proven a valuable investment in terms of increased efficiency, cost-effectiveness, and flexibility, which is putting us in the position to adapt to whatever challenges the market may bring.

A solid performance and a strong future

A solid performance and a strong future



3 STRENGTHS

The year 2001 was a landmark year as POSCO began its first new year as a fully privatized corporation. With this rebirth we renewed our guarantee of management transparency and accountability to the shareholder.



PERFORMANCE...

THE BEST BLUE CHIP

POSCO's consistently strong performance has turned its shares into some of the most coveted blue chip stocks in Korea. However, we know that management transparency is essential if we are to maintain the trust of present and future shareholders and maintain a stock price that truly reflects our inner value. For this reason, we have set the goal of becoming a leader in investor relations. By providing our shareholders with timely, in-depth management information, regular IR presentations and opportunities for direct consultation with the management, as well as convenient access to IR information on-line, we can reassure our domestic and overseas investors that we continue to live up to our blue chip potential.

As the focus of our operations has shifted away from production to the customer, POSCO has harnessed the potential of e-Business to strengthen that shift. Processes ranging from new product development to supply and claims handling have been redesigned with the customer in mind, resulting in enormous benefits through enhancements to production efficiency and delivery. Our CRM system is helping us to become a strategic partner to our customers by enabling us to estimate their needs and provide tailored, one-to-one services. POSCO has also established groups dedicated to particular regions and companies to ensure that the particular requirements of our diverse range of customers are met.



CONSIDERATION ...

MAKING HAPPY CUSTOMERS

Since our establishment, our customers have provided us with the strength and impetus to improve. Now, we are repaying their trust in us through our customer-oriented management philosophy, which ensures that their satisfaction remains our priority as we listen and respond to their needs in innovative and cost-effective ways.

4 STRENGTHS



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A solid
performance and
a strong future



...AND INVESTING IN THE FUTURE

5 STRENGTHS

At POSCO, we recognize potential and are committed to developing it. Our generous R&D investment, cutting-edge research, and world-class technical support are just a few of the reasons why POSCO has grown to become an internationally renowned blue chip company.



POSCO takes an active interest in future growth businesses in promising fields such as biotechnology and the environment. On November 19, POSTECH broke ground on what will become the country's largest private biotechnology institute, built with the sponsorship of POSCO. It will be a center of world-class research in one of the most promising fields in the 21st Century, and POSCO will have the opportunity to commercialize its discoveries.

Naturally, we are also investing in promising technologies in the steel industry and have developed and commercialized numerous technologies that have reaped enormous benefits by increasing our efficiency, quality, and productivity. Many of our discoveries have been world firsts, and our lead in technologies such as FINEX - set to become the preferred steel production process of this century - reaffirms our status as an industry innovator.



REVIEW OF OPERATIONS

FINANCIAL REVIEW / PROCESS INNOVATION / PRODUCTION / MARKETING

RAW MATERIALS / INVESTMENTS / ENVIRONMENTAL MANAGEMENT

RESEARCH & DEVELOPMENT / EDUCATION & WELFARE

FINANCIAL REVIEW

Overview

In the year 2001, the Company reported sales of 11,086 billion won and net income of 819 billion won. Despite this record-setting sales volume during the year, sales revenue decreased 5.2% from 11,692 billion won in the previous year to 11,086 billion won due primarily to a decline in selling prices, caused by adverse market conditions in the steel industry in the second half of the year. Net income in 2001 decreased 50% compared to last year. However, when extraordinary gains from the sale of Shinsegi Telecom shares are excluded from 2000 results, the decrease in 2001 net income compared to 2000 is actually 16.2%. Operating margin was 12.9% in 2001, a relatively favorable return considering the fact that the majority of world-leading steel makers recorded losses during the same period. This achievement is the direct result of our commitment to cost containment and enhancement of management procedure as a means of increasing profitability and improving our financial structure under difficult market conditions.

Profitability Analysis

Despite a 329,000-ton increase in sales volume, sales revenue in 2001 fell by 5.2% to 11,086 billion won from 11,692 billion won in 2000. An average 30,000 won per ton decrease in selling prices during 2001 influenced the decline in sales revenue.

Summary Income Statement

(in billions of Korean won)

	2001	2000	1999
Sales	11,086	11,692	10,696
Operating income	1,429	2,099	1,819
Non-operating income	-314	-768	-157
Net earnings	819	1,637	1,558
Earnings per share (won)	10,043	19,161	16,242

Gross profit for 2001 was 2,097 billion won, down 20.5% compared with 2,637 billion won in 2000, resulting in a fall in the gross profit margin to 18.9% compared to 22.6% in the previous year. Meanwhile, depreciation expenses increased during the year by 3.8% to 1,194 billion won, compared with 1,150 billion won in 2000.

Operating income decreased by 670 billion won from 2,099 billion won in 2000 to 1,429 billion won in 2001, resulting in a decline in operating income margin to 12.9% from 18.0% in the previous year. These results are at superior levels compared to other major global steel makers during the year, and can be attributed mainly to our strategic focus on boosting sales of high value-added products such as stainless steel and to successful cost reductions amounting to 343 billion won under our austere budgetary plan. The principal factor affecting the decrease in operating income was the fall in

selling prices and an increase in depreciation expenses following the kick-off of POSPIA during the year.

Ordinary income was 1,115 billion won, a decrease of 16.3% on results last year. Factors behind the smaller decline in ordinary income compared to the decline in operating income include a significant reduction in loss on foreign currency translation due to an ease in fluctuations of the foreign exchange rate of the Korean won during the year, and a decrease in the amount of donations. Net interest expenses, despite the fall in interest rates compared with 2000, increased 20.9% to 254 billion won in 2001, primarily due to the increase in borrowings used for an interim settlement of employee retirement benefits during the year.

In 2001, loss on foreign exchange was reduced by 10 billion won to 75 billion won and loss on foreign currency translation decreased by 116 billion won compared to last year. As a result, the net loss on foreign exchange declined by 126 billion won. Donations made during fiscal year 2001 fell by 365 billion won to 73 billion compared to last year.

Although non-operating expenses declined in 2001, pretax income for 2001 decreased to 1,115 billion won, a reduction of 51% compared to 2000. The primary reason for the abrupt decline in pretax income in 2001 was the 953 billion won extraordinary gains recognized in 2000 from the sale of Shinsegi Telecom shares. As a result of the fall in pretax income, income tax expense in 2001 declined by 55% to 296 billion won compared to the previous year.

For the year 2001, the Company reported net income of 819 billion won, a decrease of 50% compared with 1,637 billion won in 2000 that can be attributed to the large extraordinary gain in 2000. Consequently, net income to sales declined to 7.4% from 14.0% in the previous year, and earnings per share decreased 47.6% from 19,161 won in 2000 to 10,043 won in 2001.

Financial Position

As of December 31, 2001, the Company recorded total assets of 17,616 billion won, a decrease of 0.9% on 17,767 billion won of assets recorded at the end of 2000. In 2001, there were increases in non-current assets resulting from the rise in investment assets and property, plant and equipment. These increases in non-current assets were offset by decreases in quick assets including cash and cash equivalents, marketable securities, and receivables as well as the decrease in inventories at year-end. As a result, total asset turnover ratio in 2001 decreased slightly to 0.63 from 0.67 in 2000.

*Financial results presented in this section are based on non-consolidated results that are applicable to POSCO only, and are not combined with POSCO's subsidiaries. Analysis of the consolidated results are presented separately on page 00.

Summary Balance Sheet

(in billions of Korean won)

	2001	2000	1999
Assets	17,616	17,767	17,227
Liabilities	7,419	8,337	8,141
Long-term liabilities	5,166	4,827	5,146
Shareholders' equity	10,196	9,430	9,087

During 2001, current assets decreased 21.6% from 4,543 billion won in 2001 to 3,561 billion won, due primarily to a 28.9% decline in quick assets from 3,081 billion won to 2,191 billion won and a 6.3% decline in inventories to 1,369 billion won resulting from a decrease in semi-finished goods. Of the quick assets, cash and cash equivalents declined by 489 billion won, and marketable securities and accounts receivable decreased 428 billion won and 222 billion won, respectively, on the previous year. The decrease was due primarily to a fall in the MMF resulting from the satisfaction of long-term debt and a reduced average collection period for receivables. Although current assets decreased in 2001, current ratio improved to 158.1% from 129.4% in the previous year as a result of a 35.8% decrease in current liabilities.

Non-current assets increased by 6.3% to 14,055 billion won in 2001 compared to last year. Investment assets rose by 619 billion won due to the increase in investment securities, including 192 billion won of investment funds for SK IMT, a telecommunications consortium led by SK Telecom, 144 billion won of equity investment in Nippon Steel Corporation of Japan, 34 billion won of foreign currency corporate bonds, and securities valuation gains of 87 billion, 49 billion, and 33 billion won from investments in SK Telecom, Hana Bank, and Changwon Specialty Steel, respectively.

Property, plant and equipment increased 2.1% to 9,119 billion won, compared with 8,930 billion won in 2000, primarily due to an increase in machineries and equipment. Capital expenditure on facilities for 2001 was 1,352 billion won, a relatively low level of expenditure when compared to depreciation expenses of 1,194 billion won. Intangible assets also increased 7.8% to 327 billion won from 303 billion won in 2000. As a result, non-current asset turnover ratio in 2001 declined to 0.81, compared with 0.89 in the previous year.

At December 31, 2001, the Company reported total liabilities of 7,419 billion won, a decrease of 11% from 8,337 billion won at the end of 2000. Current liabilities fell by 35.8% to 2,253 billion won from 3,510 billion won in the previous year. The decrease was primarily due to a 481 billion won reduction in payables resulting from the interim settlement for employee severance benefits, a 324 billion won reduction in short-term borrowings caused by the fall in usance transactions, and a 275 billion won decline in income taxes payable. Long-term liabilities increased 7.0%

to 5,166 billion won in 2001 from 4,827 billion won in 2000. The debt-to-equity ratio fell from 88.4% last year to 72.8%.

Total borrowings, excluding the reserve for payment of debt, increased 0.7% to 5,197 billion won from 5,164 billion won in 2000. Of the total borrowings, foreign currency borrowings declined 13.1% to 2,897 billion won from 3,333 billion won in 2000, and as a result, the proportion of foreign currency borrowings as a percentage of total borrowings declined to 55.7% from 64.5% in the previous year. This improvement was a direct result of our focus on the early satisfaction of foreign currency borrowings to reduce the risk associated with foreign exchange transactions. Despite the increase in borrowings, the ratio of borrowings as a percentage of shareholders' equity at the end of 2001 improved to 51.0% from 54.8% last year, largely due to an increase in equity ownership in the Company.

International ratings agencies continue to view POSCO favorably. As of December 31, 2001, Moody's and S&P rated POSCO Baa2 (positive) and BBB+ (stable), respectively. In reflection of our excellent financial structure and favorable credit ratings, we have maintained the lowest interest rates on borrowings among domestic corporations with an average interest rate of 5.91%, and interest rate of 4.49% on foreign currency borrowings.

On August 30, 2001, the Company retired 2,891,140 shares, or 3% of its treasury stocks with the aim of enhancing shareholder value. As a result, treasury stocks at year-end decreased to 11,966 thousand shares, or 12.8% of total shares issued, with the balance of the stock at 1,185 billion won, or a decrease of 19.4% from 1,471 billion won last year. At the end of 2001, retained earnings and total shareholders' equity increased 4.9% to 6,987 billion won and 8.1% to 10,196 billion won from 6,662 billion won and 9,430 billion won in 2000, respectively. This resulted in the ratio of shareholders' equity as a percentage of assets to increase to 57.9%, compared with 53.1% at year-end 2000

Dividends

In addition to a 10% interim dividend, the Company declared a dividend of 50% on 5,000 won par value of each share, or 2,500 won per share. The share dividend ratio and the amount of total dividends paid were at the same rate as in the previous year, however, the dividend payout ratio increased to 24.9% from 12.5% in 2000.

(%, Korean won)

	2001	2000	1999
*Share dividend ratio	50.00%	50.00%	35.00%
Dividend payout ratio	24.9%	12.5%	10.30%
Share price(closing)	122,000	76,500	125,000

*as a percentage of par value.

PROCESS INNOVATION

In 2001, POSCO completed phase 1 on an enterprise-wide Process Innovation (PI) initiative designed to enhance the efficiency of operations. The benefits of POSPIA, our integrated management program launched in July 2001, are already evident company-wide.

In 2001, POSCO completed phase 1 of an enterprise-wide Process Innovation (PI) initiative designed to enhance the efficiency of operations. During the two and a half years of phase 1, business transaction processes - from raw materials purchasing to sales of goods - were reoriented to focus firmly on customers, and the foundations of e-business were built through the establishment of a computerized resource management system (ERP, Enterprise Resource Planning).

The benefits of POSPIA, our integrated management program launched in July 2001, are already evident company-wide. The enterprise-wide stock and product classification and data standardization system introduced under the PI initiative has dramatically cut operational inefficiencies. Sales production scheduling lead time has fallen from 60 days to 15, allowing us to bring forward notification of customer company sales production schedules to 45 days prior to the start of each quarter, and allowing us to shorten delivery terms for hot rolled steel from 30 days to 14 days. Furthermore, by sharing stock and cost information in real time, management speed was considerably enhanced, shortening the monthly settlement of account period from six days to one. All of these changes have increased our efficiency and cost-effectiveness, while enhancing the service we offer our customers.

In 2002, we will draw on the experience and knowledge we gained during the implementation of PI phase 1 to multiply our efforts and make PI a company-wide revolution. The next phase of PI in the coming year will concentrate on a number of core activities. We will push forward with a six-sigma standard master plan and focus on nurturing employee professionalism while searching out for new opportunities for growth within the operations.

In the area of operations, mill production systems that were excluded from the first phase of the PI initiative will be standardized and unified in line with other operations. Systems introduced during PI Phase 1 including BSC (Balanced Score Card), and ABC (Activity-Based Costing) will also come under review, with the aim of expanding their functions and applications. The scope of the D/W (Data Warehouse) will be enlarged to allow for the storage of and access to production, quality and purchasing-related information, considerably enhancing the management decision-making process. Meanwhile, our relationships and interaction with our customers and suppliers will be boosted further by our enhanced e-CRM (Customer Relationship Management) system, and an SRM (Supplier Relationship Management) system to be established during the year.



Jong Min, Lee
Process Innovation Planning Team
Process Innovation Dept.

"The PI initiative has already harvested enormous returns across the entire company. With the introduction of a 6-Sigma campaign in 2002 we expect to see additional gains in quality and customer satisfaction."

PI Performance Index

	Before PI	After PI
Stock holding period	10 days	8 days
Response time for date of delivery notification	2-3 hours	Less than 6 seconds
Order lead time		
- Hot rolled coil	30 days	14 days
- Cold rolled coil	40 days	19 days
On-time delivery	82.7%	95%
Client's stock holding period (hot rolled products)	30 days	24 days
Time till new product release	4 years	1.5 years
Rate of strategic purchase of materials	28%	80%
Time period till monthly account settlement lead time	6 days	1 day
Time interval for deciding budget	110 days	30 days



POSCO commemorates the full-scale launch of POSPIA, an integrated management system that includes the super-server and the latest ERP innovation, Oracle 11i.

FASTER PRODUCTION SCHEDULING

POSPIA has brought considerable timesavings to our operations. For example, production scheduling has fallen from 60 days to only 15 days. This is a considerable timesaving that is also helping our customers to enhance the efficiency of their respective businesses.



15 days

PRODUCTION

In 2001, POSCO recorded the highest production volumes in its history in both crude steel and steel product output.

In 2001, POSCO recorded the highest production volumes in its history in both crude steel and steel product output. The former increased by 90,000 tons to 27,825,000 tons and the latter grew to 27,236,000 tons, an increase of 332,000. The increase was chiefly due to more efficient production and stable output at the Gwangyang No.5 Blast Furnace, which went into operation in April 2000, and which allowed us to secure steel production continuity and stability.

While a general economic downturn domestically and overseas, and instability in the cold rolled coil market resulted in a decrease in cold rolled coil production, our output of hot rolling products and slab plate production increased noticeably on the previous year. Hot rolled coil production rose 422,000 tons to 9,771,000 tons, while plate production decreased by 37,000 tons to 3,069,000. Wire rod production fell by 80,000 tons to 1,841,000 tons, due to rationalization of No. 3 wire rod line.

In 2001, deterioration in the market led to a reduction in CR (Cold Rolled) and BP (Black Plate), resulting in a 412,000-ton decrease in cold rolled coil output to 8,736,000 tons. Production of electrical steel sheet also fell by 18,000 tons to 522,000 tons in 2001 as a result of rationalization of production in June/July, 2001.

Increase in the stainless steel demand industries and improvements in productivity pushed stainless product output up by 17,000 tons to 1,228,000 tons.

Slab and bloom production also increased 376,000 tons to 1,416,000 tons due to the rise in production of crude steel.

In the area of high-quality steel products we achieved a milestone when production over the 10 million-ton-mark, increasing by 107,000 tons in 2000 to 10,004,000 tons. The amount of high-quality steel products as a percentage of overall production, however, fell by 0.1% to 39.7%.

At the Pohang Works, which focuses on small-scale production of a diverse range of products, the amount of high-quality steel as a percentage of overall production at the works fell by 0.6% to 55.9%. At the Gwangyang Works, which concentrates on large-scale production of a few product types, the proportion of high-grade steel out of total production increased by 0.5% to 24.2%.

In 2002, our integrated digital management system, POSPIA, will be in operation company-wide, bringing considerable efficiency and cost benefits to operations. Production will remain focused on increasing the volume of high value added products that allow us to gain the maximum returns from limited time and resources, including coated steel, tin plate and stainless products. Efforts will focus on maintaining superior quality and technical excellence, while continuing to firmly focus our marketing and production efforts on the customer to maximize growth and increase shareholder value.



Ka Hyoung, Shin
Galvanizing Plant III
Cold Rolling Dept.

"We ceaselessly drive for improvements in quality. And it's this excellence in quality that is helping us satisfy and maintain our customer base."



In 2001, production remained firmly focused on increasing the output of high value-added products including tin plated and stainless products, in order to gain the maximum return from the time and resources invested.

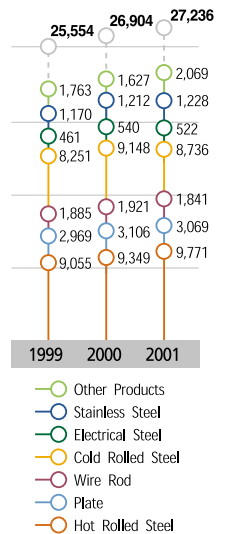
REACHING A MILESTONE IN PRODUCTION

In 2001, POSCO achieved a milestone in its production history when output of high-quality steel products exceeded the 10 million-ton-mark.

10 millions



Yearly Output by Product Category
(unit: in thousands of metric tons)



A solid performance and a strong future

MARKETING

In 2001, POSCO recorded its third consecutive year of sales growth as total sales volume grew by 1% to 27,112,000 tons. Gains in sales growth, however, were downplayed by a fall in prices as the industry experienced a downturn worldwide, resulting in a 5% fall in overall revenue, to 11, 086 billion won. Meanwhile, the balance of domestic and overseas remained the same as 2000, with 76% of sales in the domestic market and 24% overseas.

To minimize the effects of the difficult marketing environment on revenue in 2001, we expanded our production of high-margin products. Enhancements to customer relations management, made under our successful PI initiative have improved customer satisfaction and shielded us somewhat against market uncertainty, while strategic alliances with companies overseas, such as NSC of Japan and Baoshan of China are expected to provide us with future avenues for increasing growth.

We anticipate a rebound in the steel industry in 2002 as the World Cup boom revives consumer confidence and business at demand industries such as automobiles and shipbuilding picks up. However, the

To minimize the effects of the difficult marketing environment on revenue in 2001 we expanded our production of high-margin products.

low price of Japanese mill products riding on the weak yen, and the strengthening of import restrictions around the world, including United States Article 201, combined with global overproduction, may delay recovery to the second half when cuts in output at mills worldwide begin to be felt.

POSCO will continue to grow, in spite of the unfavorable market by continuing to improve our fundamentals. We will continue to concentrate on high-margin products, increasing our cost competitiveness and improving operations efficiency. We will strengthen our sales performance by becoming an indispensable partner to our client companies that brings mutual growth by providing services and products that match our customer's needs.

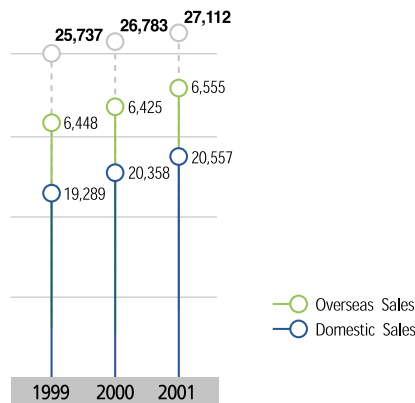


Ji Hye, Kim

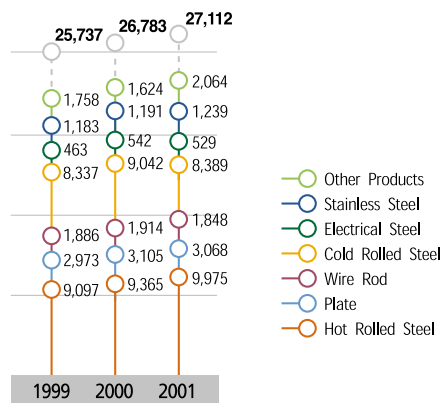
Plate & Wire Rod Export Team
Hot Rolled Products Sales Dept.

"A customer-focused marketing strategy is a "Win-Win" situation. Close cooperation with our customers helps us anticipate their product requirements. We can also keep a close eye on shifts in market demand and respond rapidly and flexibly to new developments."

Total Sales in Domestic and Overseas Markets
(unit: in thousands of metric tons)



Sales Performance by Product
(unit: in thousands of metric tons)



95%

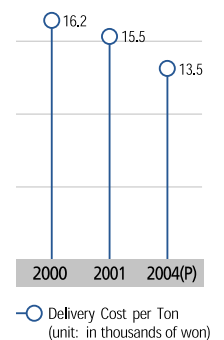
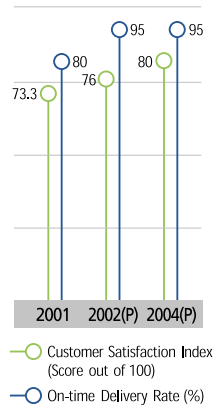


KEEPING OUR PROMISE
 POSCO is seeking to increase its on-time delivery rate to 95% during 2002.

To carry us through uncertainty in the market, we are strengthening customer relationship management in order to ensure complete customer satisfaction and secure a loyal customer base.



KPI for Marketing



RAW MATERIALS

While securing our sources of supply, we are also minimizing stocks and expanding our purchase of short-haul, cheaper raw materials.

While securing our sources of supply, we are not only minimizing stocks but also expanding our purchase of short-haul, cheaper raw materials. Our flexible purchase contract period is giving us more leeway to respond to market fluctuations.

In 2001, POSCO purchased a total of 70.3 million tons of raw materials, including 39.5 million tons of iron ore, 18.5 million tons of coal, 1.8 million tons of metalics. The 3.0% increase in total raw material purchases is a direct result of an increase in total steel output during the year. The fall in the international price of raw materials, excluding iron ore and coal, and reduction in transport costs saw expenditures increase by only 2.5% to 4.5 trillion won.

Since 1983, we've retained a fleet of bulk carrier vessels under long-term contract to meet our need for cost-effective, on-time delivery. Currently, we have 37 vessels with a total dead-weight capacity of 6.7 million tons, which transport about 76% of total raw material imports.

In 2002, we forecast a fall in the price of major raw materials including iron ore and coal. However, we will maintain our strategy of enhancing profitability by increasing purchases of cheap, short-haul materials and by efficiently managing our bulk carriers to minimize transport costs.

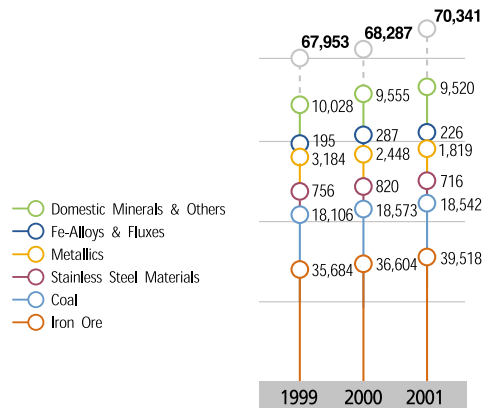
As part of our plan to secure stable sources of raw materials, we have made strategic joint ventures with major overseas raw materials suppliers. We have been supplied with coal from our joint venture coal mines in Australia and Canada since early 1980's. Since 1998, iron ore pellets and ferrochrome have been supplied to us from our joint venture plants in Brazil and South Africa. In 2001, the joint venture plant in Venezuela began supplying hot briquetted iron to us. From 2004, we expect to acquire iron ore from a joint venture mine to be developed in Western Australia.



Ryan Kwon
Coal Team
Iron Making Raw Materials Dept.

"Through a number of strategic alliances with overseas suppliers we've been able to secure a cost-effective and stable supply network for diverse raw materials."

Raw Materials Purchases
(unit: in thousands of metric tons)





37 vessels

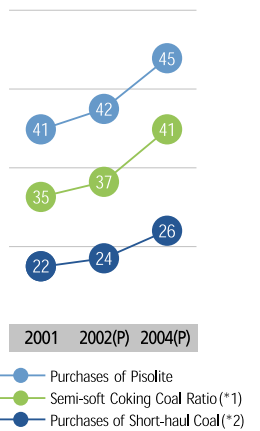
COST-EFFECTIVE DELIVERY

We are efficiently managing our 37 vessels to meet the need for cost-effective and on-time delivery of raw materials.

We will achieve cost savings in raw materials by increasing purchases of cheap, regionally sourced raw materials and by efficiently managing our bulk carriers to reduce delivery costs.



KPI for Raw Materials (unit: %)



* 1: Anthracite, Semi-anthracite included
* 2: From China & Russia

INVESTMENT

As the global economy continued its downturn, the landscape of the global steel industry transformed itself into a massive restructuring, downscale to reduce oversupply, and M&A and multinational alliances.

Amidst such immense changes in the industry, POSCO is constantly reviewing and renewing operations to maintain a strong lead. We continue to build on our strong position through strategic investments in facilities and processes that will improve our quality, productivity and efficiency.

In 2001, we completed a number of major facility investments that are helping us to meet increased demand and expand our output of high-profit products. We upgraded the capacity of the No.2 Heat Treating Furnace in the NO.2 Heavy Plate Mill and rationalized the Grain-Oriented Silicon Steel Mill at Pohang Works, while expansions at the Pohang No.1 Hot Rolling Mill have enabled us to increase coil production by an additional 120,000 tons. Rationalization of the No.3 Continuous Caster at the Pohang No.3 Continuous Casting Plant in 2001 brought significant increases in the productivity and quality of our slab products. Meanwhile, extensions of a Hot Metal Pretreatment Station, a LF ,and supplementary equipment such as an LD Converter Combined Blowing Facility heightened our dephosphorization treatment capacity. Through these investments, the LD converter operations were greatly simplified and we could secure low cost operations while at the same time increase the quality of our high value-added products. Investments in environmental equipment such as the No.4-2 Desulfurizing Facility at the Pohang Chemical by-product plant and Roof Dust Collector at the Gwangyang No. 2 Steelmaking Plant have helped us to slash SOx emissions and improve air quality.

As we wrapped up the facilities projects mentioned above, a number of other major projects were commenced. We began a project to increase our stainless steel production capacity in order to increase

We continue to build on our strong position through strategic investments in facilities and processes that improve our quality, productivity and efficiency.

our production of high profit products and to solve a supply shortage of stainless hot rolled coil. We also began construction on a new DR mill which will substitute import products and increase the competitiveness of steel cans by enhancing mechanical strength. Construction also commenced on the Sizing Press at the Pohang No.2 Hot Rolling Mill, which will increase output and considerably shorten delivery time, while upgrades initiated at the Pohang wire rod and billet facilities, and the new Bloom Continuous Caster are expected to increase our output of high quality wire rod. A project to upgrade the Gwangyang No.2 Hot Rolling Mill is expected to increase its production by around 470,000 tons of hot rolled coil annually. Meanwhile, with the commencement of construction on a FINEX Demo Plant in 2001, we moved a step closer to the commercialization of FINEX technology.

As part of our investment in energy saving and environment friendly technologies, we pushed forward with the Gwangyang No.2 Coke Dry Quenching Facility, which is set to improve air quality and save energy through coke heat recovery. Construction also commenced the Pohang NO. 4-2 and Gwangyang NO. 3, 4 biological effluent facilities for water-purification of the Chemical by-product plant areas, designed to reduce nitrogen in wastewater, and the Gwangyang raw materials yard biological effluent treatment facility to protect water pollution in the vicinity of the Works.

In the future we plan to increase our investment in high quality, high value-added products that satisfy customer needs as well as to sustain investment in the areas of the environment and energy in preparation for any future tightening of environmental regulations.



Young Soo, Park
Investment & Technology
Planning Team
Corporate Strategic Planning Dept.

"The steel market has been experiencing difficulties of late. But at POSCO we are always preparing for an upswing in the market by continuing to invest in facilities for the production of high-quality, high-margin products that will bring additional revenue."



We are actively undertaking major facilities investment in order to expand our output of high-margin products and fulfill increased demand.

REMAINING COMPETITIVE

We invested 1,352 billion won in facilities in 2001 to enhance product quality and build on our competitiveness.



1,352 billion

KPI for Investment



- Investment Duration (days)
- Investment Target Achievement Ratio (%)
- Investment Cost Reduction Ratio (%)

ENVIRONMENTAL MANAGEMENT

Since establishment, POSCO has strived to undertake its business activities in an environment-friendly manner. Indeed, we consider preservation of the environment one of our core management strategies and responsibilities. In order to protect the environment systematically and to evaluate our performance in a fair manner, in 1995 we adopted an environmental management system that complies with ISO 14001, the first in the global steel industry to do so. That same year, we unveiled the POSCO environmental policy. We establish environmental objectives and action plans each year to carry out the policy. Periodic internal and external audits are performed to ascertain how well the environmental management.

During 2001, POSCO established five major environmental objectives: 1) strictly adhere to new and tightened environmental laws, 2) continue to reduce the volume of pollutant release and increase the recycling amount, 3) develop cleaner technologies and environment-friendly products, 4) manage the environmental quality of the community surrounding the steel works, and 5) adopt advanced environmental management tools and strengthen environmental education and public relations.

Our environmental efforts begin from the moment we purchase raw materials. We discontinued the use of iron ore containing high levels of sulfur from 1996, and have increased our usage of low sulfur and nitrogen coal, while recently constructing LNG power plants to scale down our reliance on crude oil as an energy source.

We have invested in environment-related facilities since our establishment comes to an accumulated total of 2.2 trillion won. In 2001 alone, we invested 111.2 billion won on environmental protection facilities including Claus plant at Pohang Works and dust collectors at Gwangyang Works. To tighten environmental controls within the company, we have established our own in-house environmental standards for pollutant discharge. Since 1990, we have operated telemetry systems for automatically gauging gas discharge from stacks.

The money we have invested in environmental equipment since our establishment comes to an accumulated total of 2.2 trillion won.

Through our efforts to reduce and recycle waste/by-products, the recycling rate of waste/by-products has reached 97%, and the useful life of the Pohang Works landfills has consequently been extended by an additional 30 years beyond original estimates. We aim to improve our record even further by lifting the recycling rate of waste/ by-products to 99% by 2005. Meanwhile, we continue our search for ways to turn waste products into value-added resources by creating novel applications, for example using blast furnace slag to build artificial ocean reefs.

The steel industry is by nature a large consumer of energy, and since establishment we have searched for ways to minimize that energy usage. As a consequence, POSCO now has one of the world's highest energy efficiency levels. We will continue our excellent record by drawing all employees into the drive to enhance energy efficiency, by curtailing consumption and enhancing energy control systems.

In the meantime, for more efficient environmental performance evaluation (EPE), we developed the POSCO Environment Performance Index (POSEPI), which is an indexing tool that enables us to calculate various indicators such as annual volume of raw material consumption and pollutant discharge, and thereby assess the effectiveness of our environmental control activities in a comprehensive and objective manner. POSEPI is an in-house index that is used as a principal guideline in performance evaluation and in management decision-making.

In order to maintain the environmental integrity of surrounding regions, we regularly undertake comprehensive reviews of the local environment around our steel works. This information is fully disclosed to the public at our newly constructed environmental management website at www.steel-n.com/posenv/.



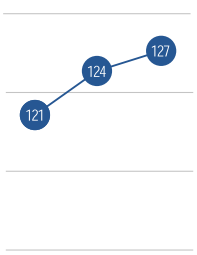
Young Joo, Jin
Environment Planning Team
Environment & Energy Dept.

"POSCO adheres to the ideal of eco-efficiency, which means optimizing production by minimizing pollution. It's a valuable management philosophy because eco-efficient management not only protects the environment but has positive economic benefits as well."



POSCO supplied environmentally friendly products to the construction of the state-of-the-art Incheon International Airport, which is set to become a major hub airport in the Asian region.

KPI for Environment



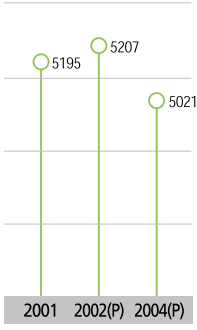
CARING FOR THE ENVIRONMENT
 POSCO invested 111.2 billion won in equipment for minimizing pollutant discharge in 2001.



111.2 billion

2001 2002(P) 2004(P)

POSRPI (POSCO Environmental Performance Index)*
 * evaluated by setting average value in the period from 1997 to 1999 as the standard value of 100.



Specific Energy Consumption (Mcal/T-S)

RESEARCH & DEVELOPMENT

We pushed forward with 275 projects in 5 major strategic technology areas, and taking the year 1999 as a standard, we achieved a 14.4% increase in 197 of the R&D KPI.

POSCO has established a mid-term technology development plan to achieve the goal of attaining technological competitiveness unparalleled in the world by 2004. We have consistently increased investment in R&D to fulfill our plan, with investment as a ratio of total sales increasing from 1.0% in 1998 to 1.6% by 2001, and have multiplied our R&D results through efficiency upgrades of our R&D system and organization.

In 2001, we pushed forward with 276 projects in 5 major strategic technology areas, and taking the year 1999 as a standard, we achieved a 15.0% increase in 197 of the R&D KPI (Key Performance Indicator). In the area of product quality and value enhancement, we developed and commercialized 22 new value-added products, and reduced the secondary product ratio arising from quality problems in the production process from 2.5% in 2000 to 2.2% in 2001. In the area of low cost technology development, we are developing and applying technologies that allow us to increase the use of low cost materials, resulting in an increase in the percentage of cheaper coking coal used in the steel production process from 55% to 66%. We have also searched for ways to reduce costs at Gwangyang Mini Mill by using surplus molten steel from the blast furnace of the steel plant as a raw material for the mini mill. This move will not only cut production costs by 30%, but will also improve the quality and marketability of the final hot rolled coil product. In the area of compliance with tightened environmental restrictions, we increased our waste-recycling ratio from 96% in 2000 to 97% in 2001, as well as achieving a dramatic reduction in the emission of pollutants such as COD and Sox.

The strategic alliance in R&D with Nippon Steel Corporation in August 2000 has helped us enhance the scope and nature of our work. We have jointly established 23 working groups and undertaken 9 major research projects through the alliance.

POSCO is also seeking to develop and apply new technology in future growth businesses in biotechnology and the environment. We have invested in a new biotechnology center at the Pohang University of Science and Technology to take advantage of the university's excellent reputation and infrastructure to conduct world-class research. POSCO will have first rights to commercialize any discoveries arising from the research.

Since 1989, POSCO has focused on the development of revolutionary steelmaking technologies unique to POSCO, including smelting reduction and strip casting, as well as ultrafine-grained structural steel.

Smelting Reduction Process

In 1995, POSCO constructed COREX (600,000 tons per year), a smelting reduction facility at Pohang Mill. Now we are developing the FINEX process, a advanced form of COREX technology that is expected to become the leading steel making technology of the coming century. The FINEX process offers drastic cost-saving benefits as it eliminates sintering coke making processes and uses 100% iron ore, an abundant and cheap raw material. Research and development using a 150-ton-per-day plant is complete and we are now in the midst of constructing a FINEX plant (600,000 ton per year output) scheduled for completion by May 2003.

Strip Casting

POSCO has invested 76 billion won over the past 13 years into the development of strip casting technology. From 2002, as part of the strategic alliance with Nippon Steel Corporation, we will share our respective technologies and undertake joint development so that we can together secure world-class technology and develop revolutionary steel production techniques that have superior competitiveness.

Ultrafine-grained structural steel

Since 1998, POSCO has been researching and developing double-life, double-strength structural steel. By 2002, we will be ready to commercialize the steel with 60kg/mm² resistance to longitudinal stress, and expect to have an 80kg/mm² structural steel ready for commercialization by 2007.



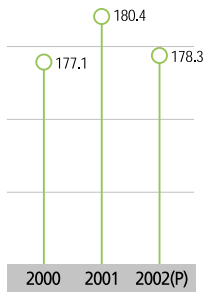
Jin Hong, Kim
Environment Planning Team
Environment & Energy Dept.

"Rapid commercialization of our R&D breakthroughs combined with effective marketing allows us to provide timely answers to newly emerging customer needs."



The Pohang Accelerator Laboratory is a third generation light source consisting of a 2-GeV electron liner Accelerator and a 2-GeV electron storage ring.

R&D Investment
(unit: in billions of won)



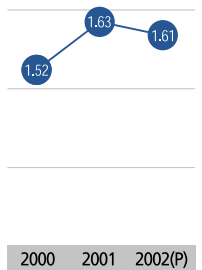
TECHNOLOGICAL LEADERSHIP

We spent 1.6% of total sales revenue on R&D in 2001 to ensure we secure the technology that will make us the most efficient and innovative steel manufacturer now and into the future.



1.6%

Percentage of R&D to sales (unit: %)



EDUCATION & WELFARE

The core subjects of the education program focused on nurturing digital skills, professionalism and leadership, a customer-oriented attitude and a global mindset.

Education has been a key management focus since POSCO's inception. The Human Resources Development Center was established in line with the company's manpower-oriented management philosophy. In 2001, the company implemented an advanced education program aimed at nurturing employee creativity and professionalism, enhancing management performance, and promoting individual competency. The core subjects of the education program focused on nurturing digital skills, professionalism and leadership, as well as customer-oriented attitude and a global mindset.

In 2001, the total number of students in POSCO educational programs was 74,719 (including 42,019 in the Cyber course and 3,909 non-company students), and an average of 93 hours was spent on education per employee.

During the year, our investment in e-Learning through POSCO e-Campus began to pay off as over 83% of all education courses were provided through this method during the year, including 100 cyber courses (60% of all courses) and collective education courses, 40 of which used CBL (Computer Based Learning, 23% of whole courses), a teaching method that utilizes electronic educational materials installed on computer.

Courses offered during the year included the 21C New Leaders course (3,779 employees) and a Business Manners course (1,640 employees) to promote customer-oriented PI (Process Innovation) and prepare employees for privatization. In order to enhance POSCO's e-Business capabilities we provided an e-Business course for directors and managers (27 directors, 333 managers). We also expanded IT qualifications courses and 25.6% of managers (4,762 e-Professionals and 164 e-Leaders) achieved qualification.

In order to establish a culture of knowledge sharing and learning throughout the entire company, in 2001 we held the first POSCO MAPPERS Conference. The conference gave the employees the opportunity to present 91 reports and discuss 28 best practices, with employees from other business areas.

Now in 2002, POSCO enters the second phase of PI. Education during the year will focus on subjects that support the smooth implementation of phase 2, including improving the quality of e-Learning contents, nurturing key talent and future leaders, while strengthening 6 sigma, IT as well as technical education.

Employee Welfare

Since its establishment, POSCO has maintained a commitment to enhancing the quality of life of its employees through diverse welfare programs. Even before construction of the factory itself began, POSCO was building a housing estate for employees with diverse facilities, including educational facilities from preschool through to high school.

There are 6,817 housing units on 1,296 acres at the Pohang Works estate and another 5,384 units on 745 acres at the Gwangyang Works estate. The housing estates, located in the midst of ample green spaces, provide employees with a peaceful and stable living environment. POSCO sponsors regular cultural events including lectures, concerts, plays and films at concert halls with state-of-the-art sound and stage facilities in Pohang, Gwangyang and Seoul. Diverse sporting facilities ranging from world-class soccer stadiums at Pohang and Gwangyang, to tennis, golf and bowling facilities, in addition to holiday resort facilities around the country promote the physical and spiritual well being of employees and their families.

In 1991, POSCO established a company labor welfare fund that provides support for employee housing and financing for children's education. In the future, we plan to build a individual care-oriented welfare system that can better support the needs of each employee.



Jung Ju, Lim
Education & Training Center
Strategic Education Team

" 'e-Campus', the company's virtual campus, gives all employees access to diverse courses through the Internet. The system has led to the gradual flowering of a learning culture based on independent initiative throughout the company."

74,719 students



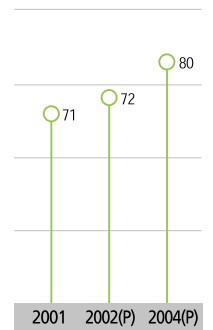
ENRICHING HUMAN RESOURCE

74,719 students took advantage of the opportunity to enhance their skills and knowledge through our diverse on- and off-line educational programs.

At the inaugural POSCO MAPPERS Conference in 2001, managers from key departments presented reports and shared best practices about their specific area, thereby fostering the sharing of valuable knowledge and experience company-wide.



KPI for Welfare



Employee Satisfaction Index
(Score out of 100)

**The Employee Satisfaction Index includes satisfaction not only with welfare, but also management policy, overall personnel administration and diverse support services. (Yearly survey undertaken by POSRI)*

BOARD OF DIRECTORS

Woo-Hee Park
Outside Director
Audit Committee

Soon Kim
Outside Director
Management Development and
Compensation & Finance and
Operation Committees

Dae-Wook Yoon
Outside Director
Management Development and
Compensation & Audit Committees

Moon-Soo Park
Senior Executive Vice President
Finance and Operation
Committee



*Seated left to right

Jong-Won Lim
Outside Director
Director Candidate Recommendation &
Finance and Operation Committees

Ku-Taek Lee
President

Guil-Soo Shin
Outside Director
Director Candidate Recommendation & Management
Development and Compensation Committees

Ung-Suh K. Park
Outside Director
Director Candidate Recommendation
& Audit Committees

A solid
performance and
a strong future

as of december 31, 2001

Yong-Woon Kim

Senior Executive Vice President
Director Candidate Recommendation &
Finance and Operation Committees

Chang-Oh Kang

Senior Executive Vice President
General Superintendent, Technical
Research Laboratories

Soo-Yang Han

Executive Vice President
General Superintendent,
Gwangyang Works

Won-Pyo Lee

Executive Vice President
General Superintendent,
Pohang Works



Sang-Boo Yoo

Chairman of the Board and
Chief Executive Officer

Samuel F. Chevalier

Outside Director
Management Development
and Compensation Committee

Jae-Young Chung

Outside Director
Finance and Operation &
Audit Committees

POSCO's Board of Directors consists of seven executive directors and eight outside directors. It not only deliberates on mid- and long-term management strategies in the Company, but also decides on important company policies as the highest decision making committee. The Board also supervises core management issues through four special committees composed primarily of outside directors, thus ensuring management transparency and accountability.

In 2001, the Board convened meetings 9 times and decided on a total of 30 agenda items including construction plans for the LNG terminal, liquidation of the KS-POSCO joint venture in Indonesia and business plans for 2002.

In a meeting on July 23, 2001, the Board declared a 10% interim dividend, and on August 25 made a decision to retire 3% of treasury stocks. At the October 31 meeting, it was agreed to establish a special trust for financing buy-back of Company shares to ensure a stable share price moving forward. It was also decided to implement belt tightening policy in response to the worsening management environment on May 26. The Board also approved grant of stock options to executives to motivate them for better business performance in the future on July 23.

The Director Candidate Recommendation Committee held two meetings during the year to deliberate four issues including recommendations for outside director and reviews of qualifications of prospective directors.

The Management Development and Compensation Committee, which is staffed exclusively by four outside directors, held four meetings during the year to review six issues including upgrade of management performance evaluation system.

The Finance and Operation Committee held seven meetings during the year, taking up 16 issues including capital increase in Siam United Steel in Thailand and plans for issuing corporate bonds. Among these a total of 12 issues was resolved by the committee under the authorization from the Bond.

The Audit Committee met a total of seven times during the year to undertake audit activities concerning the accuracy of financial reports and legality of operations. It reviewed audit reports on 2000 financial statements and the 2001 quarterly accounting, as well as evaluation report on internal control system.

Committee Members

Director Candidate Recommendation Committee

Chair: Ung-Suh K. Park

Members: Guil-Soo Shin, Jong-Won Lim, Yong-Woon Kim

Management Development and Compensation Committee

Chair: Guil-Soo Shin

Members: Samuel F. Chevalier, Dae-Wook Yoon, Soon Kim

Finance and Operation Committee

Chair: Jong-Won Lim

Members: Jae-Young Chung, Soon Kim, Yong-Woon Kim, Moon-Soo Park

Audit Committee

Chair: Jae-Young Chung

Members: Ung-Suh K. Park, Woo-Hee Park, Dae-Wook Yoon

EXECUTIVE OFFICERS



KWANG-WOONG CHOI
Executive Vice President
Corporate Strategic Planning Dept.
Management Support Dept.

JUNG-WON KIM
Executive Vice President
General Administration Dept.
Public Service Dept.



SEONG-YONG SHIN
Executive Vice President

JUNG-WOO PARK
Senior Vice President
Human Resources Dept.
Labor Relations Dept.



WON-CHUL HWANG
Senior Vice President
Deputy General Superintendent,
Pohang Works (Maintenance)

SUNG-HWAN KIM
Senior Vice President
Facilities Investment
Planning Dept.



TAE-HYUN HWANG
Senior Vice President
Finance Dept.
Finance Management Dept.

YONG-KEUN KIM
Senior Vice President
Deputy General Superintendent,
Gwangyang Works (General
Administration, Labor
Relations and Procurement)



KWANG-HEE HAN
Senior Vice President
Tokyo Branch

DONG-JIN KIM
Senior Vice President
Beijing Office



SOO-CHUL SHIN
Senior Vice President
Deputy General Superintendent,
Pohang Works (Production
Technology and Operation)

MOON-CHAN KO
Senior Vice President
Deputy General Superintendent,
Gwangyang Works (Rolling Mills
Operation)



BYUNG-CHANG YOO
Senior Vice President
Corporate Communications Dept.
Seoul Office

CHIN-CHEON KIM
Senior Vice President
Deputy General Superintendent,
Gwangyang Works (Maintenance)



YOUN LEE
Senior Vice President
Stainless Steel Sales Dept.

KYEONG-RYUL RYO
Senior Vice President
Process Innovation Dept.
PI Enablement Dept.



SOUNG-SIK CHO
Senior Vice President
Domestic Investment Dept.
Overseas Investment Dept.

BYUNG-HOON KIM
Senior Vice President
Deputy General Superintendent,
Pohang Works (General
Administration, Labor
Relations and Procurement)



JONG-TAE CHOI
Senior Vice President
Human Resources Development
Center

HWANG-KYU HWANG
Vice President
Technology Development Dept.
Environment & Energy Dept.



SONG KIM
Vice President
Marketing Strategy Dept.
Market Development Dept.



WOO-IN LEE
Vice President
Auditing Dept.

JONG-DO CHOI
Vice President
Export Assistance Dept.
Cold Rolled Steel Sales Dept.

MAJOR SUBSIDIARIES & AFFILIATES

Pohang Coated Steel Co., Ltd.

Established in 1988, Pohang Coated Steel Co., Ltd. (POCOS) specializes in the manufacture of zinc and aluminum galvanized steel. POCOS made a rebirth as a specialized steel surface finish roller after its merger in March 1999 with Pohang Steel Industries Co., Ltd, a colored plate manufacturer, and following the acquisition of the Pohang Coil Center Facilities from POSCO Steel Services Sales Co., Ltd in May 1999.

At its 300,000-ton-capacity galvanizing factory, POCOS produces both galvanized steel sheets (ZINCOSTA), which are used for construction, automobile parts and color sheet, and aluminized steel sheets (ALCOSTA), which are destined for use in car exhaust systems, home-appliances and boilers. The continuous coating line, with a capacity of 370,000 tons per year, turns out coated steel sheets for decorative architectural and home-appliance applications, while the cold rolling processing line is the company's Steel Service Center, which produces 600,000 tons of 'sheet' and 'skelp' annually.

Total sales and revenue at POCOS in 2001 reached 396 billion won and 15.1 billion won, respectively. Overseas sales account for 41% of total sales at 124 million US dollars. POCOS is strengthening its lead in coated steel manufacturing through the

construction of the No.2 Continuous Galvanizing Line (300,000 tons annually). The new line will help the company to actively satisfy new demand, strengthen competitiveness and secure an uninterrupted supply.

POSCON Co., Ltd.

Established in November 1979, POSCON is a specialist in the field of factory automation. With POSCO as its main client, the company has acquired know-how in a wide range of plant types, including factory automation, warehouse automation, pollution control, and power plant automation. Its market has expanded to include national infrastructure, industrial facilities construction and expansion, and the intelligent building markets. With 900 engineers, and 23 years of experience gained at POSCO worksites, it provides flawless system engineering services for every phase of a project - from engineering, construction and installation, to testing and maintenance.

In 2001, POSCON successfully completed the luggage-handling system at Incheon International Airport and the high polymer line turn-key project for Union Steel. The company is gaining recognition for technological excellence through application of an ERP system to support its entry into the e-business era, and completion of Highly Advanced National Project (G7

Project).

In 2001, POSCON recorded its eighth straight year of profitability, ending the year with earnings of 6.1 billion won on sales of 202.4 billion won. Backed by a proven track record in control technology and product development in Korea, POSCON is forging ahead into the Chinese and Southeast Asian markets, moving ever closer to its vision of becoming one of the world's top-10 automation companies.

POSCO Engineering and Construction Co., Ltd. (POSEC)

Though founded in December 1994, POSEC has a long history of cooperation with POSCO on the construction of the Pohang and Gwangyang Works. POSEC now applies its advanced engineering and construction technology to the construction of steel mills, environmental facilities, power plants, building construction, port facilities, and SOC private fund projects and the housing construction business.

Last year, POSEC actively pushed growth in the domestic and overseas markets, recording the lowest level of reliance on the Group since its establishment. The company acquired 9 core technologies during the year including the basic design of blast furnace and automation of steel box girder bridges design. Ten patents were



also acquired, including scrap guide apparatus of wire rod, while 13 more patents are pending. The company also operates an internal venture incubator program to catalyze the development and commercialization of new technology. POSEC's is dedicated to accident prevention by using systematic on-site safety measures, helping it to record the lowest accident rates since establishment in 2001.

The company recorded net income of 43.9 billion won on sales of 949.2 billion won in 2001. POSEC will continue to grow by becoming an industry leader in E&C in the 21st Century and preparing for future change and challenges by honing its competitiveness in core business areas.

POSTEEL Co., Ltd.

Founded in 1994, POSTEEL has since secured a strong position as a steel distribution specialist of POSCO steel products both at home and abroad. POSTEEL finished 2001 strongly with sales of 1.92 trillion won and total assets of 530.4 billion won.

The Company serves the needs of customers in major regional markets through four overseas offices in Moscow, Ho Chi Minh City, Singapore and Jakarta, offering financing, technical support, transportation, and information services. It also established a preliminary presence in Thailand and

Malaysia as part of plans to strengthen its export capacity through expansion of its overseas network. Company subsidiaries in China (POS-Tianjin Coil Center and Suzhou Dongshin Color Metal Sheet) and Thailand (POS-Thai Steel Service Center) recorded excellent performances in 2001 due to an increase in sales.

POSTEEL remained abreast of the PI initiative at POSCO in 2001 through its operation of COSMOS, a customer-oriented information system. Efforts also focused on strengthening professional education, and the adoption of MBO, which is a results-oriented valuation system, in addition to an annual salary system to maximize the motivation and performance of employees. In 2002, POSTEEL plans to strengthen CRM activities to improve customer relationships, and plans to operate a coil center overseas as well as develop new demand by actively entering emerging markets, including Southeast Asia.

POSDATA

POSDATA was established in 1989 as an information technology provider, and currently has a team of 1,050 professionals specializing in the area. It specializes in integrating hardware, software, and communications technologies to create tailored, cost-effective information systems for both corporate and government customers.

POSDATA has supplied IT solutions to government institutions including the Ministry of National Defense, Ministry of Health & Welfare, Korea Intellectual Property Office, and the Financial Supervisory Commission, as well as to many domestic corporations including Hankook Tire, Hyundai Pipe, and Doosan Heavy Industries & Construction (formerly Korea Heavy Industries & Construction). The Company has also delivered solutions to overseas customers in Canada, Brazil, India and China.

In the area of technology, POSDATA has developed the highest performance cluster super computer in Korea based on Linux. Furthermore, the quality of the company's software was affirmed when it became the first Korean IT company to acquire CMM Level 3, a software process valuation model used in the United States. It also successfully commercialized eXFlow and DVR as workflow solutions for automatic processes in the company, the distribution-type POSWATCH BX, and Isign, a security identification solution.

In 2001, POSDATA achieved good growth with sales of 301.9 billion won and net income of 12.4 billion won. The company aspires to become a global IT specialist and a leader in systems integration by 2005 through the aggressive development of new solutions and future growth businesses.



UPI (USS-POSCO Industries)

UPI was established in California in 1986 as a 50 : 50 joint venture with United States Steel Corporation (USS), the largest steel maker in the United States. Benefiting from the synergy of joint cooperation between POSCO and USS, UPI is one of the largest cold-rolled steel suppliers in the west United States with an annual production capacity of 1.5 million tons.

UPI has contributed to mitigation of steel trade friction of POSCO with the U.S. as the joint venture has served as a consistent source of demand for the hot-rolled coils of POSCO. Both parents are expected to continue to supply their high quality hot-rolled coils to UPI.

Zhangjiagang POSCO Stainless Steel Co., Ltd. [ZPSS]

Located in Jiangsu Province in China, ZPSS is a joint-venture mill established in cooperation with local Chinese company, Jiangsu Shagang Group, to produce and market stainless steel and galvanized steel products. ZPSS has enabled POSCO to establish stable sales channels to meet growing demand for these products in China.

Since operations began in 1999, ZPSS has recorded profit for three consecutive years, achieving sales revenues and net earnings of US\$193 million and US\$5 million in 1999,

US\$382 million and US\$13 million in 2000, and US\$353 million and US\$11 million in 2001, respectively.

In line with the increasing demand for stainless steel products in the Chinese market, in March 2002, POSCO will embark on construction of facilities at ZPSS that will add an additional 140,000 tons of cold rolled stainless steel to the existing output of 140,000 tons.

The company will seek to secure market leadership in the Chinese cold rolled stainless product market by securing unparalleled products quality, cost competitiveness and by maintaining close, cooperative business relationships with local mills.

Dalian POSCO-CFM Coated Steel Co., Ltd. [PCCS]

PCCS was established as a joint-venture rerolling mill with a local Chinese company in the Dalian Economic & Technical Development Zone in China, to produce and market galvanized steel and color-coated steel products.

In 2001, PCCS recorded its third-straight year of profit, achieving sales revenues and net earnings of US\$91 million and US\$1.8 million in 1999, US\$126 million and US\$7 million in 2000, and US\$96 million and US\$2 million in 2001, respectively.

In addition to existing facilities with an output of 50,000 tons of color-coated steel products, POSCO plans to construct additional facilities with an output of 100,000 tons, which are scheduled for completion by March 2002.

PCCS will continue to enhance corporate value by developing end-user demand in color-coated steel products for domestic use and by maintaining close relationships with local mills.

KOBRASCO

KOBRASCO was established at Tubarao, Espirito Santo State, Brazil in 1996 as a 50:50 joint venture with CVRD, the world's largest iron ore producer. KOBRASCO began operation of its steel pellet plant with an annual capacity of 4 million tons of pellets in late 1998. KOBRASCO has played a key role as stable supply source of steel pellet for POSCO's COREX plant at Pohang and the No. 5 Blast Furnace at Gwangyang.

INTERNATIONAL NETWORK

POSCO

Head Office

1, Koedong-dong, Nam-gu
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Pohang Works

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Gwangyang Works

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POSCO Singapore Office

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POSCO Investment Co., Ltd.

[POSINVEST]
Room 5607, Central Plaza
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Fax 852-2845-7737

Pohang Steel America Corp., Ltd. [POSAM]

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Fax 201-585-6001-2

USS-POSCO Industries [UPI]

P.O. Box 471, 900 Loveridge
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Fax 1-925-439-6481

KOBRASCO

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POSVEN C.A.

Zona Industrial Matanzas
Sector Punta Cuchillo
Ciudad Guayana, Estado Bolivar,
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Dalian POSCO-CFM

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Development Zone
China
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Zhangjiagang Pohang

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Jiangsu Province, China
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Shunde Pohang Coated Steel

Co., Ltd. [SHUNPO]
Wei-Ye Road No. 1, Beijiao
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POSVINA Co., Ltd.

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District, Ho Chi Minh City
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Fax 84-8-896-6040

VSC-POSCO Steel Corp. [VPS]

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District, Haiphong City
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Tel 84-31-85-0124/0125
Fax 84-31-85-0123

Vietnam Pipe Corp. [VINAPIPE]

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Fax 84-31-85-0114

The Siam United Steel

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Myanmar-POSCO Steel Co., Ltd. [MPSC]

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Industrial Complex
Mingaladon Township
Yangon, Myanmar
Tel 95-1-703528
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Poschrome [PTY] Ltd.

Billiton Plc, Rm 803A No. 6,
Hollard Street, Johannesburg,
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Fax 27-11-376-3049

POSCO Asia Co., Ltd. [POA]

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18 Harbour Road, Wanchai
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Pohang Steel Australia Pty., Ltd. [POSA]

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POSTEEL

POS-Tianjin Coil Center Co., Ltd.

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POSTEEL Moscow Office

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Moscow Leninsky Prosp.,
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POSTEEL Ho Chi Minh Office

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POSTEEL Singapore Office

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Suzhou Dongshin Color Metal Sheet Co., Ltd.

Wujiang Fenuh Economic &
Technological Development Zone,
Jiangsu Province, China
Tel 86-512-325-0181/0041
Fax 86-512-325-0042

Assan Hyundai Celik

Urunleri Sanayi
Ve Ticaret A.S.
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POSCO International Osaka Inc. [PIO]

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PIO Tokyo Branch

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POSMETAL Inc.

Daiichi Seimei Bldg., 8th Fl.,
1-4-1 Hakadaekimae, Hakadaku,
Fukuoka, Japan
Tel 81-92-412-0539
Fax 81-92-452-2788

Fujiura Butsuruy Center Co., Ltd.

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Osaka 595-0054, Japan
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POS-Thai Steel Service Center Co., Ltd.

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Fax 6638-214-075/213-282

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Shunde Xingpu Steel Center Co., Ltd.

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POSEC

POSLILAMA Steel Structure Co., Ltd.

POSLILAMA Steel Structure Co., Ltd.
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POSCO AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2001 AND 2000
TOGETHER WITH AUDITORS' REPORT



Anjin & Co.
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Tel: 82-2-6676-1000, 1114
Fax: 82-2-785-4753, 786-0267

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of POSCO:

We have audited the accompanying consolidated balance sheets of POSCO and its subsidiaries (collectively referred to as the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of earnings, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of POSTEEL, and 26 other subsidiaries as of December 31, 2001 and 27 other subsidiaries as of December 31, 2000, respectively, identified in Note 1 to the consolidated financial statements, which statements reflect 17 percent and 18 percent of the total consolidated assets as of December 31, 2001 and 2000, and 28 percent and 32 percent of the total consolidated sales for the years ended, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations, consolidated changes in their stockholders' equity, and their consolidated cash flows for the years then ended in conformity with financial accounting standards in the Republic of Korea.

As discussed in Note 1 (3) to the consolidated financial statements, the consolidated financial statements include the accounts of POSTECH Venture Capital Co., Ltd. and POSCO Investment Co., Ltd. in accordance with the requirements of the working rules for consolidated financial statements, which require the inclusion of financial subsidiaries in the consolidated financial statements. Pos-Energy Co., Ltd. which was liquidated during 2001, and Zhangjiagang POSCO Coated Steel Co., Ltd. which was merged into Zhangjiagang Pohang Stainless Steel Co., Ltd., were excluded from the consolidated financial statements for the year ended December 31, 2001.

As discussed in Note 2 (10) to the consolidated financial statements, the Company has changed its accounting estimate for the reserve for special repairs from furnace-specific to company-wide standards to more appropriately reflect the replacement cycles and characteristics of furnaces. This resulted in an increase in net income of ₩59,108 million for the year ended December 31, 2001.

As discussed in Note 23 to the consolidated financial statements, the Company transferred its existing 25.26 percent of Shinsegi Telecomm's stock,

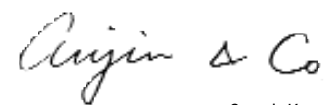
which was acquired before December 20, 1999, to SK Telecom on January 3, 2000 and transferred an additional 2.4 percent of Shinsegi Telecomm's stock which was acquired from Korea Electric Power Corporation and Korea Highway Corporation on January 31, 2000, to SK Telecom on February 1, 2000. The Company received 5,795 thousand shares, or 6.5 percent, of SK Telecom's stock in return on April 27, 2000. The Company acquired its initial shares in Shinsegi in 1994. The application of the average cost basis on this transaction resulted in a gain on disposal of investments (extraordinary income) of ₩952,644 million, computed based on the market price of SK Telecom's stock as of the transaction closing date.

As discussed in Note 2 (9) to the consolidated financial statements, the Company amended the method for calculating retirement and severance benefits which came into effect on May 17, 2000 for POSCO and October 16, 2000 for 10 subsidiaries, under which employees could elect to receive the entire amount of their severance payment accrued up to May 16 or October 15, 2000, as applicable, if their severance payment is equal to or less than ₩50 million each. Under the previous method, employees had received 1.6 months' salary for each year of employment. On this basis, the total amount of severance indemnities payable to eligible employees as of May 16 or October 15, 2000, as applicable, was estimated to be ₩1,530,077 million, of which ₩446,531 million and ₩1,083,546 million were paid in 2001 and 2000, respectively.

As discussed in Note 30 to the consolidated financial statements, in accordance with the Government's Privatization Policy for POSCO on October 4, 2000, POSCO issued the seventh American Depository Receipts ("ADR") as a disposition of 4.60 percent, or 4,438 thousand shares, out of 6.84 percent, or 6,599 thousand shares, owned by the Korea Development Bank. The remaining 2.24 percent, or 2,161 thousand shares, owned by the Korea Development Bank was acquired by POSCO as treasury stock, thereby completing the privatization of POSCO

Without qualifying our opinion, we draw attention to Note 31 to the consolidated financial statements which states that the operations of the Company have been affected, and may continue to be affected for the foreseeable future, by the general unstable economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these uncertainties on the financial position of the Company as of the balance sheet date cannot presently be determined.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.



Seoul, Korea
February 8, 2002

POSCO AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2000 AND 1999

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2001	2000	2001	2000
	(In millions)		(In thousands)	
Assets				
Current Assets:				
Cash and cash equivalents (Note 6)	W 403,97	W 880,171	\$ 307,553	\$ 670,096
Short-term financial instruments	1427,362	437,382	325,361	332,989
Marketable securities	530,403	956,476	403,809	728,189
Accounts receivable, net of allowance for doubtful accounts and present value discount (Notes 3 and 6)	1,585,704	1,931,981	1,207,236	1,470,86
Inventories (Note 4)	1,737,251	1,911,643	1,322,612	1,455,381
Other current assets	276,245	188,798	210,312	143,737
Total current assets	4,960,936	6,306,451	3,776,883	4,801,257
Investments (Note 5):				
Affiliated companies	224,033	242,706	170,562	184,778
Other investments	2,736,416	2,147,825	2,083,301	1,635,192
Total investments	2,960,449	2,390,531	2,253,863	1,819,970
Property, Plant and Equipment (Notes 6, 22 and 27)				
Land	1,262,839	1,271,877	961,431	968,311
Buildings and structures	4,659,996	4,459,954	3,547,770	3,395,473
Machinery and equipment	17,310,023	16,440,891	13,178,548	12,516,856
Transportation equipment	150,636	142,101	114,683	108,185
Furniture and tools	428,443	388,629	326,184	295,873
Construction in progress (Note 22)	1,534,271	1,590,875	1,168,078	1,211,173
	25,346,208	24,294,327	19,296,694	18,495,871
Less: accumulated depreciation	(14,745,442)	(13,758,191)	(11,226,069)	(10,474,450)
Net property, plant and equipment	10,600,766	10,536,136	8,070,625	8,021,421
Other Assets (Notes 7 and 20)				
	883,183	913,557	672,389	695,513
Total assets	W 19,405,334	W 20,146,675	\$ 14,773,760	\$ 15,338,161
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Short-term borrowings (Note 8)	718,054	1,388,427	546,672	1,057,044
Current maturities of long-term debt, net (Note 9)	1,403,831	1,400,030	1,068,771	1,065,877
Trade accounts and notes payable	509,563	679,322	387,943	517,185
Accounts payable, other	163,791	621,273	124,698	472,991
Advance receipts from customers	156,248	116,034	118,956	88,340
Accrued expenses	280,772	400,925	213,759	305,234
Income taxes payable	143,651	430,872	109,365	328,033
Dividends payable (Note 13)	166,151	166,522	126,495	126,778
Other current liabilities	76,857	143,426	58,513	109,193
Total current liabilities	W 3,618,918	W 5,346,831	\$ 2,755,172	\$ 4,070,675

POSCO AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2000 AND 1999

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2001	2000	2001	2000
	(In millions)		(In thousands)	
Long-term Liabilities:				
Long-term debt, net of current maturities and discount on debentures issued (Note 9)	W 4,235,457	W 4,159,419	\$ 3,224,558	\$ 3,166,669
Other Liabilities:				
Reserve for repairs (Note 2)	1,020,640	974,362	777,039	741,806
Accrued severance indemnities, net of national pension fund and severance insurance deposits (Note 2)	68,845	32,493	52,413	24,737
Other long-term liabilities (Note 10)	110,686	75,271	84,268	57,305
Total liabilities	W 9,054,546	W10,588,376	\$ 6,893,450	\$ 8,061,192
Stockholders' Equity:				
Common stock (Note 11)	482,403	482,403	367,265	367,265
Capital surplus (Note 12)	3,859,030	3,860,756	2,937,975	2,939,289
Retained earnings (deficit):				
Appropriated (Note 13)	6,916,391	6,600,194	5,265,619	5,024,891
Unappropriated	49,797	(4,724)	37,912	(3,597)
	6,966,188	6,595,470	5,303,531	5,021,294
Capital adjustments (Note 14):				
Treasury stock	(1,185,404)	(1,470,903)	(902,477)	(1,119,834)
Foreign-based operations translation adjustment	138,937	146,232	105,776	111,330
Unrealized losses on investments in equity securities	(79,172)	(215,264)	(60,276)	(163,886)
Other capital adjustments:	633	(18)	484	(14)
	(1,125,004)	(1,539,953)	(856,493)	(1,172,404)
Minority Interests:				
Common stock	142,010	139,716	108,116	106,369
Capital surplus and retained earnings	26,161	19,907	19,916	15,156
	168,171	159,623	128,032	121,525
Total stockholders' equity	10,350,788	9,558,299	7,880,310	7,276,969
Total liabilities and stockholders' equity	W19,405,334	W20,146,675	\$ 14,773,760	\$ 15,338,161

The accompanying notes to consolidated financial statements are an integral part of these statements.

POSCO AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2001	2000	2001	2000
	(In millions, except per share amount)		(In thousands, except per share amount)	
Net sales (Note 27)	W13,121,097	W13,776,214	\$ 9,989,415	\$ 10,488,172
Cost of goods sold (Notes 15 and 27)	10,679,735	10,751,648	8,130,746	8,185,495
Gross profit	2,441,362	3,024,566	1,858,669	2,302,677
Selling, general and administrative expenses (Notes 16, 25 and 27)	854,069	718,103	650,223	546,710
Operating income	1,587,293	2,306,463	1,208,446	1,755,967
Other income (expenses):				
Interest income	127,154	131,940	96,805	100,449
Interest expense (Note 17)	(450,547)	(463,614)	(343,012)	(352,961)
Equity in earnings (losses) of affiliates, net (Note 21)	(23,961)	9,267	(18,242)	7,055
Foreign exchange transaction and translation gains (losses), net (Note 2)	(10,276)	(173,044)	(7,823)	(131,743)
Donations (Notes 2 and 19)	(83,195)	(448,847)	(63,339)	(341,718)
Marketable securities valuation gains, net	11,486	10,847	8,744	8,258
Inventory valuation losses	(21,231)	(3,570)	(16,164)	(2,718)
Gain on disposal of investments, net	449	29,216	342	22,242
Loss on disposal of property, plant and equipment, net	(14,574)	(19,589)	(11,095)	(14,913)
Other, net (Note 18)	52,075	5,591	39,646	4,257
	(412,620)	(921,803)	(314,138)	(701,792)
Ordinary income	1,174,673	1,384,660	894,308	1,054,175
Extraordinary income, net (Note 23)	-	946,421	-	720,534
Earnings before income taxes and minority interests	1,174,673	2,331,081	894,308	1,774,709
Income taxes (Note 24)	337,463	688,731	256,919	524,348
Earnings before minority interests	837,210	1,642,350	637,389	1,250,361
Minority interests in earnings of consolidated subsidiaries, net	8,469	(8,683)	6,447	(6,610)
Net earnings	W 845,679	W 1,633,667	\$ 643,836	\$ 1,243,751
Earnings per share of common stock (Note 2)	W 10,366	W 19,131	\$ 7.89	\$ 14.56

The accompanying notes to consolidated financial statements are an integral part of these statements.

POSCO AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean Won (In millions)					
	Common Stock	Capital Surplus	Retained Earnings	Capital Adjustments	Minority Interests	Total
Balance at January 1, 2000	W 482,403	W 3,799,991	W 5,193,185	W (396,829)	W 121,333	W 9,200,083
Net earnings for 2000	-	-	1,633,667	-	-	1,633,667
Effect of change from consolidated subsidiaries	-	-	9,454	592	2,569	12,615
Effect of change from affiliate companies	-	-	(48,146)	413	-	(47,733)
Capital injection of consolidated subsidiaries	-	5,197	-	-	26,501	31,698
Asset revaluation of consolidated subsidiaries	-	60,954	-	-	-	60,954
Interim dividends (Note 13)	-	-	(44,807)	-	-	(44,807)
Dividends	-	-	(162,886)	-	(1,949)	(164,829)
Purchase of treasury stock (Note 11)	-	-	-	(996,952)	-	(996,952)
Capital adjustments-other	-	-	-	(147,217)	-	(147,217)
Other	-	(5,386)	14,997	40	11,169	20,820
Balance at December 31, 2000	W 482,403	W 3,860,756	W 6,595,470	W (1,539,953)	W 159,623	W 9,558,299
Balance at January 1, 2001	W 482,403	W 3,860,756	W 6,595,470	W (1,539,953)	W 159,623	W 9,558,299
Net earnings for 2001	-	-	845,679	-	-	845,679
Effect of change from consolidated subsidiaries	-	-	3,333	-	7	3,340
Capital injection of consolidated subsidiaries	-	-	-	-	1,190	1,190
Interim dividends (Note 13)	-	-	(40,988)	-	(6,788)	(47,776)
Dividends	-	-	(163,248)	-	(1,305)	(164,553)
Retirement of treasury stock (Note 14)	-	-	(290,071)	290,071	-	-
Capital adjustments-other	-	-	-	128,779	15,160	143,939
Other	-	(1,726)	16,013	(3,901)	284	10,670
Balance at December 31, 2001	W 482,403	W 3,859,030	W 6,966,188	W (1,125,004)	W 168,171	W10,350,788

POSCO AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean Won (In millions)					
	Common Stock	Capital Surplus	Retained Earnings	Capital Adjustments	Minority Interests	Total
Balance at January 1, 2000	\$ 367,065	\$ 2,893,027	\$ 3,953,700	\$ (302,116)	\$ 92,374	\$ 7,004,250
Net earnings for 2000	-	-	1,243,751	-	-	1,243,751
Effect of change from consolidated subsidiaries	-	-	7,197	451	1,956	9,604
Effect of change from affiliate companies	-	-	(36,654)	314	-	(36,340)
Capital injection of consolidated subsidiaries	-	3,957	-	-	20,175	24,132
Asset revaluation of consolidated subsidiaries	-	46,406	-	-	-	46,406
Interim dividends	-	-	(34,113)	-	-	(34,113)
Dividends	-	-	(124,005)	-	(1,483)	(125,488)
Purchase of treasury stock	-	-	-	(759,004)	-	(759,004)
Capital adjustments-other	-	-	-	(112,079)	-	(112,079)
Other	-	(4,101)	11,418	30	8,503	15,850
Balance at December 31, 2000	\$ 367,265	\$ 2,939,289	\$ 5,021,294	\$ (1,172,404)	\$ 121,525	\$ 7,276,969
Balance at January 1, 2001	\$ 367,265	\$ 2,939,289	\$ 5,021,294	\$ (1,172,404)	\$ 121,525	\$ 7,276,696
Net earnings for 2001	-	-	643,836	-	-	643,836
Effect of change from consolidated subsidiaries	-	-	2,537	-	5	2,542
Capital injection of consolidated subsidiaries	-	-	-	-	906	906
Interim dividends	-	-	(31,205)	-	(5,168)	(36,373)
Dividends	-	-	(124,285)	-	(993)	(125,278)
Retirement of treasury stock	-	-	(220,838)	220,838	-	-
Capital adjustments-other	-	-	-	98,043	11,542	109,585
Other	-	(1,314)	12,192	(2,970)	215	8,123
Balance at December 31, 2001	\$ 367,265	\$ 2,937,975	\$ 5,303,531	\$ (856,493)	\$ 128,032	\$ 7,880,310

The accompanying notes to consolidated financial statements are an integral part of these statements.

POSCO AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2001	2000	2001	2000
	(In millions)		(In thousands)	
Cash flows from operating activities:				
Net earnings	W 845,679	W 1,633,667	\$ 643,836	\$ 1,243,751
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation of property, plant and equipment	1,257,633	1,193,943	957,467	908,978
Amortization of intangibles, net	49,551	36,580	37,724	27,849
Reserve for bad debt provision	10,951	33,294	8,337	25,348
Provision for repairs	46,278	137,362	35,233	104,577
Unrealized exchange losses, net	8,467	198,347	6,446	151,006
Provision for retirement and severance benefits	86,878	246,547	66,142	187,702
Marketable securities valuation gains, net	(11,486)	(10,847)	(8,744)	(8,258)
Loss on valuation of derivatives, net	7,586	34,081	5,775	25,946
Gain on disposal of marketable securities and investments, net	(42,334)	(98,153)	(32,230)	(74,726)
Loss on disposal of property, plant and equipment, net	14,574	19,589	11,095	14,914
Impairment loss on fixed assets	53,951	49,814	41,074	37,925
Equity in earnings of affiliates	23,961	(9,267)	18,242	(7,055)
Extraordinary income	-	(956,583)	-	(718,699)
Minority interests in earnings of consolidated subsidiaries	(8,469)	8,683	(6,448)	6,610
Other adjustments	46,212	31,728	35,184	14,585
Total adjustments	1,543,753	915,118	1,175,297	696,702
Decrease in accounts receivable	367,157	163,511	279,526	124,485
Decrease (increase) in inventories	173,755	(230,762)	132,284	(175,685)
Decrease (increase) in other current assets	41,307	(37,077)	31,448	(28,227)
Decrease in deferred income tax assets	12,346	20,820	9,399	15,851
Decrease (increase) in other assets	6,293	(60,538)	4,791	(46,089)
Decrease in trade accounts and notes payable	(170,118)	(110,347)	(129,515)	(84,010)
Increase (decrease) in accounts payable, other	(453,022)	40,726	(344,897)	31,006
Increase (decrease) in withholdings	4,708	(7,012)	3,584	(5,339)
Decrease in income taxes payable	(280,363)	(26,859)	(213,447)	(20,449)
Increase (decrease) in other current liabilities	(171,056)	55,467	(130,229)	42,228
Decrease (increase) in group severance insurance deposits	(189)	736,727	(143)	560,889
Payment of severance indemnities	(9,168)	(1,088,159)	(6,980)	(828,442)
Decrease in other long-term liabilities	(2,277)	(9,340)	(1,734)	(7,111)
Other, net	676	58,566	515	44,588
Net cash provided by operating activities	W 1,909,481	W 2,054,508	\$ 1,453,735	\$ 1,564,148

(continued)

POSCO AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2001	2000	2001	2000
	(In millions)		(In thousands)	
Cash flows from investing activities:				
Decrease in marketable securities	W 9,058,501	W11,375,253	\$ 6,896,461	\$ 8,660,261
Increase in marketable securities	(8,582,000)	(11,041,246)	(6,533,689)	(8,405,973)
Decrease in short-term financial instruments	3,640,112	3,687,669	2,771,307	2,807,513
Increase in short-term financial instruments	(3,624,179)	(3,671,484)	(2,759,177)	(2,795,192)
Decrease in short-term loans, net	5,710	16,195	4,347	12,330
Decrease (increase) in long-term loans, net	(7,210)	130,923	(5,489)	99,675
Additions to property, plant and equipment	(1,495,961)	(874,271)	(1,138,912)	(665,604)
Disposition of property, plant and equipment	35,175	43,075	26,780	32,794
Decrease in investments	139,159	1,806,450	105,945	1,375,295
Increase in investments	(661,248)	(2,172,650)	(503,424)	(1,654,092)
Increase in intangibles	(97,547)	(119,851)	(74,265)	(91,245)
Other, net	27,614	20,227	21,023	15,399
Net cash provided by investing activities	(1,561,874)	(799,710)	(1,189,093)	(608,839)
Cash flows from financing activities:				
Dividends paid	(228,736)	(239,732)	(174,142)	(182,514)
Increase (decrease) in short-term borrowings, net	(656,673)	177,666	(499,941)	135,261
Proceeds from long-term debt	1,450,904	1,683,754	1,104,609	1,281,884
Payments on long-term debt	(1,383,936)	(1,544,036)	(1,053,625)	(1,175,513)
Purchase of treasury stock	(26,522)	(1,003,873)	(20,192)	(764,273)
Other, net	21,334	39,198	16,241	29,842
Net cash provided by financing activities	(823,629)	(887,023)	(627,050)	(675,313)
Increase (decrease) from change of consolidated subsidiaries	(178)	(5,641)	(135)	(4,294)
Increase (decrease) in cash and cash equivalents	(476,200)	362,134	(362,543)	275,702
Cash and cash equivalents at beginning of year	880,171	518,037	670,096	394,394
Cash and cash equivalents at end of year	W 403,971	W 880,171	\$ 307,553	\$ 670,096

The accompanying notes to consolidated financial statements are an integral part of these statements.

POSCO AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

1. GENERAL

(1) The Company

POSCO (the "Company") was incorporated on April 1, 1968, under the Commercial Code of the Republic of Korea, to manufacture and distribute steel rolled products and plates in the domestic and overseas markets. Annual production capacity is 28,000 thousand tons: 12,200 thousand tons at the Pohang mill and 15,800 thousand tons at the Kwangyang mill. The shares of the Company have been listed on the Korea Stock Exchange since 1988. The Company operates two plants and one office in Korea, and one branch and five liaison offices overseas.

As of December 31, 2001, Industrial Bank of Korea, Pohang University of Science and Technology, foreign investors, and employees own 3.12 percent, 3.24 percent, 62.01 percent and 0.05 percent of the Company's stock, respectively. The remaining shares are owned by the public.

(2) Consolidated Subsidiaries

The consolidated financial statements include the accounts of POSCO and its controlled subsidiaries (collectively referred to as the "Company"). Controlled subsidiaries include majority owned entities and entities of which POSCO owns more than 30 percent of the total outstanding voting stock and is the largest shareholder, except for controlled subsidiaries in the first year of existence. The ownership percentages disclosed in the following table relate to the period that such entities were consolidated.

Subsidiaries	Year control was obtained	Ownership percentage (%) (*)		Primary business
		2001	2000	
Domestic:				
POSCO Engineering & Construction Co., Ltd. (POSEC)	1994	97.4	97.4	Engineering and construction
POSTEEL Co., Ltd.	1994	95.3	95.3	Steel sales and services
POSCON Co., Ltd.	1979	96.8	96.8	Electric control devices manufacturing
Pohang Steel Co., Ltd.	1998	95.2	100.0	Coated steel manufacturing
POSCO Machinery & Engineering Co., Ltd.	1991	100.0	100.0	Steel work maintenance
POSDATA Co., Ltd.	1989	64.99	64.99	Computer hardware and software distribution
POSCO Research Institute	1994	99.4	99.4	Economic research and consulting
Seung Kwang Co., Ltd.	1993	94.4	94.4	Athletic facilities operation
POS-AC Co., Ltd.	1996	100.0	100.0	Architecture and consultant
Changwon Specialty Steel Co., Ltd.	1997	99.1	99.1	Specialty steel manufacturing
POSCO Machinery Co., Ltd.	1999	100.0	100.0	Machinery installation
POSTECH Venture Capital Co. Ltd. - see (3)	2000	95.0	95.0	Investment in venture companies
Pos-Energy Co., Ltd. - see (3)	1997	-	99.9	Distribution of energy
Foreign:				
Pohang Steel America Corp. (POSAM)	1984	99.9	99.9	Steel trading
Pohang Steel Australia Pty., Ltd. (POSA)	1981	100.0	100.0	Coal mining
Pohang Steel Canada Ltd. (POSCAN)	1982	95.3	95.3	Coal mining
POSCO Asia Co., Ltd. (POA)	1985	100.0	100.0	Steel trading
POSCO International Osaka, Inc. (PIO)	1988	95.3	95.3	Steel trading
VSC-POSCO Steel Corp. (VPS)	1994	39.8	39.8	Steel manufacturing
POSMETAL Co., Ltd.	1994	47.7	47.7	Steel service center

Subsidiaries	Year control was obtained	Ownership percentage (%) (*)		Primary business
		2001	2000	
Shanghai POSEC Real Estate Development Co., Ltd.	1996	97.4	97.4	Real estate rental
IBC Corporation.	1996	58.5	58.5	Real estate rental
POS-Tianjin Coil Center Co., Ltd.	1996	67.2	67.2	Steel service center
DALIAN POSCO-CFM Coated Steel Co., Ltd.	1996	54.3	54.3	Coated steel manufacturing
POSLILAMA Steel Structure Co., Ltd.	1996	68.0	68.0	Steel structure fabrication and sales
Zhangjiagang Pohang Stainless Steel Co., Ltd. - see (3)	1997	82.5	80.0	Stainless steel manufacturing
SHUNDE Pohang Coated Steel Co., Ltd.	1997	90.8	90.0	Coated steel manufacturing
POS-THAI Steel Service Center Co., Ltd.	1997	61.4	61.4	Steel service center
POSCO Venezuela Compania Anonima (POSVEN)	1997	59.3	59.3	Hot bricketted iron manufacturing
Zhangjiagang POSHA Steel Port Co., Ltd.	1998	76.4	76.4	Depot service
Myanmar Posco Steel Co., Ltd.	1998	70.0	70.0	Steel manufacturing
POSCO Investment Co., Ltd. - see (3)	2000	100	100	Finance
Zhangjiagang POSCO Coated Steel Co., Ltd. - see (3)	1997	-	90.0	Coated steel manufacturing
POSVINA - see (4)	1992	50.0	50.0	Coated steel manufacturing
MIDUS Information Technologic Co., Ltd. - see (4)	2000	25.3	46.3	Software
Cognotec Korea Co., Ltd. - see (4)	2001	26.0	-	Software
PT. KS-POSCO - see (4)	1996	40.0	40.0	Minimill
PT. POSNESIA Stainless Steel Industry - see (4)	1997	70.0	70.0	Stainless steel sales
POSEC-HAWAII Inc. - see (4)	1996	97.4	97.4	Construction and rent
POSEC-Europe, Ltd. - see (4)	1996	-	97.4	Engineering

(*) Ownership percentage is the sum of direct and indirect ownership. All significant intercompany balances and transactions have been eliminated in consolidation.

(3) The consolidated financial statements include the accounts of POSTECH Venture Capital Co., Ltd. and POSCO Investment Co., Ltd. in accordance with the requirements of the working rules for consolidated financial statements, which require the inclusion of financial subsidiaries in the consolidated financial statements. Pos-Energy Co., Ltd., which was liquidated during 2001, and Zhangjiagang POSCO Coated Steel Co., Ltd., which was merged into Zhangjiagang Pohang Stainless Steel Co., Ltd., were excluded from the consolidated financial statements for the year ended December 31, 2001.

(4) POSVINA, MIDUS Information Technologic Co., Ltd. and Cognotec Korea Co., Ltd., of which total assets were less than ₩7 billion, PT. KS-POSCO, PT. POSNESIA Stainless Steel Industry and POSEC-HAWAII Inc., which were in the liquidation process or which had been dormant for over one year, were excluded from the consolidated financial statements. POSEC-Europe, Ltd. has been completed for its liquidation process during 2001. Total assets of the excluded subsidiaries represented 0.08 percent of consolidated assets of as of December 31, 2001 and 0.07 percent of revenues and 0.14 percent of net income for the year ended December 31, 2001. Amounts as of and for the year ended December 31, 2000 were also insignificant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of Consolidated Financial Statements Presentation

POSCO and its domestic subsidiaries maintain their official accounting records in Korean won and prepare statutory consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these consolidated financial statements are not intended for use by those who are not informed about Korean accounting principles and practices.

The consolidated financial statements are expressed in Korean won and, solely for the convenience of the reader, these consolidated financial statements have been translated into United States dollars at the rate of ₩1,313.5 to US\$1, the noon buying rate in the City of New York for cable transfers in won as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2001. These convenience translations into US dollars should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted into US dollars at this or any other rate of exchange.

For the convenience of the reader, the accompanying consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the statutory Korean language financial statements. Some supplementary information included in the statutory Korean language financial statements, but not required for a fair presentation of the Company's financial position and results of operations, is not presented in the accompanying consolidated financial statements.

(2) Revenue Recognition

Revenues are recognized generally when products are shipped or services are provided to customers, the sales price is fixed and determinable, and collectibility is reasonably assured. Costs associated with revenues, including shipping and other transportation costs, are recorded in cost of goods sold.

- Steel and trading: Revenue is generally recognized when products are shipped which is also when title generally transfers to the customers.
- All other: Revenue from construction and machinery installation is recognized using the percentage-of-completion method based on the ratio of actual costs incurred to the total estimated cost to complete. Revenues from consulting and other services are generally recognized when the service is provided to the customer. Revenues from mining operations are recognized at the time of shipment.

(3) Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibility of individual accounts and prior year collection experience.

(4) Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined by the moving average cost method except for materials-in-transit, for which cost is determined using the specific identification method.

(5) Marketable Securities and Investment securities

Marketable Securities

Marketable equity and debt securities are stated at acquisition cost plus incidental expenses. If the fair value of marketable securities differs from the book value determined by the individual moving average method, marketable securities are stated at fair value and the unrealized gain or loss is reflected in current operations.

Investment Securities

(a) Equity Securities

Equity securities held for investment (excluding those of affiliates and subsidiaries discussed in the next paragraph) that are not actively quoted (unlisted security) are stated at acquisition cost. Actively quoted (listed security) securities, including those traded over-the-counter, are stated at fair value with a valuation gain or loss recorded as a capital adjustment. If the fair value of a listed equity security or the net equity value of an unlisted equity security held for investment declines compared to acquisition cost and is not expected to recover (impaired investment security), the value of the equity security is adjusted to fair value or net equity value, with the valuation loss charged to current operations.

Equity securities held for investment that are in companies in which the Company is able to exercise significant influence over the investees are accounted for using the equity method. The Company's share in net income or net loss of investees is reflected in current operations. Changes in the retained earnings, capital surplus or other capital accounts of investees are accounted for as an adjustment to retained earnings or to capital adjustment.

The investment in the Stock Market Stabilization Fund ("SMSF") is stated at fair value with the valuation gain or loss credited or charged to current operations. The stocks distributed by SMSF are recorded as trading or securities held for investment at fair value and treated as a return of investment. Cash distributed by SMSF as dividends or as a return of investment equity are also treated as a return of investment.

(b) Debt Securities

Debt securities held for investment are classified as either held-to-maturity investment debt securities or available- for-sale investment debt securities at the time of purchase. Investments in debt securities of the types indicated below are classified as available-for-sale investment debt securities.

- All held-to-maturity investment debt securities if some portion was sold during the current period
- Securities obliged to be sold before maturity by legal regulations
- Securities accounted for as investment securities impairment loss

Held-to-maturity investment debt securities are stated at acquisition cost, as determined by the individual moving average method. When the face value of a held-to-maturity investment debt security differs from its acquisition effective interest method is applied to amortize the difference over the remaining term of the security. Available-for-sale investment debt securities are stated at fair value, with resulting valuation gains or losses recorded as a capital adjustment. If the fair value of a held-to-maturity or an available-for-sale investment debt security declines compared to the acquisition cost and is not expected to recover (impaired investment security), the carrying value of the debt security is adjusted to fair value with the resulting valuation loss charged to current operations.

(c) Gain or Loss on Valuation of Investment Securities

The net unrealized gain or loss, except for gain or loss on valuation of investment equity in SMSF, is presented as gain or loss on valuation of investment securities in capital adjustments. An unrealized valuation gain or loss of investment securities incurred in subsequent periods is deducted from or added to the previous balance of unrealized valuation gain or loss of investment securities. When investment securities are sold, the unrealized valuation gain or loss of investment securities included in the capital adjustment account is added to or deducted from the gain or loss on disposal. With respect to an impaired investment security, any unrealized valuation gain or loss on the security previously included in the capital adjustment account is reversed.

(d) Recovery of Impaired Investment Securities

For commercial companies, the recovery of previously impaired investment securities is accounted for as follows: For marketable equity securities and available for sale debt securities the recovery is recorded in capital adjustment. For unlisted equity securities and held to maturity debt securities the recovery is recorded in current operations up to the amount of previously recognized impairment loss.

(e) Reclassification of Securities

If the Company's objectives change, a trading security can be reclassified to investment securities, but only as of a balance sheet date. The difference between the fair value of the security as of the balance sheet date and the book value is recognized as gain or loss on valuation of trading securities and credited or charged to current operations. Investment securities cannot be reclassified to trading securities.

(6) Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are stated at cost, except for upward revaluations in accordance with the Asset Revaluation Law, which had been effective until December 31, 2000. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful life of the facilities involved are capitalized as additions to property, plant and equipment.

The Company capitalizes interest costs, discount expenses and other financial charges, including certain foreign exchange translation gains and losses on the borrowings associated with the manufacture, purchase, or construction of property, plant and equipment, incurred prior to completing the acquisition, as part of the cost of such assets . When the book value of an asset exceeds the recoverable value of the asset due to obsolescence, physical damage or a sharp decline in market value, and the amount is material, the impairment of assets is recognized in the balance sheet and the asset is recognized at reduced value and the resulting impairment loss charged to current operations.

The estimated useful lives of each category of property, plant and equipment are as follows:

Buildings and structures	20-40 years
Machinery and equipment	4-10 years
Transportation equipment	4-5 years
Furniture and tools	4-5 years

(7) Intangible Assets

Intangible assets including ERP system cost, goodwill and the rights to use dockyards and other property are stated at cost, net of accumulated amortization computed using the straight-line method over the useful lives ranging from 4 to 20 years, of the related assets, as prescribed in the Corporate Income Tax Law of Korea.

The Company charges substantially all research costs to expense as incurred. The Company incurred research and development costs of ₩187,221 million and ₩181,656 million in the years ended December 31, 2001 and 2000, respectively.

(8) Discounts on Debentures

Discounts on debentures issued are amortized over the redemption period of the debenture using the effective interest rate method. Amortization of discounts is recognized as interest expense.

(9) Consolidation Adjustments

The difference between POSCO's investment account and the corresponding share of stockholders' equity of a subsidiary is recorded as positive or negative goodwill, and is included in other assets. Positive and negative goodwill is amortized by the straight-line method over a period not exceeding five years. Positive and negative goodwill of ₩12,953 million and ₩1,298 million, respectively, at December 31, 2001 and positive goodwill and negative goodwill of ₩22,362 million and ₩5,004 million, respectively, at December 31, 2000 are included in other assets.

(10) Accrued Severance Indemnities

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with POSCO or its subsidiaries, based on their length of service and rate of pay at the time of termination. The Company placed deposits, classified as other assets, with insurance companies totaling ₩479 million and ₩291 million at December 31, 2001 and 2000, respectively, to be used for the payment of severance liabilities. Subsequent provisions are funded at the discretion of the Company.

The Company and the employees must transfer a certain portion of monthly pay to the National Pension Fund in accordance with the National Pension Law of Korea. The amount transferred will reduce the accrued severance indemnities payable to the employees. Such payments of ₩2,220 million and ₩2,618 million as of December 31, 2001 and 2000, respectively, are presented as a deduction from accrued severance indemnities.

The Company has entered into a severance insurance plan with Kyobo Life Insurance Co., Ltd. and others in accordance with the Labor Standard Law promulgated in 2000. This plan, restricts severance payment directly to the eligible employees and directors, and meets the funding requirement for additional tax deduction purposes. The amounts funded under this severance insurance plan of ₩75,701 million and ₩33,018 million as of December 31, 2001 and 2000, respectively, is presented as a deduction from accrued severance indemnities.

The Company amended the method for calculating retirement and severance benefits which came into effect on May 17, 2000 for POSCO and October 16, 2000 for 10 subsidiaries, under which employees could elect to receive the entire amount of their severance payment accrued up to May 16, 2000 for POSCO and October 15, 2000 for other 10 subsidiaries, if their severance payment is equal to or less than ₩50 million each. Under the new calculation method, employees will receive as retirement and severance pay one-month's salary for each year of service. Under the old method, employees had received 1.6 month's salary for each year of employment. On this basis, the total amount of severance indemnities payable to eligible employees as of May 16 or October 15, 2000 for POSCO and other 10 subsidiaries was estimated to be ₩1,530,077 million, of which ₩446,531 million and ₩1,083,546 million were paid in 2001 and 2000, respectively.

Changes in the liability for accrued severance indemnities for the years ended December 31, 2001 and 2000 are as follows:

	Korean Won (In millions)	
	2001	2000
Balance at beginning of period	₩ 68,129	₩ 1,370,675
Provision	86,878	246,547
Payments	(9,168)	(1,088,159)
Other	927	(460,934)
	146,766	68,129
Cumulative transfer to National Pension Fund, net	(2,220)	(2,618)
Severance insurance deposits	(75,701)	(33,018)
Balance at end of period	₩ 68,845	₩ 32,493

In the years ended December 31, 2001 and 2000, special bonus payments equal to two and one-half months' salary and three and one-half months' salary, were made to all employees aggregating, ₩71,930 million and ₩97,500 million, respectively. The Company has no obligation to make future bonus payments.

(11) Reserve for Repairs

Allowance for special repairs is related to the Company's furnaces. Provisions for repairs are accrued annually, based on the replacement cost of such facilities, over the replacement cycles of the furnaces, and estimated future inflation rate. The reserve for repairs is ₩1,020,640 million and ₩974,362 million at December 31, 2001 and 2000, respectively.

The Company has changed its accounting estimate for the reserve for special repairs from furnace-specific to company-wide standards to more appropriately reflect the replacement cycles and characteristics of furnaces. This resulted in an increase in net income of ₩59,108 million for the year ended December 31, 2001.

(12) Foreign Currency Transactions and Translation

POSCO and its domestic subsidiaries maintain their accounting records in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing exchange rates on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into Korean Won at ₩1,326.1 to US\$1 and ₩1,259.7 to US\$1, the market average rate of exchange, as determined by the Bank of Korea based on currency transactions occurring on the day immediately prior to the balance sheet date, as of December 31, 2001 and 2000, respectively. All foreign exchange translation gains and losses are generally recognized in current operations.

Foreign exchange gains (losses) for the years ended December 31, 2001 and 2000 are as follows (won in millions):

	2001	2000
Foreign exchange transaction gains, net	₩17,557	₩25,303
Foreign exchange translation gains (losses), net	(27,833)	(198,347)
Foreign exchange transaction and translation gains (losses), net	₩(10,276)	(173,044)

Foreign currency assets and liabilities of the Company's overseas business branches and offices are translated at the exchange rate as of the balance sheet date and income and expenses translated at the weighted average rate of the reporting period. Gains or losses on translation are offset and the net amount is recognized as an overseas operations translation debit or credit in capital adjustments. Overseas operation translation credit or debit is treated as an extraordinary gain or loss upon closing the foreign branch or office.

(13) Donations

Approximately 44 percent and 76 percent of the donations for the years ended December 31, 2001 and 2000 were made to POSCO Educational Foundation, Pohang University of Science and Technology and the Pohang Steel Scholarship Society, which use such donations to operate various educational Institutions that engage in basic science and technology research.

(14) Income Taxes

The provision for income taxes is the corporate income tax and resident tax surcharges currently payable plus the change in deferred income taxes for the period. The Company recognizes deferred income taxes arising from temporary differences between amounts reported for financial accounting and income tax purposes. Deferred income taxes will be offset against those incurred in the future, if any. Deferred income taxes are recalculated based on the enacted future actual tax rate in effect beginning January 1, 2002.

(15) Earnings Per Share

Ordinary income per share and earnings per share are computed by dividing ordinary income (after deducting the income tax effect) and net income by the weighted average number of common shares outstanding during the period. The number of shares used in computing earnings and ordinary income per share was 81,580,331 shares and 85,393,600 shares for the years ended December 31, 2001 and 2000, respectively. Earnings per share of ₩10,366 in 2001 and ₩19,131 in 2000 were computed by dividing net income of ₩845,679 million in 2001 and ₩1,633,667 million in 2000, respectively, by the weighted average number of common shares outstanding during the periods.

(16) Derivative Instruments

From 1999, the Company has accounted for derivative instruments pursuant to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments. Derivative instruments are classified as used for trading activities or for hedging activities according to their transaction purposes. All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge, based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting, differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk, are reflected in current operations.

Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

(17) Revision of working rules for consolidated financial statements

The Company prepared its consolidated financial statements in accordance with the revised working rules for consolidated financial statements in the Republic of Korea effective for fiscal years beginning on January 1, 2000. The revised working rules for consolidated financial statements require, among other items, the inclusion of certain subsidiaries in the consolidation that had previously been excluded, the introduction of a consolidated statement of stockholders' equity, and the introduction of the purchase method and pooling of interest method of accounting for the treatment of the differences between the carrying value of investments and the corresponding equity ownership of the investees' stockholders' equity accounts upon elimination.

(18) Reclassification

Certain amounts of prior year's financial statements were reclassified to confirm to the current year's presentation.

3. ACCOUNTS RECEIVABLE:

Accounts receivable as of December 31, 2001 and 2000 are as follows (won in millions)

	2001	2000
Accounts receivable-trade	₩ 1,358,415	₩ 1,138,397
Notes receivable-trade	146,541	619,356
Accounts receivable-other	108,261	195,976
Allowance for doubtful accounts	(27,513)	(21,748)
	₩ 1,585,704	₩ 1,931,981

Changes in allowance for doubtful accounts for the years ended December 31, 2001 and 2000 are as follows (won in millions):

	2001	2000
Beginning of period	₩ 21,748	₩ 33,423
Provision (see Note 16)	9,289	30,072
Write-offs	(3,524)	(41,747)
End of period	₩ 27,513	₩ 21,748

In January 1999, the receiver of Sammi Steel filed a lawsuit against the Company pleading that the assignment by Sammi Steel to the Company of certain receivables in the amount of ₩64,100 million be voided and returned for the benefit of all creditors of Sammi Steel. Shortly before it filed a petition for protection under the Korean Corporate Reorganization Law, Sammi Steel assigned the receivables to the Company as part payment of its obligations. On October 1, 1999, the trial court decided in favor of the receiver of Sammi Steel and ordered the Company to return the ₩64,100 million. On May 4, 2000, the Company entered into a settlement agreement with the receiver of Sammi Steel, which was approved by the court presiding over the reorganization of Sammi Steel. In accordance with the settlement agreement, the Company paid ₩82,320 million, which includes the original amount of the receivables assigned plus accrued interest, to Sammi Steel, which in turn will pay to the Company ₩64,100 million in installments over a ten-year period as part of the reorganization procedures of Sammi Steel. In connection with this, ₩3,200 million and ₩54,500 million are accounted for as trade receivables and long-term trade receivables, respectively, and 8.62 percent of discount rate is applied for the accounts, as of December 31, 2001, net of present value discount of ₩20,228 million and ₩23,442 million in 2001 and 2000, respectively.

4. INVENTORIES:

Inventories as of December 31, 2001 and 2000 are as follows (won in millions):

	2001	2000
Finished goods	₩ 376,453	₩ 350,490
Semi-finished goods and work-in-process	396,200	508,784
Raw materials	372,060	429,192
Materials-in-transit	307,526	365,172
Other	285,012	258,005
	₩ 1,737,251	₩ 1,911,643

5. INVESTMENTS:

(1) Investments in affiliated companies, valued using the equity method, and other investments as of December 31, 2001 and 2000 consist of the following:

	Ownership percentage (%) (a)		Korean Won (In millions)	
	2001	2000	2001	2000
Investments in affiliated companies:				
USS-POSCO Industries (see Note 21)	50.00	50.00	₩ 124,832	₩ 126,467
POSCHROME	25.00	25.00	3,127	3,688
The Korean Daily News	36.73	36.73	23,718	37,726
POSEC-HAWAII Inc.	97.43	97.43	18,878	18,878
Other companies			53,478	55,947
			224,033	242,706
Other investment securities:				
Stock Market Stabilization Fund (b)			7,775	4,863
Available-for-sale investments			1,902,747	1,622,155
Long-term deposits			34,711	3,741
Government and municipal bonds			1,225	1,344
Corporate bonds			224,047	164,654
Others (c)			565,911	351,068
			2,736,416	2,147,825
			₩ 2,960,449	₩ 2,390,531

(a) Ownership percentage is the sum of direct and indirect ownership.

(b) The Stock Market Stabilization Fund represents an investment in a securities fund traded on the Korea Stock Exchange.

(c) Others consists primarily of unlisted stocks and other stocks where the ownership in the investee company is less than 20 percent.

(2) Aggregate financial information regarding affiliated companies accounted for on the equity method at and for the years ended December 31, 2001 and 2000 is shown in the following table (won in millions):

	2001	2000
Current assets	₩ 429,383	₩ 383,447
Other assets	881,243	821,396
	1,310,626	1,204,843
Current liabilities	674,488	397,104
Other liabilities	172,493	357,399
	846,981	754,503
Net assets	₩ 463,645	₩ 450,340
Net sales	1,103,857	1,192,045
Gross profit (loss)	(17,681)	116,131
Operating income (loss)	(90,623)	35,780
Net earnings (loss)	(56,059)	25,380
Equity in earnings (loss) of affiliates, net	(23,961)	9,267

The Company received dividends of ₩1,369 million and ₩648 million from affiliates for the years ended December 31, 2001 and 2000, respectively.

(3) Significant transactions and related account balances which occurred in the normal course of business with affiliated companies at and for the years ended December 31, 2001 and 2000 are as follows (won in millions):

	2001	2000
Sales	₩ 247,290	₩ 275,679
Cost of goods sold	238,847	113,936
Interest income	2,386	2,612
Accounts receivable	76,030	83,178
Other current assets—short-term loans	35,607	2,940
Trade accounts and notes payable	14,021	3,640

6. PLEDGED ASSETS:

The following assets, with their respective carrying amounts as shown below, are pledged as collateral for long-term debt aggregating ₩162,354 million and ₩209,005 million at December 31, 2001 and 2000, respectively (won in millions):

	2001	2000
Land	₩ 32,842	₩ 49,609
Buildings and structures	16,440	35,684
Machinery and equipment	48,376	34,266
Cash and cash equivalents (*)	38,951	28,507
Accounts receivable	123,970	66,294
	₩ 260,579	₩ 214,360

(*) There is no other restricted cash and cash equivalents.

7. OTHER ASSETS:

Other assets as of December 31, 2001 and 2000 are as follows (won in millions):

	2001	2000
Group severance insurance deposits	₩ 479	₩ 291
Intangibles	490,708	454,108
Long-term loans	86,107	158,958
Rental deposits	35,132	18,810
Deferred income tax assets	98,101	116,264
Others	172,656	165,126
	₩ 883,183	₩ 913,557

8. SHORT-TERM BORROWINGS:

(1) Short-term borrowings as of December 31, 2001 and 2000 are summarized as follows (won in millions):

	2001	2000
Banks	₩ 704,871	₩ 1,303,908
Finance companies	4,500	80,000
Other	8,683	4,519
	₩ 718,054	₩ 1,388,427

The weighted average annual interest rates were 4.83 percent and 5.03 percent as of December 31, 2001 and 2000, respectively.

(2) As of December 31, 2001 and 2000, the Company had unused credit lines of approxi ₩ 26,547 million and ₩91,780 million, respectively, out of total available credit lines of ₩27,281 million and ₩92,510 million, respectively. Such credit lines permit drawings at annual interest rates of approximately 8.25 percent and 9.15 percent as of December 31, 2001 and 2000, respectively.

9. LONG-TERM DEBT:

(1) Long-term debt outstanding as of December 31, 2001 and 2000 is summarized as follows (won in millions):

	Interest rate per annum(%)	Due	2001	2000
Foreign currency loans:				
Export-Import Bank of Korea	-	-	₩ -	₩ 11,999
Korea Development Bank	Libor+0.6, 3.3-3.46	2006	11,128	8,512
Korea Exchange Bank	-	-	-	2,906
Offshore loans	Libor+0.25-0.8	2017	632,517	654,466
Floating rate notes	-	-	-	37,791
Yankee bonds	6.63-7.50	2006	1,377,234	1,308,273
Samurai bonds	1.44-1.84	2006	807,520	881,216
Foreign banks and other	0.54-8.28	2009		
	Libor+0.6-0.75		260,146	632,498
			3,088,545	3,537,661
Local currency loans:				
		2006	4,117	4,007
Korean Development bank	1.0-6.9	2008	2,008	2,745
Korea Exchange Bank	5	2016	2,064	-
Korean commercial banks	3-6.5	2004	2,573,378	2,040,922
Bonds	6.84-8.46	2002	121	3,697
Other	6.5		2,581,688	2,051,371
Total			5,670,233	5,589,032
Less: Discount on debentures issued			(30,945)	(29,583)
Current portion			(1,403,831)	(1,400,030)
			₩ 4,235,457	₩ 4,159,419

Discount on debentures issued are amortized over the life of the debentures by the effective interest rate method.

(2) Foreign currency loans as of December 31, 2001 and 2000 are as follows (in millions):

	2001		2000	
	Foreign currency	Won equivalent	Foreign currency	Won equivalent
U.S. dollars	1,576	₩ 2,089,485	1,910	₩ 2,406,324
Japanese yen	93,334	942,114	96,858	1,066,905
Deutsche marks	-	-	19	11,506
French francs	-	-	185	33,497
Euro	37	43,702	-	-
Chinese Yuan	83	13,244	128	19,429
		₩ 3,088,545		₩ 3,537,661

(3) Certain foreign currency bank loans and other loans contracted prior to July 1987, amount ₩21,932 million and ₩17,722 million as of December 31, 2001 and 2000, respectively, are covered by guarantees issued by Korean Development Bank and Korea Exchange Bank.

(4) Aggregate maturities for the Company's long-term debt as of December 31, 2001 are as follows (won in millions):

Year ended	Amount
2002	₩ 1,403,831
2003	1,351,224
2004	1,308,209
2005	497,822
2006	1,060,509
Thereafter	48,638
	₩ 5,670,233

10. OTHER LONG-TERM LIABILITIES:

Other long-term liabilities as of December 31, 2001 and 2000 are as follows (won in millions):

	2001	2000
Liability provisions	₩ 10,093	₩ 15,314
Deferred income tax liabilities	16,899	13,149
Other	83,694	46,808
	₩ 110,686	₩ 75,271

11. STOCKHOLDERS' EQUITY:

POSCO has 200,000,000 authorized shares of ₩5,000 par value common stock, of which 93,589,485 shares and 96,480,625 shares are issued as of December 31, 2001 and 2000, respectively.

POSCO was established in 1968 as a wholly-owned Government corporation. In 1988, the Government reduced its ownership, which was then 71.4 percent, to 35 percent pursuant to a public offering. The stock was listed on the Korea Stock Exchange on June 10, 1988.

The ownership of POSCO's outstanding common stock at December 31, 2001 and 2000 consists of the following:

Stockholder	Percentage of ownership (%)	
	2001	2000
Industrial Bank of Korea	3.12	14.12
Foreigners	62.01	48.94
Other	34.87	46.94
	100.00	100.00

Industrial Bank of Korea, a 96 percent government-owned financial institution, owns 3.12 percent and 4.12 percent of POSCO's shares as of December 31, 2001 and 2000, respectively.

In February and May 1998, and July 1999, POSCO issued an additional 655,738, 1,923,077 and 6,711,700 common shares (2,622,952, 7,692,308 and 26,846,800 American Depositary Receipts) at ₩122,656, ₩73,856 and ₩157,986 per share, respectively, through a public offering and listed the shares on the New York Stock Exchange and London Stock Exchange.

In accordance with the Government's Privatization Policy for POSCO on October 4, 2000, POSCO issued the seventh American Depository Receipts ("ADR") as a disposition of 4.60 percent, or 4,438 thousand shares, out of 6.84 percent, or 6,599 thousand shares, owned by the Korea Development Bank. The remaining 2.24 percent, or 2,161 thousand shares, owned by the Korea Development Bank was acquired by POSCO as treasury stock, thereby completing the privatization of POSCO.

POSCO has authorized preferred stock, not to exceed 50 percent of total authorized common shares at issuance, at ₩5,000 par value, which is non-cumulative, non-redeemable, non-voting stock and convertible into common stock, no shares of which have been issued as of December 31, 2001.

12. CAPITAL SURPLUS:

Capital surplus as of December 31, 2001 and 2000 consists of the following (won in millions):

	2001	2000
Asset revaluation surplus	₩ 3,240,018	₩ 3,240,018
Paid-in capital in excess of par value	478,198	478,198
Gain on reduction of capital stock issued	9,742	9,742
Excess of business combination value over par value	116,095	116,095
Others, primarily disposition of treasury stock in excess of book value	14,977	16,703
	₩ 3,859,030	₩ 3,860,756

13. APPROPRIATED RETAINED EARNINGS:

Appropriated retained earnings as of December 31, 2001 and 2000 consist of the following (won in millions):

	2001	2000
Reserve for business rationalization	₩ 918,300	₩ 869,300
Reserve for overseas investment loss	28,200	73,099
Reserve for technological development	626,667	590,895
Reserve for dividends	119,522	103,198
Reserve for expansion of business	4,982,500	4,722,500
Legal reserve	241,202	241,202
	₩ 6,916,391	₩ 6,600,194

The legal reserve and the reserve for business rationalization are not available for cash dividends, however, these reserves may be credited to paid-in capital or any accumulated deficit by resolution of the shareholders.

Under the Tax Exemption and Reduction Control Law, an investment tax credit is allowed for certain investments. The Company is, however, required to appropriate from retained earnings the amount of tax benefits obtained and transfer such amount into a reserve for business rationalization. The reserve may be used to reduce any deficit or it may be transferred to common stock as a stock dividend.

Voluntary reserves are established by stockholders' resolutions for future expansion of business and averaging of dividends. These voluntary reserves may be restored to unappropriated retained earnings by a future stockholders' resolution.

The Korean Commercial Code requires the Company to appropriate, as legal reserve, an amount equal to at least 10 percent of the cash dividends amount for each accounting period until the reserve equals 50 percent of common stock.

Aggregate interim dividends of ₩40,801 million and ₩41,824 million were paid to POSCO's shareholders as of December 31, 2001 and 2000, respectively, in accordance with a resolution of the meeting of Board of Directors held on July 23, 2001 and July 21, 2000 for the 81,601,759 outstanding shares and 83,648,929 outstanding shares, respectively, at ₩500 dividend per share.

14. CAPITAL ADJUSTMENTS:

Capital adjustments as of December 31, 2001 and 2000 are as follows (won in millions):

	2001	2000
Treasury stock	₩ (1,185,404)	₩ (1,470,903)
Discount on stock issuance	(18)	(18)
Valuation loss on investment securities	(79,171)	(215,264)
Foreign-based operations translation adjustment	138,937	146,232
Others (see Note 18)	652	-
	₩ (1,125,004)	₩ (1,539,953)

POSCO repurchased 9,876 thousand shares in 2000, of its common shares, for the stabilization of the stock price, retirement of stock and completion of privatization for the Company in 2000. As of December 31, 2001 and 2000, POSCO had 11,966 thousand shares and 15,041 thousands shares in treasury amounting to ₩1,185,404 million and ₩1,470,903 million, respectively. The Company retired its treasury stock of 2,891 thousand shares by retained earnings of ₩290,071 million through a resolution of the meeting of Board of Directors held on August 25, 2001 and the remaining treasury shares are to be sold through the stock market.

POSCO repurchased 4,824 thousand shares for ₩521,435 million, 2,891 thousand shares for ₩310,840 million and 2,161 thousand shares for ₩171,598 million as treasury stock in accordance with resolution of the Board of Directors' meetings held on February 23, 2000, June 9, 2000 and September 29, 2000, for the stabilization of the stock price, retirement of stock and completion of privatization for the Company, respectively. As of December 31, 2000 and 1999 the Company had 15,041 thousand shares and 5,098 thousand shares in treasury stock amounting to ₩1,470,903 million and ₩473,951 million, respectively.

15. COST OF GOODS SOLD:

Cost of goods sold for the years ended December 31, 2001 and 2000 consists of the following (won in millions):

	2001	2000
Purchases:		
Raw materials	₩ 4,905,472	₩ 5,329,411
Other	2,000,424	1,586,615
	6,905,896	6,916,026
Labor:		
Salaries and wages	684,980	636,270
Provision for severance benefits	70,863	215,660
	755,843	851,930
Other manufacturing expenses:		
Subcontracts	332,649	478,591
Depreciation	1,186,553	1,156,202
Welfare	297,341	287,007
Travel	9,914	7,825
Utilities	225,349	270,663
Communications	14,154	13,768
Taxes and public dues	36,790	35,351
Rent	8,055	4,261
Repairs	305,062	351,868
Provision for special repairs	46,278	137,362
Insurance	10,674	9,668
Fees and charges	81,268	63,755
Supplies	10,056	21,446
Research and development	166,456	168,033
Subscriptions and printing	3,540	3,370
Vehicle expenses	4,300	3,304
Training	6,970	6,392

	2001	2000
Entertainment	₩ 439	₩ 996
Advertising	31,537	18,894
Other	109,074	49,793
	2,886,459	3,088,559
Transfer from other accounts	10,548,198	10,856,515
	(46,551)	82,064
Changes in inventories:		
Inventories at beginning of period	1,546,471	1,359,540
Inventories at end of period	1,368,383	1,546,471
	178,088	(186,931)
Total cost of goods sold	₩ 10,679,735	₩ 10,751,648

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

Selling, general and administrative expenses for the years ended December 31, 2001 and 2000 consist of the following (won in millions):

	2001	2000
Salaries and wages	₩ 113,224	₩ 103,661
Welfare	48,906	37,914
Travel	13,289	10,712
Utilities	2,000	2,004
Communications	3,463	3,353
Taxes and public dues	9,244	7,720
Subscriptions and printing	2,916	2,747
Rent	6,608	6,980
Depreciation	46,724	24,233
Vehicle expenses	4,754	3,474
Fees and charges	40,551	35,274
Insurance	1,495	1,485
Entertainment	5,153	4,180
Research and development	30,658	23,090
Repairs	5,235	1,411
Training	8,047	5,014
Membership fees	5,800	5,249
Office supplies	6,528	4,380
Freight	406,182	335,693
Agent fees	17,515	17,206
Provision for doubtful accounts (see Note 3)	9,289	30,072
Sales promotions	3,953	3,835
Advertising	23,860	18,584
Compensation cost (see Note 25)	1,790	-
Other	36,885	29,832
	₩ 854,069	₩ 718,103

17. INTEREST CAPITALIZATION:

The Company capitalizes interest costs, discount expenses and other financial charges, including certain foreign exchange translation gains and losses, on the borrowings associated with property, plant and equipment during the construction period. Interest and foreign exchange gain and loss capitalization as of December 31, 2001 and 2000 is as follows (won in millions):

	2001	2000
Total interest incurred	₩ 460,854	₩ 474,891
Charged to expense	(450,547)	(463,614)
Interest capitalized	10,307	11,277
Capitalized foreign exchange losses (gains)	(1,087)	7,817
	₩ 9,220	₩ 19,094

18. DERIVATIVES:

(1) Swaps

The Company has entered into cross currency swap agreements with financial institutions to reduce interest rate and currency risk. Swap contracts as of December 31, 2000 are as follows:

	Maturity	Amount		Annual interest rate (%)	
		Receive	Pay	Receive	Pay
SBCM	2001.3.22	¥ 30,000,000,000	US\$ 300,000,000	¥ 2.85%	US\$ 6.23%
B.O.A	2001.9.14	₩ 135,600,000,000	¥ 13,380,000,000	₩ 12.26%	¥ 5.2%
Sanwa Bank	2001.10.9	US\$ 30,000,000	¥ 3,826,500,000	US\$ L+2.35%	¥ 2.84%

The Company has terminated the above cross currency swap agreements with financial institutions to reduce interest rate and currency risk as of December 31, 2001.

(2) The gains and losses on currency swap transactions for the years ended December 31, 2001 and 2000 are as follows (won in millions):

	2001	2000
Gains on currency swap valuation	₩ -	₩ 14,966
Losses on currency swap valuation	-	49,183
Gains on currency swap transactions	5,673	-
Losses on currency swap transactions	20,911	-

Such gains and losses are included in other, net in the statement of earnings.

(3) The Company has entered into currency forward contracts to purchase US dollars for Japanese yen accounted for fair value hedge, settled as gain and loss on currency forward transactions of ₩6,789 million and ₩70 million for the year ended December 31, 2001, and currency forward contracts to purchase US dollars for Korean won accounted for cash flow hedge valued as gain on currency forward transactions of ₩652 million, recorded as capital adjustments as of December 31, 2001 (see Note 14). The forward contracts as of December 31, 2001 are as follows:

	Start Date	Maturity Date	Contract Amount	Contract Rate (Won per US\$1)
Bank of New York	2001.11.20	2002.1.31	US\$ 10,000,000	₩ 1,290.3
Societe Generale	2001.11.21	2002.3.29	US\$ 6,000,000	₩ 1,294.1

19. DONATIONS:

Donations of the Company for the years ended December 31, 2001 and 2000 are as follows (won in millions):

	2001	2000
Pohang University of Science & Technology	₩ -	₩ 300,000
Employee welfare fund	33,000	33,000
POSCO Education Foundation	36,500	39,585
Others	13,695	76,262
	₩ 83,195	₩ 448,847

20. RESEARCH AND DEVELOPMENT EXPENDITURES:

Research and development expenditures of the Company for the years ended December 31, 2001 and 2000 are as follows (won in millions):

	2001	2000
Intangibles	₩ 59,293	₩ 112,537
Research and development expenses	187,221	181,656
Ordinary development cost	10,893	9,982
	₩ 257,407	₩ 304,175

Intangibles, net of amortization of ₩170,499 million and ₩132,913 million incurred up to December 31, 2001 and 2000, respectively, which is recorded in other assets, and relate to the implementation of an enterprise resource planning system.

21. EQUITY IN EARNINGS OF AFFILIATES:

In 2001, USS-POSCO Industries (UPI), POSCO's affiliate company located in California, USA, recorded a gain of ₩27,394 million from the settlement of an insurance claim. The Company has recorded its share of the gain (₩56,992 million) in equity in earnings of affiliates for the year ending December 31, 2001.

22. IMPAIRMENT LOSS ON FIXED ASSET:

Construction in progress included in fixed assets includes capital investments in Kwangyang No. 2 Minimill. By resolution of the Board of Directors at a meeting held in May, 1998 construction on the minimill has been stopped due to the economic situation in the Republic of Korea and Asia Pacific Region. The Company recognized an impairment loss of ₩50,599 million and ₩49,581 million for the years ended December 31, 2001 and 2000, respectively, in accordance with Article 55 of Korean Financial Accounting Standards. The carrying value of the minimill is ₩443,762 million as of December 31, 2001.

23. EXTRAORDINARY INCOME

The Company transferred its existing 25.26 percent investment in Shinsegi Telecomm's stock, which was acquired before December 20, 1999, to SK Telecom on January 3, 2000 and transferred an additional 2.4 percent of Shinsegi Telecomm's stock which was acquired from Korea Electric Power Corporation and Korea Highway Corporation and Korea Highway Corporation on January 31, 2000, to SK Telecom on February 1, 2000. The Company received 5,795 thousand shares, or 6.5 percent, of SK Telecom's stock in return on April 27, 2000. The Company's accounting policy is to use average cost basis to compute the gain and loss on sales of securities. The Company acquired its initial shares in Shinsegi in 1994. The application of the average cost basis on this transaction resulted in a gain on disposal of investments (extraordinary income) of ₩952,644 million, computed based on the market price of SK Telecom's stock as of the transaction closing date.

24. INCOME TAXES:

The Company is subject to a number of taxes based upon earnings which result in a statutory tax rate of approximately 30.8 percent for the years ended December 31, 2001 and 2000. The effective tax rates differ from the Korean statutory income tax rate for the following reasons:

	2001	2000
Korean statutory income tax rate (*)	30.80%	30.80%
Tax exemptions under the Tax Exemption and Reduction Control Law	(4.64)	(2.62)
Other (**)	2.37	1.48
Effective tax rate	28.53%	29.66%

(*) The statutory tax rate consists of a 28.0 percent main tax based on taxable income and a 10.0 percent surtax (the "residential tax") on the main tax. The total statutory rate is 30.8 percent.

(**) Enacted future tax rate of 29.7 percent including residential surcharges shall be considered for the changes in deferred income taxes for the year ending December 31, 2001.

25. STOCK OPTIONS:

(1) On July 23, 2001, the Company granted stock options to the executive officer of the Company in accordance with a stock option plan approved by the Board of Directors'. The details of the stock options granted are as follows:

Grant date	Number of Grantees	Exercise price/share	Number of shares	Exercise period	Method
July 23, 2001	38	₩ 98,400	498,000 (0.52% of total common stock issued)	July 24, 2004 ~ July 23, 2008	Cash or stock compensation for the difference between exercise price and fair market value of the option

(2) The Company applied the internal value approach method to calculate compensation cost related to the stock options and ₩1,790 million of compensation cost was recorded for the year ended December 31, 2001 and ₩6,278 million of compensation costs are to be recorded for the future periods, respectively.

26. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2001 contingent liabilities for outstanding guarantees provided by the Company for the repayment of loans of affiliates and related companies are as follows (won in millions):

Purpose	Company	Financial institution	Amount
Related parties:			
Bonds and others	Changwon Steel	Sumitomo Bank, etc.	773
Facility Loan	POSVEN	Citibank	35,274
Operating Fund	POSAM	Bank of America	99,458
Borrowings	POSCO Investment Co., Ltd. Zhangjiagang Pohang	Sumitomo Bank, etc.	94,731
Borrowings	Stainless Steel Co., Ltd., etc.	Citibank, etc.	53,044
Operating and Facility Fund	IBC	Hanvit Bank, etc.	91,448
Operating and Facility Fund	Shanghai POSEC Real Estate	Hana Bank, etc.	70,450
Others	PIO, etc.	Shinhan Bank, etc.	85,472
Total			<u>530,650</u>

(2) As of December 31, 2001, POSCO has provided a blank promissory note to Sumitomo Bank and Bank of China for outstanding loans.

(3) Notes discounted with banks, on which the Company remains contingently liable, amounted to ₩17,042 million and ₩12,035 million as of December 31, 2001 and 2000, respectively. The Company does not expect to incur any material losses in connection with the above items.

(4) The Company entered into long-term contracts to purchase iron ore, coal, nickel, chrome and stainless steel scrap. These contracts generally have terms of 5 to 20 years and provide for periodic price adjustments to then-market prices. At December 31, 2001, 108 million tons of iron ore and 41 million tons of coal remained to be purchased under long-term contracts.

(5) The Company has guaranteed usage of bulk carriers (with a total weight of 1,646 thousand dead weight ton) of KeoYang Shipping Co., Ltd. on a full and continual basis to transport imported raw materials through 2010.

(6) In limited circumstances, dissenting shareholders have the right to require the Company to purchase their shares.

	2000				
	Steel	Trade	All others	Reconciling Adjustments	Consolidated
Selling, general and administrative expenses:					
Depreciation and amortization	17,878	3,198	7,856	9,560	38,492
Others	563,750	76,433	94,482	(55,054)	679,611
	581,628	79,631	102,338	(45,494)	718,103
Operating income	2,232,017	30,581	61,212	(17,347)	2,306,463
Interest income	92,339	7,807	38,920	(7,126)	131,940
Interest expense	(407,185)	(15,795)	(45,912)	5,278	(463,614)
Other income, net	452,922	13,317	(9,698)	(108,932)	347,609
Earnings before income taxes	2,370,093	35,910	44,522	(128,127)	2,322,398
Income taxes	649,824	11,322	27,855	-	688,731
Segment net earnings	1,720,269	24,588	16,937	(128,127)	1,633,667
Total assets	19,398,204	1,133,508	2,744,732	(3,129,769)	20,146,675
Capital expenditures	781,524	5,580	126,834	(39,667)	874,271

28. ADHERENCE TO PROTECTION OF ENVIRONMENT:

The Company has been qualified as an 'Environmentally Friendly' company by the government and has held the ISO 14001 certificate since 1996. The Company has invested ₩111,176 million, or 9.1 percent and ₩50,081 million, or 4.1 percent of total facility investment, in environmental facilities during the years ended December 31, 2001 and 2000, respectively.

29. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE:

The Board of Directors' meeting held on December 22, 2001, approved the acquisition of an additional 35.7 percent or 2,109 thousand shares of Posrec's stock. The acquisition is expected to take place during 2002, with a payment of ₩23,849 million.

30. COMPLETION OF PRIVATIZATION:

In accordance with the Government's privatization policy for POSCO, on October 4, 2000, POSCO issued the seventh American Depository Receipts ("ADR") as a disposition of 4.60 percent, or 4,438 thousand shares, out of 6.84 percent, or 6,599 thousand shares, owned by the Korea Development Bank. The remaining 2.24 percent, or 2,161 thousand shares, owned by the Korea Development Bank was acquired by the Company as treasury stock, thereby completing the privatization of POSCO.

31. UNCERTAINTIES OF DOMESTIC ECONOMIC SITUATION:

Beginning in 1997, Korea and other countries in the Asia Pacific region experienced a severe contraction in substantially all aspects of their economies. This situation is commonly referred to as the 1997 Asian Financial Crisis. In response to this situation, the Korean government and the private sector began implementing structural reforms to historical business practices.

The Korean economy continues to experience difficulties, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The banking industry is currently undergoing consolidation and uncertainty exists with regard to the continued availability of financing. The Company may be either directly or indirectly affected by the situation described above. The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

INVESTOR INFORMATION

POSCO Securities

As of December 31, 2001, POSCO had 93,589,485 shares of common stock outstanding. The company's registered common stock (code 05490) is listed and traded on the Korea Stock Exchange.

Of the total common stock outstanding, 25,322,646 shares (101,290,584 ADRs) have been issued as depositary receipts and are listed and traded under the symbols PKX on the New York Stock Exchange and 0549q.L on the London Stock Exchange.

Depository and Transfer Agent for American Depositary Receipts (ADRs)

Holders of ADRs should deal directly with the depository, The Bank of New York, on all matters relating to their ADRs.

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