

FORGING A NEW GLOBAL STANDARD

A key building block of the modern Korean economy since 1968, Poongsan stands apart today as one of the largest manufacturers of fabricated copper and copper alloy materials in the world – supplying a broad range of value-added products to a global customer base. From durable industrial materials, to sophisticated electronic and semiconductor components, to world-class coin blanks and superior munitions, these products comprise the core elements in thousands of end-user items on which countless consumers, companies, and governments rely every day.

Poongsan's enduring commitment to innovation, quality, and customer service forms the nucleus of its comprehensive strategy to forge a new global standard for excellence in the Digital Economy. As always, the Company will aggressively continue to invest in state-of-the art equipment and implement advanced processes designed to maintain its competitive edge in every facet of operations today and into the future.

Poongsan's Dedication to the Industry

FINANCIAL HIGHLIGHTS

	In Millions of Korean Won		In Thousands of US Dollars*	
	2001	2000	2001	2000
<i>For the year</i>				
Sales	985,211	938,995	742,939	745,412
Gross Income	206,986	185,074	156,086	146,920
Operating Income	162,267	143,279	122,364	113,741
Income Before Income Tax Expenses	93,908	102,163	70,815	81,101
Net Income	56,486	72,978	42,596	57,933
Earnings Per share (In Korea Won and US Dollar)	1,748	2,209	1.32	1.75

* Accounts in Korean Won have been translated into US Dollars solely for the reader's convenience at W1,326.1 and W1,259.70 against USD1.00, the prevailing exchange rates on December 31, 2001 and December 31, 2000, respectively.

	In Millions of Korean Won		In Thousands of US Dollars*	
	2001	2000	2001	2000
<i>At year-end</i>				
Current Assets	368,825	427,620	278,128	339,461
Non-Current Assets	931,315	957,174	702,296	759,843
Total Assets	1,300,140	1,384,794	980,424	1,099,304
Current Liabilities	355,091	400,930	267,771	318,274
Long-term Liabilities	196,297	254,124	148,026	201,733
Total Liabilities	551,388	655,054	415,797	520,007
Shareholders' Equity	748,752	729,740	564,627	579,297

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TO OUR SHAREHOLDERS AND CUSTOMERS:

Korea enters 2002 with a myriad of domestic and international opportunities – co-hosting this year’s World Cup Soccer Games with Japan, the further opening of the Chinese market, the launching of the European Monetary Union, and the resurgence of the U.S. economy among them. Yet, despite these various prospects, the overall global economic slowdown that took hold in 2001 still prevails, complicating Korea’s efforts to sustain renewed growth.

Against this mixed backdrop, Poongsan, too, has seen its leadership tested by stiff competition in its domestic and overseas markets. For example, special demands generated by the launch of Euro coins will decline this year, while the emergence of Taiwanese copper manufacturers and the continued depreciation of the Japanese Yen have contributed their own challenges.

To address these and other issues, Poongsan has taken firm action to continue boosting product value and cutting manufacturing costs – pursuing a comprehensive, long-term vision that has produced stable sales revenue and consistent growth in operating income. 2001 was no different, with the Company achieving a 10 percent ordinary income ratio, which is no easy accomplishment even in a more robust economic environment.



figure 1.0

Financial Highlights

FINANCIAL RATIOS	Chart 2.0
TOTAL ASSETS / SHAREHOLDERS' EQUITY	Graph 2.1
INCOME	Graph 3.0
RETURN ON ASSETS / RETURN ON EQUITY	Graph 3.1

figure 1.0: THE UNIT CELL IS THE SMALLEST PATTERN ARRANGEMENT THAT CAN BE CONTAINED IN A PARALLELEPIPED, THE EDGES OF WHICH FORM THE *a*, *b* AND *c* OF THE STRUCTURE. THE STRUCTURES OF ALLOYS FALL INTO FIVE BASIC ARRANGEMENTS: PRIMITIVE CUBIC, CUBIC CELL, ALL-FACE-CENTERED CUBIC, INNER-CENTERED CUBIC, AND PRIMITIVE RHOMBOHEDRAL. THESE STRUCTURES ARE THE FOUNDATION OF ALL METAL ALLOYS.

Meanwhile, Poongsan also strengthened its fundamental financial structure by repaying 84 billion Won in debt to reach a 74 percent debt ratio – down 16 percent from 2000. Coupled with these efforts, we fulfilled our commitment to shareholders in 2001 by buying back and retiring 500,000 shares to further increase and stabilize stock value and price.

We also launched a proactive Investor Relations program that last year included domestic and overseas presentations and more than 100 small-group meetings for analysts, securities brokers, and bank representatives – as well as plant tours for institutional investors.

Key financial indicators from the previous year are as follows:

- Poongsan recorded revenue of 985.2 billion Won and net income after tax of 56.5 billion Won. Total assets were valued at 1.3 trillion Won.
- Sales volume decreased by approximately 10,000 tons over previous year, but revenue and operating income went up by 4.9 percent and 13.3 percent, respectively, aided by expanded sales of high value-added products including coin blanks.
- The domestic sales of defense products recorded revenue of 183.4 billion Won, a 5.2 percent increase over the previous year, with continued development of new products and mass production. Defense exports, in particular, saw a 67.6 percent

revenue increase from the previous year, the result of diversifying our overseas customer base and expanding sales of newly developed ammunition. The total sales of defense products increased by 14.2 percent.

Briefly reviewing the operating performance of the three divisions that form the Company's nucleus: Fabricated nonferrous metals earned 741.5 billion Won; defense products took in 232.5 billion Won; and other products produced another 11.2 billion Won in revenue.

Overall, sales of major products tracked the global economy's decline. For example, rolled copper sheets and strips, which represent a large share of Poongsan's annual revenue, saw a 9.2 percent decrease over the previous year due to sluggishness in the electronics and semiconductors sector – as well as increased competition in the international market.

Some individual indicators, however, showed strong, positive movement. Revenue from high value-added coin blank products, for example, increased by 48.6 percent from the previous year thanks to special demand generated with the Euro currency – while increased sales of ACR copper tubes and special tubes for plants highlighted a nine percent increase in pipe products sales. The robust growth in sales of high value-added products

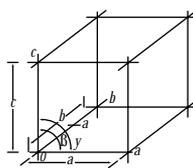
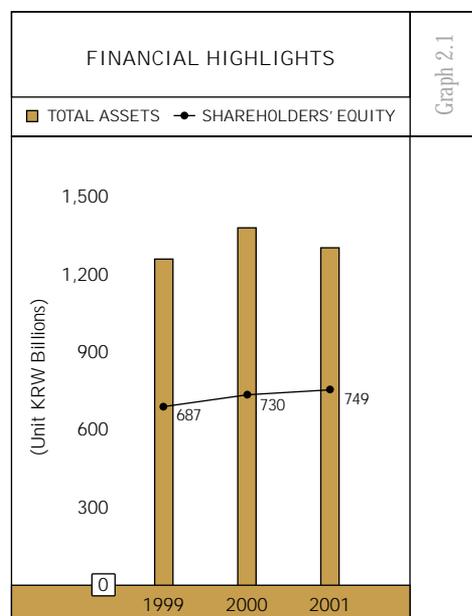


figure 2.0

figure 2.0: LATTICE POINTS, SHOWN HERE, CAN BE VIEWED AS A THREE DIMENSIONAL NETWORK OF STRAIGHT LINES. THE INTERSECTION OF THESE LINES REPRESENTS A POSITION OF AN ATOM OR GROUPS OF ATOMS OF IDENTICAL COMPOSITION, ORIENTATION AND ARRANGEMENT.

FINANCIAL HIGHLIGHTS *Chart 2.0*

	2000	2001
<i>Financial Ratios (%)</i>		
Current Ratio	103.87	106.66
Debt to Equity Ratio	73.64	89.77
Return on Assets	4.34	5.27
Return on Equity	7.54	10.00
Net Income Margin	5.73	7.77



Graph 2.1

contributed to improved profitability by raising the roll margin per product ton by 7.4 percent from the previous year.

Overseas, a stagnant business environment in North America negatively impacted sales at PMX, our U.S. affiliate. Taking the valuation of PMX's equity losses on investments into account, Poongsan's ordinary income dropped 8.3 billion Won, to 93.9 billion Won, from the previous year, while net income for the same period declined by 23 percent to 56.5 billion Won.

Despite the difficulties it experienced last year, however, PMX successfully completed a series of business restructuring initiatives by cutting manpower and refinancing debt to improve borrowing power. Also boosting its prospects, PMX recently signed a long-term supply contract worth US \$450 million over five years – a deal we expect to yield a surplus in the short run.

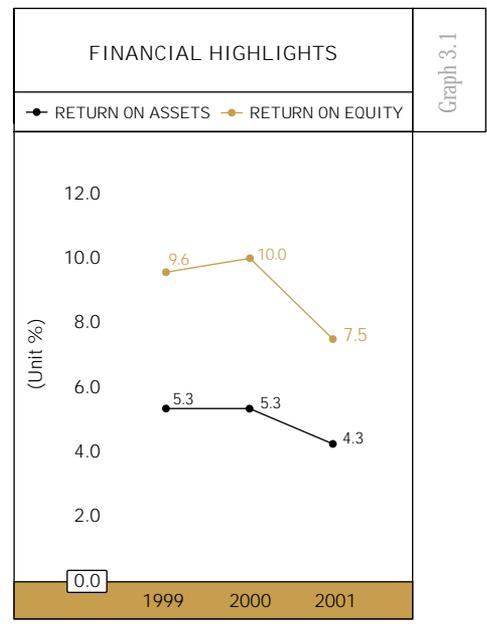
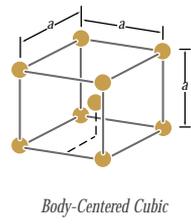
Moving forward, despite the uncertainty of a broader global economic recovery, Poongsan expects to reach 991 billion Won in revenue for 2002 – with an ordinary income target of 122 billion Won and a 12.3 percent ordinary income ratio. We plan to achieve these numbers by increasing sales of high value-added products, while sustaining the highest level of customer satisfaction both in quality and service.

Furthermore, to increase profitability and meet the expectations of shareholders, during 2002 and into 2003 the Company will deploy a new Enterprise Resource Management network to realize the various systematic efficiencies available vis-a-vis technology. Linking production facilities to the market via a real-time, worldwide network will enable us to enhance savings and services – wringing more productivity out of current operations.

We will also continue striving to increase the yield rate and boost quality through the Six Sigma Initiative. Today, with intangible assets such as human resources, corporate culture, and brands demanding more attention, Poongsan believes it must constantly challenge its corporate mindset to sustain dynamic growth – and Six Sigma is our company-wide effort to do just that.

Finally, Poongsan plans to introduce a new personnel management system featuring a performance-based salary structure to attract and retain quality employees and managers, and to maintain our aggressive research and development in support of new products and materials.

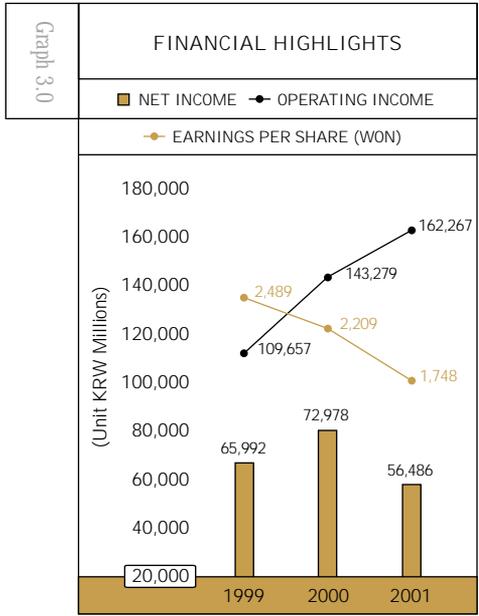
Poongsan believes these initiatives and management tools – coupled with our enduring commitment to innovation, quality, and service – will help Poongsan make continued strides towards our ultimate objective of becoming the very best copper manufacturer in the



world. As focused and dedicated as each Poongsan employee is to our core values, however, our most important inspiration comes from you – our valued shareholders, our respected customers, our trusted partners. In the end, your expectations define our standards for excellence; your satisfaction provides our truest measure of success.

We offer our deepest appreciation to our customers and partners around the world and hope for your continued support as Poongsan strives to forge the highest possible standards for performance in the global copper industry.

Jin Ryu
Chairman & Chief Executive Officer
March 2002



BUSINESS PHILOSOPHY, STRATEGIES AND FINANCIAL OBJECTIVES

Poongsan earned its position as a leading global supplier of copper and copper alloy fabricated products by concentrating not only on the same core business for over 33 years, but also the same core values. Now, even as we implement a forward-looking paradigm to forge a higher standard for global performance, we will maintain our enduring commitment to innovation, quality, and customer service. To achieve our goals, each employee pledges to Be the Best – to exert their best efforts to become a specialist in their area of responsibility, and to take individual responsibility for demonstrating collective excellence in everything we do.

Poongsan's Mission Statement

PHILOSOPHY

- Dedication to customers. We recognize that the satisfaction of our customers dictates our success.
- Exceeding shareholder expectations. We respect the rights of our shareholders, and seek the highest possible return on investment.
- Community service. We contribute to the strengthening and enrichment of society.

STRATEGIES

- Continue profit- and shareholder-oriented management by enhancing productivity while decreasing costs;
- Boost core competitiveness through improvements to operations and organization, and reinvestment in technology and human resources; and
- Fully leverage the cost savings and efficiencies of a real-time global e-Business network through the implementation of an Enterprise Resource Planning (ERP) system.

FINANCIAL OBJECTIVES

- Increase ordinary income ratio to sales to 15 percent by 2006 (9.5 percent in 2001).
- Achieve debt-free management by 2006. (Debt ratio in 2001: 73.6 percent; projected debt ratio in 2002: 64 percent).



BUSINESS DOMAIN & ORGANIZATION

Poongsan maintains three business divisions: the fabricated nonferrous metal division comprised of copper and copper alloy products; the defense products division covering military ammunitions, components for ammunition, propellants and explosives; and the precision product division encompassing semiconductor leadframes, parts for connectors, precision dies, precision gauges and tools, metallurgical equipment and machinery.

Headquartered in Seoul, Poongsan Corporation operates four factories throughout Korea; domestic sales offices in Taegu and Busan; and overseas export offices in Taipei, Taiwan, Kuala Lumpur, Malaysia, and Shanghai, China. In addition, Poongsan has three domestic affiliates and four overseas affiliates in the USA, Hong Kong, Thailand and China.

THE BUPYUNG BRASS MILL | *figure 4.0*

The Bupyung Brass Mill, Poongsan's original plant, recently launched a reconstruction of its production line to allow concentration on non-copper production, including stainless steel strips and welded titanium tubes. Also in 2001, the Company installed new downstream processes including an Alkali Degreasing Line and a Coil Pickler Line.

This year, we will ensure unparalleled dominance in light and thin plate markets by pushing ahead with the installation of a new thin plate rolling mill, a Tension Annealing Line, and a Precision Slitter to produce ultra-thin spring materials. Extension to facilities and rationalization efforts at the Bupyung Mill will also continue in order to increase the production capacity of stainless steel strips and enhance profitability. Meeting the demand for longer titanium tubes used in heat exchangers in desalination and power generation facilities, we will also begin producing titanium tubes with a 30-meter production line.

In the coin blanks sector, in addition to our copper alloy, clad-metal, and precious metal coin blanks, this year we plan to construct a stainless steel coin blank production line.

THE ONSAN BRASS MILL | *figure 4.1*

Poongsan's Onsan Mill has continued to increase its production capacity since it first began operations in 1980. At present, the mill boasts the world's largest production capacity (280,000 tons a year) and is unrivaled in quality.

In 2000, the Onsan Mill completed a program to increase casting capacity by 110,000 tons a year, installing a new shaft furnace equipped with latest facilities to meet rising demand for copper products and to secure higher competitiveness. Enhanced casting capacity for semiconductor leadframe materials increased downstream production capacity and improved quality. A Tandem Mill, a Tension Annealing Line, and a CNC Slitter were also installed last year.

figure 4.0: The Bupyung Brass Mill

Location: Kyeyang-gu, Incheon

Number of Employees: 224

Production Capacity: 20,000 tons per year

Products: Copper and copper alloy sheets and strips, stainless steel strips, clad metal strips, coin blanks, precious metal coin blanks, and welded titanium tubes.



figure 4.1: The Onsan Brass Mill

Location: Onsan-eup, Ulju-gun, Ulsan

Number of Employees: 1,203

Production Capacity: 280,000 tons per year

Products: Copper and copper alloy sheets, strips, tubes, rods, wires, raw materials for leadframes, tin-plated strips, coin blanks, copper roofing tiles, and cartridge case cups.

To improve the finishing process of copper pipe products, the Company installed a cleanse finish annealer, enabling us both to keep residue amount inside coils under 0.05mg/m – lower than international standard of 0.1mg/m – and to produce world-class level winder coils.

Paralleling these efforts, the Onsan Mill continues to enhance its facilities to save energy and to safeguard against environmental contamination. As the world's largest general mill for fabricated nonferrous metals, the Onsan Mill will continue to grow by concentrating on the Six-Sigma Initiative to improve quality of high value-added products while leveraging the technological benefits of the Enterprise Resource Planning system soon to be in place.

THE ANGANG PLANT | *figure 4.2*

Poongsan's Angang Plant is one of the world's top general ammunition mills – producing a broad range of defense products including pistols, anti-aircraft guns, mortars, howitzers, tank guns, recoilless guns, and naval guns. The entire process of ammunition production is vertically integrated within this single facility, allowing the production of everything from basic materials for propellant ammunition to the finished ammunition.

The plant runs a technical institute responsible for developing and accumulating highly advanced technology in the field of ammunition manufacture. The institute is presently engaged in the development of new tactical and strategic ammunitions equipped with highly destructive power as part of national efforts to improve defense and adopt a new weapons system. The plant was recently designated a calibration center by the Korean Government, testifying to its excellent quality control system.

A new chapter in the precision forgery industry opened at a new supplementary facility at the Angang Plant recently when it commenced the production of a variety of forgery products such as rod wheels for mobile equipment using its own projectile forgery technology.

THE DONGRAE PLANT | *figure 4.3*

Poongsan's Dongrae Plant, launched following the acquisition of the Korean Army's arms factory in 1982, produces a variety of small-caliber ammunition and over 100 types of sporting and hunting ammunition. Its development of new kinds of ammunition has contributed greatly to the combat-readiness of Korea's armed forces. The plant's recent launch of a mid- and long-term plan for enhancing production quality is bringing significant improvements in productivity and quality through automation of production lines, application of new equipment, and improvement in the work processes. The plant makes these consistent efforts to increase production and maintain a zero-defect rate in production to maintain its leading position in the industry.

Safety in all areas of operations remains the top priority at Dongrae. Occupying over 1.65 million square meters in downtown Busan, the plant boasts a five-year accident-free workplace record.



figure 4.2: The Angang Plant
Location: Angang-eup, Kyungju
Number of Employees: 1,835
Products: A complete line of ammunition for small arms, anti-aircraft guns, howitzers, mortars, tank guns, naval guns, and sporting use, as well as ammunition parts such as propellant powders, fuses, and precision forgery items.

figure 4.3: The Dongrae Plant

Location: Haeundae, Busan

Number of Employees: 435

Products: Ammunition for rifles and sporting guns.



Since 1968, when the Company launched Korea's first modernized brass mill in Bupyung near Seoul, Poongsan has played a significant role in the nation's economic development. In the late 1960s, Korea was on the road towards industrialization but experiencing shortages in raw materials. Poongsan filled that void – and as the Korean economy grew, Poongsan satisfied increasing demand for copper goods by building a mill in Onsan, and then a fabricated nonferrous metal products complex in the early 1980s.

Today, Poongsan produces a full range of basic industrial materials such as copper and copper alloy sheets and strips, tubes, bars, rods, and wires as well as coin blanks, roofing tiles and other processed copper products. Non-copper products such as welded titanium tubes and stainless steel strips round out the Poongsan product line.

Poongsan remains Korea's only comprehensive supplier of copper products, with domestic facilities boasting an annual capacity of 300,000 tons a year equipped with a vertically integrated production system by product type. The combined annual production capacity of 470,000 tons, including production at overseas affiliates such as PMX Industries, Inc. in the U.S., makes the Company the world's third largest producer of semi-finished copper products.

Fabricated Nonferrous Products

With its large-scale capacity and technological expertise, Poongsan has a strong position in the nation's copper production industry, currently supplying most of the domestic market and leading Korea's exports in this area.

Poongsan's Market Share in Copper Products (Excluding imported goods)

Sheets & Strips 70 percent	Water Tubes 35 percent	ACR Tubes 60 percent
Copper Alloy Tubes 90 percent	Bars & Wires 30 percent	Coin Blanks 100 percent
Case Cups for Ammunition 100 percent		

Poongsan currently operates two brass mills in Korea staffed by highly trained employees. These metal technicians play a vital role in the Company's vertically integrated system, overseeing all precision processes ranging from casting and rolling to extruding, drawing, and heat treatment.

PRODUCTION AND SALES

The production and sale of copper products possess high sensitivity to fluctuations in the domestic and international economy. Nevertheless, even as Poongsan experienced a 4.9 percent decrease in sales volume last year, the Company's focus on selling high value-added products helped it match profit levels from 2000 – a year which witnessed the highest sales and profit in our history.

In 2001, the Company manufactured 219,340 tons of fabricated copper products – a 5.7 percent year-on-year decrease. Of the manufactured items, 43.9 percent were sheets and strips, 17.8 percent copper tubes, 13.1 percent bar and wire products, 13.2 percent processed copper products such as coin blanks, and 6.0 percent other copper products. Non-copper products, including stainless steel strips, comprised 6.0 percent of total production.

The Company sold 141,900 tons of copper products in the domestic market, which represented a 2.5 percent year-on-year decrease while exports shrunk to 71,300 tons, 9.4 percent down from the previous year. Overall, the Company sold a total of 213,200 tons of products – a 4.9 percent drop from the previous year attributed to shrinking demands

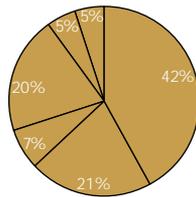


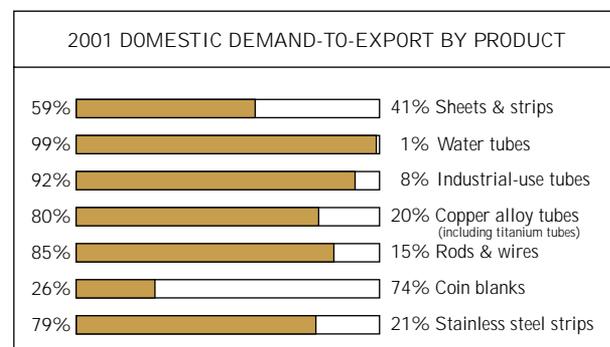
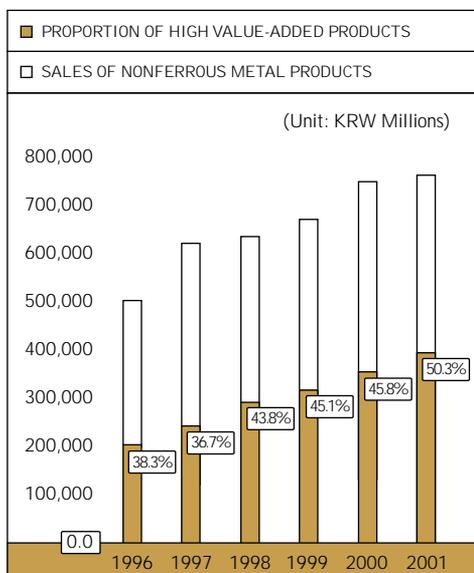
figure 5.0

figure 5.0: 2001 SALES MIX BY PRODUCT (INCLUDING NONCOPPER PRODUCTS BASED ON VALUE)

SHEETS & STRIPS	42%
COPPER & COPPER ALLOY TUBES (Including Titanium Tubes)	21%
RODS & WIRES	7%
COIN BLANKS	20%
STAINLESS STEEL STRIPS	5%
OTHERS	5%

triggered by economic setbacks around the world, which in turn, resulted in fiercer competition. Once again, however, the focus on value-added products helped boost sales 2.1 percent in terms of value.

Sales increased dramatically for copper alloy tubes and coin blanks by 51.6 percent and 47.8 percent, respectively, from the previous year. These high-value products – used in desalination plants and power generation facilities, and Euro coins – contributed significantly to the high-end-oriented sales mix. Moreover, as a result of making efforts to sell high-end products over the past few years, sales of copper strips for leadframes and connectors, phosphor bronze, nickel silver, tin plated strips, coin blanks, ACR copper tubes, and copper alloy tubes have increased.

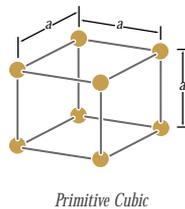


COPPER SHEETS & STRIPS

Developments in the technology sector continue to drive demand for more sophisticated higher-quality sheet and strip products in the international market. At the same time, demand for sheets and strips has fallen as alternatives increasingly come into wider use. In order to respond to these changes in demand, Poongsan has improved its rolling technology to produce finer sheets and strips. The Company has also made efforts to produce substitutes for imported products, and develop new materials with the aim of spurring new demand.

Recently, Poongsan sought to expand into new fields, developing a wide variety of high value-added items including raw materials for leadframes, information and telecommunications products, automobiles, and connectors for electric and electronic products, and semiconductors. The Company has developed and released onto the domestic market a unique line-up of new raw materials for leadframes and connectors such as C194, PMC90, and PMC26 as well as copper-alloy raw materials such as PMC102 (CDA19010) and PMC102M (CDA19015). These new raw materials have received a positive reception from consumers at home and abroad.

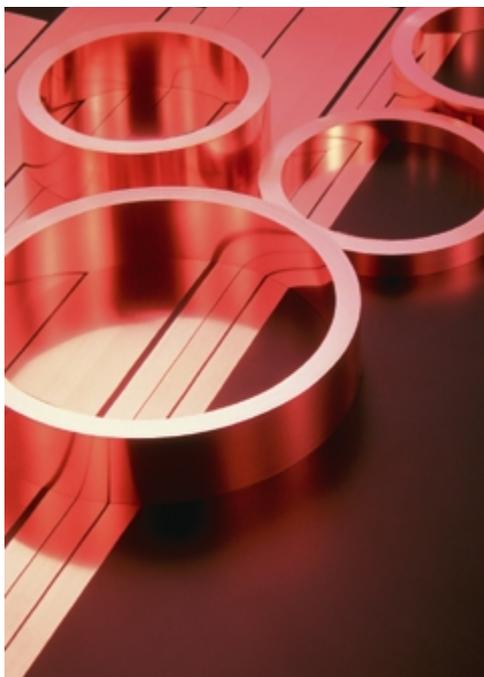
Last year, despite favorable market conditions in automobile, electric, and electronics industries, sales



of copper sheets and strips saw a nine percent year-on-year decrease due to the sluggish global economy. However, actual profit structure significantly improved as a result of increased sales of raw materials for leadframes, high value-added rolled products, phosphor bronze, nickel silver, and tin plated strips.

The Company forecasts a decrease in the market demand due to domestic and global economic sluggishness, but we expect to expand our customer base in the domestic market through sales of new growth products such as dual gauge strip, C151, and PMC26. Poongsan also will expand into Shanghai, Southeast Asia, and Japan – while at the same time endeavoring to differentiate our products from those of our overseas competitors so as to achieve this year's sales target. Furthermore, to increase profits, efforts will be continuously focused on boosting sales of high value-added items such as phosphor bronze, nickel silver, tin plated strips and copper strips for leadframes, in addition to increasing sales of thinner and finer items.

Poongsan currently holds more than 80 percent of the domestic market share for tin plated strips – the direct result of expanding production of tin plated strips used in various high-tech industries such as electric, electronics, and information technology. Last year, Poongsan responded to increased demand by



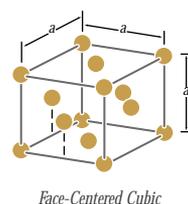
reinvesting aggressively in its production line. It also established PNT Corporation – a joint venture with Nippon Mining & Metals of Japan, owner of the highest quality tin plating technology – to produce and supply high-quality copper products.

Trends in Sales of Sheets & Strips and Raw Materials for Leadframes

	(Unit: Millions of Korean Won)				
	'98	'99	'00	'01	'02(P)
Sheets & Strips					
Domestic	112,379	146,059	163,707	161,806	154,215
Export	146,067	115,347	124,934	108,368	108,197
Raw Materials					
for Leadframes	36,335	43,179	56,556	43,396	47,955
Total	294,781	304,585	345,197	313,570	310,367

COPPER TUBES

Sales of most copper tube products for housing purposes have showed a tendency to decline, while sales for industrial purposes, including ACR (Air Conditioning and Refrigeration), have remained brisk. The challenges posed by alternative products such as stainless or polyethylene tubes, and over-supply in the market caused by new small and medium-sized manufacturers, contributed to the decrease in sales of copper tube products for housing purposes. Continuous stagnation in the construction industry in the aftermath of the 1997 financial



crisis also caused a decrease in the sales of copper tubes for housing purposes. However, as the indices in the construction market situation gradually started showing signs of recovery in the latter half of 2001, sales increased – recording a slight improvement in performance over the previous year.

Industrial-use copper tubes showed no significant change in demand in refrigerator and boiler industries, but demand for domestic production of air conditioners jumped strongly – and the demand for tubes followed suit. Less competitive air-conditioner models such as window units have also been produced and sold after moving the production plant to China.

The continuous rise in demand for industrial-use copper tubes made up 70 percent of all copper tube sales excluding copper-alloys.

Another noteworthy achievement centered on Poongsan's successful development of an innovative inner-grooved tube using in-house technology. The tube maximizes heat efficiency and was developed in response to trends toward increased compactness and high performance in the ACR area. Sales of these inner-grooved tubes last year increased to over 10,000 tons, making up over 50 percent of total industrial-use copper tube sales.

Poongsan has established a mass production system by building new production lines for welded copper tubes to cope with a surge in demand for ACR tubes in domestic and overseas markets. The Company is also moving to supply welded copper tube samples to ACR manufacturers. Furthermore, it has developed and is supplying new advanced products such as oxygen-free and magnetron copper tubes as part of an effort to produce high value-added industrial-use copper tubes.

Trends in Copper Tube Sales

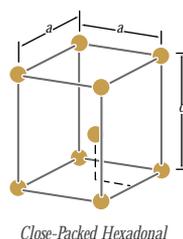
(Unit: In Millions of Korean Won)

	'98	'99	'00	'01	'02(P)
Industrial-use Tubes					
Domestic	51,321	59,948	81,183	80,236	89,668
Export	10,740	9,394	6,779	7,058	11,891
Water Tubes	25,744	27,988	29,738	32,163	29,658
Total	87,805	97,330	117,700	119,457	131,217



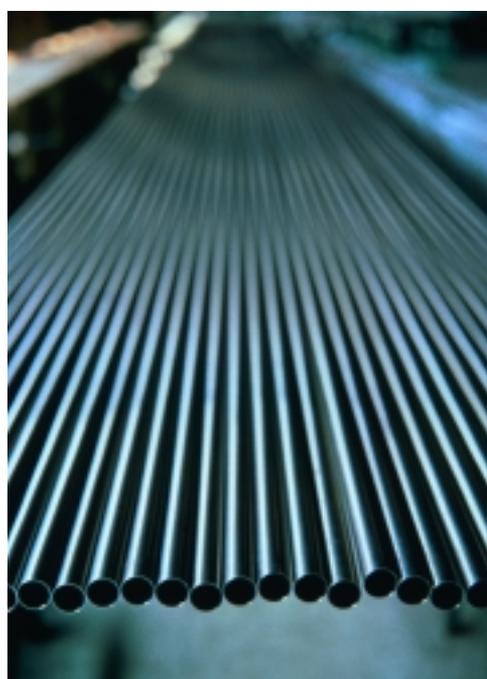
SPECIAL TUBES FOR PLANTS

Poongsan has developed and produced a wide variety of copper alloy tubes including cupro-nickel tubes and all-brass tubes for use in large-scale industrial projects both in Korea and overseas. Perhaps most noteworthy, the Company has supplied a total of 60,000 tons of copper alloy tubes to large desalination plants within Korea and around the world, emerging as a



market leader in the international desalination plant and power generation fields.

Countries in the Middle East, traditionally the largest market for desalination plants, recently resumed large-scale desalination projects due to a need to upgrade facilities. To meet this increase in demand for plants that provide higher living standards, the Company provided 10,000 tons of copper alloy tubes to the Al-Khobar desalination project in Saudi Arabia and exported a total of 45,000 tons of copper alloy tubes to support various projects including the Al-Shoiba plant – once the largest desalination plant in the world.



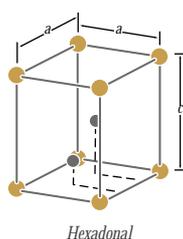
From the late 1990s until the present, the Company has also consistently supplied copper alloy tubes to desalination facilities in UAE and Kuwait. Last year, Poongsan supplied a total of 1,300 tons of copper alloy tubes to be installed in the Oman's Barka region project – and another 110 tons of cupro-nickel 70/30 tubes to Schilte Corporation of the Netherlands. Furthermore, the Company supplied a total of 5,000 tons of copper alloy tubes to the Um Al Nar project in the UAE – with another 6,000 tons of copper alloy tubes ordered for delivery to the Fuzairah region in the first half of 2002.

With the market size of copper alloy tubes used in desalination projects predicted to be 100,000 tons by 2006, Poongsan is aggressively exploring the market to win new orders in this region. On the production side, it has modified production lines for cupro-nickel tubes (25 meters) and titanium tubes (30 meters) in response to the worldwide trend favoring longer tubes to streamline desalination facilities and to reduce construction cost.

The exclusive production line at its Bupyung Mill has earned Poongsan recognition for the production technology and superior quality of its welded titanium tubes. In 2001 alone, the Company supplied a total of approximately 5,400 tons of titanium tubes to thermal power plants, a 1000MW-class large-scale nuclear power plant, and desalination plants last year – all operations that require the highest standards in safety and quality.

BARS & RODS, WIRES

With a domestic market share of 30 percent, the bar and rod sector accounts for more than 80 percent of sales in this division, with the remainder sold in the form of wire. Despite temporary favorable market conditions, imports of Chinese valves have diffused demand in construction – a key industry driving demand for our products. The overall domestic sales growth rate slowed to two percent because many plants manufacturing



electric and electronic parts were transferred to China and Southeast Asia.

Exports in this division also declined, recording only half the of previous year's revenue. Nevertheless, the concentration of production shifting from commonly used products to high value-added products will likely contribute to sales growth in 2002.

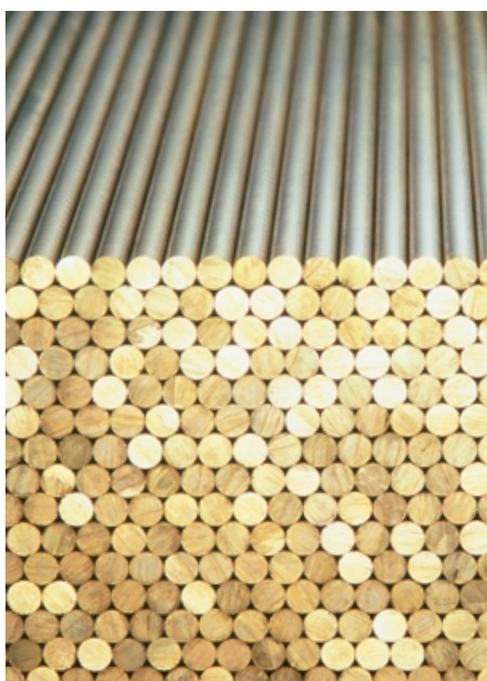
As well as manufacturing free-cutting brass bars that feature superior cutting capability, the Company produces a variety of bars and wires according to special standards and alloy specifications. Last year, Poongsan successfully developed Magnetron for microwave use and raw materials for high-voltage circuit breakers by producing oxygen-free copper rods in mass. The Company is also planning to concentrate on developing new products in the future, such as an environment-friendly, unleaded brass.

Trends in Bar & Wire Sales

(Unit: In Millions of Korean Won)

	'98	'99	'00	'01	'02(P)
Domestic	43,693	48,021	45,021	45,965	50,306
Export	7,280	9,913	16,129	7,901	10,970
Total	50,973	57,934	61,150	53,866	61,275

Having streamlined rod and wire production lines at the Onsan Mill, Poongsan improved product quality by introducing a vertical continuous casting furnace last year – which also



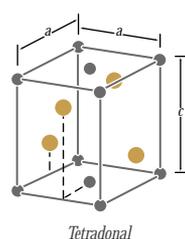
reduced the cost of goods. The Company also introduced a new brushing machine to improve the surface of hexagonal bar, and installed a centerless grinder to reduce outdiameter tolerance range and enhance product quality and competitiveness. Meanwhile, efforts to increase sales of high-end materials for electric, electronic, and automotive parts continue.

COIN BLANKS

An exporter of coin blanks from its early days in business, Poongsan today supplies over half the copper alloy coin blanks purchased around the globe – making it the world’s largest coin blank manufacturer.

In the early 1990s, the Company developed high-tech coin blanks such as bi-metal and clad coins using its own technology and has since concentrated on production of high value-added coin blanks. For example, Poongsan developed Nordic Gold, a special alloy metal, in preparation for the official use of Euro currency in 2002 – supplying bi-metal coin blanks for one and two Euro denominations, and Nordic Gold coin blanks for 10, 20, and 50 Euro cents to most EU countries. PMX, Poongsan’s affiliate in the U.S. and the main supplier of coinage strips in the U.S., also supplies copper strips.

Poongsan has posted a record increase in sales in this particular area of business each year since



1998. In 2001, the Company recorded a robust 49 percent increase in sales over the previous year. The shortage of Nordic Gold alloy metal and bi-metal coin blanks for one and two Euro denominations within Europe helped Poongsan expand its customer base greatly. Sales grew dramatically in the domestic market during the year thanks to a sharp increase in the use of coins resulting from a price increase in domestic consumer goods.

The bi-metal and clad coin materials used to produce coin blanks for one and two Euro denominations require the best technology. To meet this requirement, Poongsan manufactures its products following international standards and is one of the very few companies around the globe to own such high-quality technology.

Poongsan plans to focus increasing attention on high-tech coin blanks – through its global sales and marketing network in Asia, Europe, North and South America. These high-tech products include specialized blanks such as bi-metal, clad coin metal, and security coin blanks. Poongsan aims to secure its leadership in these dynamic markets as it continues to expand into newly emerging markets in Eastern Europe and China.

In addition to equipment for producing solid coins, Poongsan also operates special facilities dedicated to the production of



precious metal coin blanks. Among other special events, the Company produced commemorative coins for the 1988 Olympics in Seoul, and recently supplied precious metal coin blanks to produce commemorative coins for the 2002 FIFA World Cup Soccer Games to be co-hosted by Korea and Japan.

STAINLESS STEEL STRIPS

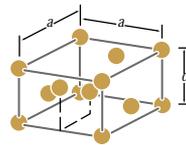
Poongsan operates a production line dedicated exclusively to the manufacture of stainless steel strips, specializing in thin-gauge, narrow-width, and high-elasticity strips. Poongsan always seeks to improve the performance of parts used in various industries by aiming to fulfill each specific requirement in pressing, drawing, bending and welding.

Trends in Stainless Steel Strip

(Unit: In Millions of Korean Won)

	'98	'99	'00	'01	'02(P)
Domestic	21,981	29,982	36,683	29,738	31,831
Export	8,629	8,074	8,569	8,048	11,189
Total	30,610	38,056	45,252	37,786	43,020

Poongsan's efforts to observe strict tolerance in measurement and flatness are assisted by a series of high-tech devices such as precision slitters developed with in-house technology and AGCs (Automatic Gauge Controls) that ensure superior processing of surfaces for various industrial purposes.



Body-Centered Tetragonal

Poongsan's Accumulated Export Quantity of Coin Blanks for the Last 20 Years (Unit: Tons)

1982	8 countries	8,445
1985	14 countries	25,510
1990	20 countries	69,054
1995	26 countries	118,670
2001	42 countries	216,100

In 2001, total sales of Poongsan's Stainless Steel strips dropped 16 percent, influenced by stagnation of overall demand in the electric and electronics industries and decreases in raw material prices. However, a new product, Pearl Finish, was developed for use in high-value home appliances, cellular phone frames, and computers and will head into mass production this year.

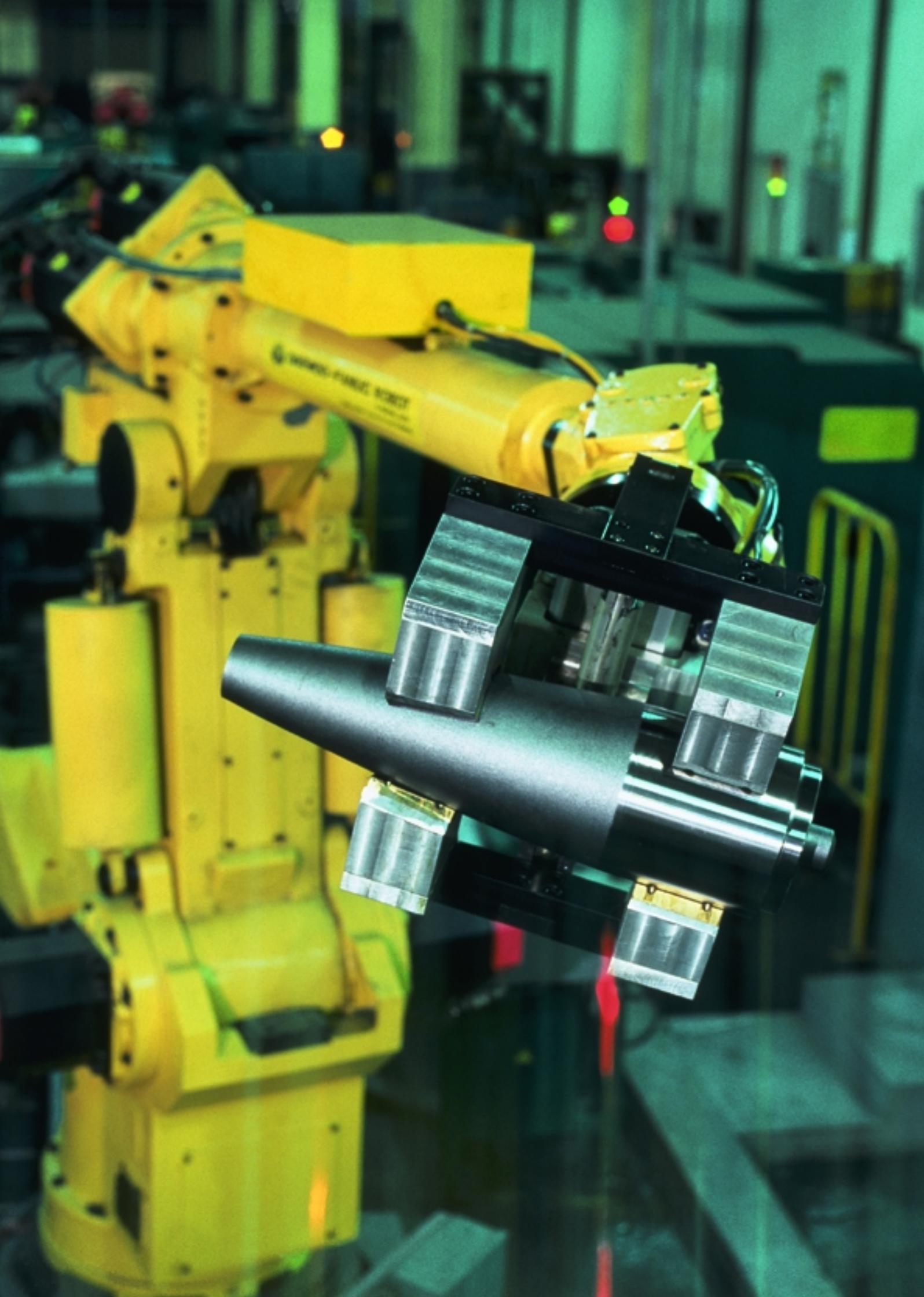
With the anticipated growth in the high value-added markets such as information technology, the Company plans to introduce new rolling equipment and expand investments in the tension annealing line and precision slitters. Joint ventures with prominent foreign companies are also planned.



Since it was first granted a government permit to produce munitions in the early 1970s, Poongsan has helped move Korea ever closer to its goal of self-sufficiency in national defense – and today most of the company's ammunition products are used by the Korean military.

Poongsan Defense Products

Producing a wide variety of military-purpose ammunition – from 5.56mm ammunition to 8-inch projectiles for howitzers – the Company has earned a reputation the world over for quality, with most of the sporting and other commercial ammunition produced by Poongsan being exported.

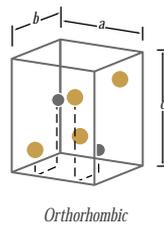


Defense product sales increased 14 percent in 2001, accounting for 23.6 percent of overall sales revenue. Domestic demand, including government demand, increased by five percent over the previous year as a result of increased sales of newly developed ammunition. Exports soared 68 percent compared to the previous year – driven by large orders of ammunitions.

Poongsan operates a comprehensive range of technologies and an integrated production system required for production of ammunition. The Company's complete vertical system of ammunition production encompasses everything from raw materials such as nitrocellulose and nitroglycerin; to parts such as projectiles, cases, primers, fuses, links and penetrators; to filling, assembly and packing of various finished goods.

The Company boasts outstanding competitiveness in price, quality, and delivery – a direct result of its consistency in production. The Company is particularly proud of the high quality of its ammunition, which it maintains through independent quality management systems for each different production line.

Poongsan was awarded ISO 9001/9002 by DNV and National Defense 0050-9001/9002 certification from the Defense Quality Assurance Agency in late 1999 and early 2000, respectively. The Company



also received the ISO 14001 (Environment Management System) in November 2001 from the DNV Certification Institute, as well as accreditation as a calibration laboratory by the Korean Agency for Technology and Standards at the end of January 2002. This allowed the company to continue contributing, in its role as a government-designated national testing institution, to improvements in quality management systems and products in the ammunitions industry.

Poongsan also ensures ammunition accuracy and consistency in quality by test firing under diverse conditions at its modern ballistic test ground and the government's Comprehensive Inspection Site. Personnel dispatched from the government's Quality Control Institution conduct strict inspections at each production facilities.

As an ammunition specialist, Poongsan constantly strives to improve the quality of its existing range of ammunition and to develop new products in collaboration with Government R&D institutions.

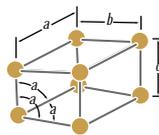
Poongsan recently developed the 120mm APFSDS-T (Armor-Piercing, Fin-Stabilized Discarding Sabot Tracer) and HEAT-MP-T using its own technology and resources, which it supplies to the Korean military. The Company also introduced CTG 20mm



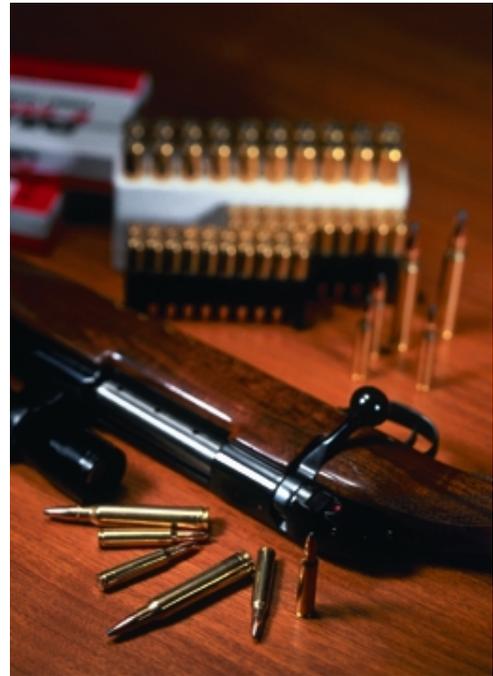
Multi-Purpose Tracer-Self Destruction ammunition, which has considerably extended the effective range of the Vulcan ammunition used by the Korean military forces. Poongsan's recently developed CTG 30mm Goal Keeper ammunition, which contributes to the Navy's combat strength through its deployment on Korean naval destroyers – helping defend against missile, warship, and plane attacks.

Poongsan extended the range of its 155mm self-propelling guns and long-range high-explosive weapons, and is offering an upgraded DP-ICM, which has greater self-destruction and armor penetration capabilities. Through its participation in the MLRS (Multiple Launch Rocket System) joint development project, it has also produced warheads armed with grenades – a key component in defining the capability of rocket missiles. The 227mm large-caliber long-range rocket missiles for MLRS can efficiently disable an enemy's armored forces deep within enemy territory with the aid of an attack range that has been extended to 45km.

Poongsan has leveraged its proven experience in copper processing and ammunition manufacture to establish manufacturing facilities for a variety of propellant powders and ammunition parts. The Company both uses these products internally for the production of finished ammunition products



Rhombohedral



and exports them to other ammunition manufacturers. In addition, Poongsan is developing an environment-friendly green ammunition. The Company aims at creating a stable and long-lasting ammunition market for its products by enhancing product quality through automation of sporting ammunition production facilities.

As a trusted precision arms and ammunition manufacturer, Poongsan will continue to do its best to contribute to the nation's defense capability through ceaseless R&D activities and quality improvement.



AFFILIATED FIRMS

POONGSAN MICROTEC CORPORATION

Actively involved in R&D and production, Poongsan Microtec specializes in stamping-type leadframes and has greatly contributed to the semiconductor industry – an area demanding highly integrated and increasingly more compact and sophisticated leadframes. Continually striving to improve its competitiveness in this area, Poongsan Microtec receives its raw materials from Poongsan Corporation, then processes them at its own exclusive facilities – which are outfitted with stamping presses and other specialized plating equipment. It also produces a variety of high-precision dies, gauges and tools, and is actively seeking to branch out into new areas such as the connectors sector in electronic parts manufacturing.

Poongsan Microtec has constantly increased its sales growth and profit since 1997 at a rate of more than 10 percent per year, but sales revenue and ordinary profit have declined 31 percent and 32 percent, respectively, resulting from the semiconductor economic slowdown. Debt ratio, however, has been reduced from 40 percent in 2000 to 23 percent last year and liquidity ratio has seen an improvement from 338 percent in 2000 to 624 percent last year, maintaining a very stable financial structure.

Furthermore, the sales revenue of its foreign corporate entity in the Philippines, PSMP (established in 1996 and began production in 1998), dropped 30 percent over the previous year – influenced by the semiconductor industry recession. Nevertheless, ordinary profit climbed into the black, achieving solid results despite the difficult economic environment.

Following its listing on the KOSDAQ in January 2001, Poongsan Microtec is seeking to expand its sphere of business by focusing on sales of high value-added products such as leadframes attached to heat-resistant plates and BTB connectors. Furthermore, it has established a joint venture corporation in Shanghai, China – which is becoming a new supply center for the information technology industry – in order to develop into a comprehensive electronic parts producer in the global market.

POONGSAN MACHINERY CORPORATION

Poongsan Machinery was founded in 1992, a result of Poongsan's years of experience and know-how as both a supplier and consumer of metallurgical equipment and plant machinery. The Dongrae facility in Busan, which is equipped with advanced design and manufacturing facilities including CAD/CAM and CNC, manufactures a variety of metallurgical equipment for the domestic and overseas market.

Poongsan Machinery continues to expand its areas of business, utilizing its diverse range of technologies and rich experience in plant construction both in Korea and abroad to provide customers with the most recent technology and services – from automated equipment such as transportation devices, robots, and peripheral devices to machinery for semiconductor assembly and parts manufacturing. Furthermore, the Company is expanding its area of business with the accumulated know-how invested in its machinery by actively participating in the localization project of defense equipment parts led by the Defense Ministry.

Poongsan Machinery also produces multi-gauge strips of differing thicknesses using milling and rolling processing methods and supplies them to the electronics and automotive industries and is striving to enhance its production capacity in preparation for the future demand increase.

POONGSAN INDUSTRIAL CORPORATION

Poongsan Industrial's high-tech facilities are located in Changwon Industrial Park. The Corporation has high-tech facilities that include specialized production lines for copper tubes and copper fittings. Poongsan Industrial can produce smaller quantities of products to meet particular specifications that cannot be handled by the mass production processes of Poongsan Corporation. Poongsan Industrial is also exerting efforts to increase sales and profit through diversification of production specifications by completing additional facilities for thin tubes to meet consumer demand.

The Corporation's Busan factory produces packaging products such as wooden boxes, Styrofoam, plastic and other types of containers in an environment-friendly way, providing a stable supply of these products to other affiliates such as Poongsan Corporation.

PMX INDUSTRIES, INC.

Incorporated in Cedar Rapids, Iowa, in 1989, PMX Industries supplies high value-added copper products to clients throughout North America. PMX has an annual capacity of 150,000 tons of copper and copper alloy strips that are produced by computer-controlled automated rolling equipment. PMX also supplies general rolled copper sheets and strips and copper alloy strips for coin blanks to the U.S. Mint. It is one of the top three rolled-copper manufacturers in the U.S., occupying 20 percent of the American rolled copper product market.

PMX greatly improved its financial structure through increases in capital stock in 1999 and 2000. With these efforts, the Corporation generated a surplus for the first time in 1999, followed by a profit of US\$10.88 million in 2000. However, due to the sudden downturn of the U.S. economy last year, it struggled a great deal along with other fabricated rolled-copper manufacturers in the U.S. PMX saw a decline in sales of rolled-copper products and raw materials for coin blanks, recording 69,955 tons in production, a 36.3 percent decrease over previous year.

PMX has undertaken large-scale restructuring efforts during the last year, cutting manpower and improving borrowing structure with a lower interest rate. As a result, it is expected that the demand for rolling products within the U.S. will once again rise in line with the demand from the U.S. Mint. This enhanced competitiveness will enable PMX to regain a stable surplus management structure with financial surplus.

POONGSAN (H.K.) LTD.

Poongsan has responded to the rapidly growing Chinese market by establishing Poongsan (H.K.) Ltd. in the thriving business center of Hong Kong. The Company is concentrating on increasing its sales there and in the Southeast Asian markets. Poongsan operates its own slitting center for the processing of rolled copper sheets and strips in Guangdong, China. The slitting center, which began full-scale production in 1999, provides on-site technical services and rapid delivery to end-users in the Southeast Asian region, resulting in the steady increase of new end-users and contributing significantly to sales and profit increase.

PSMT CO., LTD.

PSMT was established following the acquisition of PPM (Padaeng Poongsan Metal) in Thailand in October 2000. After having completed the installation and overhaul of production facilities, PSMT – with a production capacity of 20,000 tons per year under an integrated system of casting and processing – will function as Thailand's only fabricated rolled copper manufacturer beginning with the sales of brass strip products and the supply of Thai coin blanks.

As the only major fabricated copper plant in five ASEAN countries and the Southeast Asian production base, PSMT is planning to export coin blanks and rolled copper products to expand into Southeast Asia and China – copper markets of enormous growth potential where PSMT will be the sole supplier of high-quality rolled copper products.

FIVE YEAR SUMMARY

(Unit: In Millions of Korean Won)

	2001	2000	1999	1998	1997
<i>Operating Results</i>					
Sales	985,211	938,995	871,266	952,688	805,538
Gross income	206,986	185,074	144,236	109,476	97,082
Operating income	162,267	143,279	109,657	77,109	67,946
Ordinary income	93,908	102,163	99,458	29,900	(57,571)
Net income	56,486	72,978	65,992	36,550	(57,774)
<i>Balance Sheet Data at Year-end</i>					
Total assets	1,300,140	1,384,794	1,248,054	1,295,421	1,013,258
Current assets	368,825	427,620	389,193	402,721	491,645
Fixed assets	931,315	957,174	858,861	892,700	521,613
Current liabilities	355,091	400,930	361,578	469,807	537,168
Total liabilities	551,388	655,054	560,575	722,532	851,471
Capital stock	166,000	166,000	166,000	95,948	95,948
Shareholders' equity	748,752	729,740	687,479	572,889	161,787
<i>Financial Ratios (%)</i>					
Return on assets	4.3	5.3	5.3	2.8	(5.7)
Return on shareholders' equity	7.5	10.0	9.6	6.4	(35.7)
Net income margin	5.7	7.8	7.6	3.8	(7.2)
Debt to equity ratio	73.6	89.8	81.5	126.1	526.3
Current ratio	103.9	106.7	107.6	85.7	91.5

(Unit: In Thousands of US Dollars)*

	2001	2000	1999	1998	1997
<i>Operating Results</i>					
Sales	742,939	745,412	760,665	788,780	569,204
Gross income	156,086	146,920	125,926	90,641	68,599
Operating income	122,364	113,741	95,737	63,843	48,011
Ordinary income	70,815	81,101	86,832	24,757	(40,680)
Net income	42,596	57,933	57,614	30,262	(40,824)
<i>Balance Sheet Data at Year-end</i>					
Total assets	980,424	1,099,304	1,089,623	1,072,547	715,982
Current assets	278,128	339,461	339,788	333,434	347,403
Fixed assets	702,296	759,843	749,835	739,113	368,579
Total liabilities	415,797	520,007	489,415	598,223	601,661
Capital stock	125,179	131,778	144,928	79,440	67,798
Shareholders' equity	564,627	579,297	600,208	474,324	114,321

* Accounts in Korean Won have been translated into US Dollars at the following rates against US\$1.00 prevailing at December 31 of each year:

	2001	2000	1999	1998	1997
	1,326.1	1,259.7	1,145.4	1,207.8	1,415.2

MANAGEMENT'S RESPONSIBILITIES

Poongsan Corporation's management prepared the Company's financial statements using accounting principles generally accepted in the Republic of Korea. These statements include amounts based on management's best estimates and judgment, and management bears responsibility for their integrity and objectivity.

The Company maintains accounting and internal control systems designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized and recorded. However, all systems of internal accounting control possess inherent limits, and management recognizes that errors or irregularities may occur. Based on the recognition that the costs of such internal accounting systems should not exceed the benefits to be derived, management believes the Company's system provides an appropriate cost/benefit balance.

The Company's independent auditors, Ahnkwon & Co. and Deloitte Touche Tohmatsu, have been engaged to render an opinion of the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Sales

Poongsan Corporation's total 2001 sales reached W985,211 million, up 4.9 percent or W46,216 million from 2000. The Nonferrous Metal Division comprised 75.3 percent of total sales, increasing by 2.0 percent to W741,502 million. The Defense Products Division earned W232,526 million, up 14.2 percent over the previous year led by a W49,159 million, or a 67.6 percent, year-on-year increase in exports.

In the face of the sluggish global economy, the Company focused on increasing domestic sales, while concentrating export efforts on high value-added products such as coin blanks and copper alloy tubes for plants. Domestic sales in 2001 were 0.5 percent off the previous year to W467,784 million.

Cost of goods sold rose 3.2 percent – lower than the rate of sales increase – from W753,921 million in 2000 to W778,225 million in 2001. As a result of continuous efforts to reduce cost and increase manufacturing efficiency, the cost rate decreased by 1.3 percent from 80.3 percent in 2000 to 79.0 percent in 2001.

"TOGETHER WITH THE STURDY COPPER BUSINESS, THIS [POONGSAN'S DIVERSE OPERATIONS PORTFOLIO] HAS HELPED INVESTORS TO HANDSOME RETURNS."

Asian Wall Street Journal – Jan. 22, 2002

"THE REASON THE QUALITY OF MOLEX CONNECTORS IS GLOBALLY RECOGNIZED IS BECAUSE THEY ARE MANUFACTURED USING THE HIGHEST QUALITY COPPER MATERIALS FROM POONGSAN."

Jin Taick Chung / Molex Korea Co., Ltd. / President

"WE ARE CONVINCED THAT THE COMPANY ...CAN BE HIGHLY RECOMMENDED AS A RELIABLE FIRST CLASS SUPPLIER FOR BLANKS... THE FIRM NOT ONLY HAS THE TECHNICAL KNOWLEDGE AND EQUIPMENT TO FULFILL CUSTOMERS REQUIREMENTS BUT IS ALSO READY AND CAPABLE TO WORK OUT SOLUTIONS IN ORDER TO MEET CUSTOMERS SPECIFICATIONS."

Alexander Langer / Austrian Mint / Head of Purchasing Department

"...MARKET WATCHERS AGREE THAT THE COMPANY IS A GOOD LONG-TERM INVESTMENT..."

Asian Wall Street Journal – Jan. 22, 2002

Therefore, gross profit on sales increased by W21,912 million, or 11.8 percent, from W185,074 million in 2000 to W206,986 million in 2001.

Yearly Sales

	(Units: In Billions of Korean Won)				
	1997	1998	1999	2000	2001
Nonferrous Products	599.4	615.1	652.4	726.7	741.5
Defense Products	190.3	205.2	207.9	203.6	232.5
Others	15.8	132.4	11.0	8.7	11.2
Total Sales	805.5	952.7	871.3	939.0	985.2

Investor Relations: Delivering Value, Transparency

With Mr. Ryu's inauguration as CEO in April, 2000, Poongsan launched an aggressive shareholder-centered initiative to deliver higher value and transparency to investors. For example, by 2006, Chairman Ryu has committed Poongsan to increasing the ordinary income ratio to sales to 15 percent (9.5 percent in 2001) and to achieving debt-free management (64 percent projected debt ratio in 2002). Relevant developments towards these goals include:

- By February 1, 2002, the Company had retired 500,000 shares (1.5 percent of total) to boost value and price.

- Poongsan maintains a generous dividend policy. Over the past five years, the payout ratio has been 20-30 percent, and a dividend of W600/share was paid for 2001.
- Last year, the Company also retired 84 billion Won in debt to further lower its debt ratio – down 16 percent from 2000.

Reflecting the Company's on-going commitment to solidifying its relationship with its minority shareholders, Poongsan also strengthened its Investor Relations (IR) Team – moving it to the Planning & Management and the General Affairs departments.

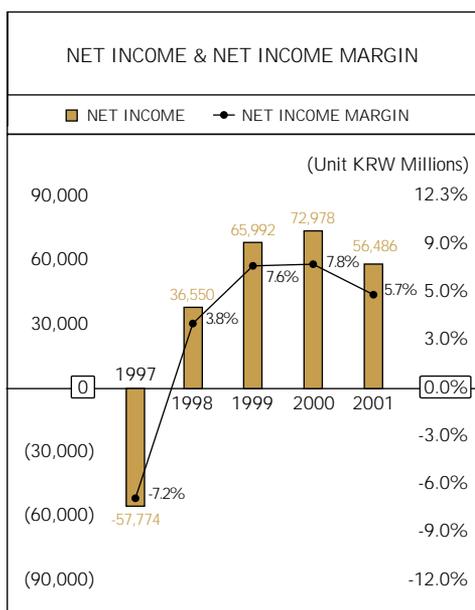
To enhance transparency, Poongsan has started offering monthly reports to its investors. The Company also issues press releases on a regular basis, holds investor conferences, and maintains an Internet site to offer prompt, relevant information – thereby ensuring that the Company's existing and potential shareholders are well informed. In 2001, for example, Chairman Ryu conducted dozens of overseas IR presentations to inform shareholders about past performance and to showcase the Company's prospects for moving forward. The Company also conducted

"... OVERCOMING ECONOMIC RECESSION WITH HIGH QUALITY CONTROL AND TECHNICAL KNOW-HOW..."

The Korea Economic Daily – Oct. 30, 2001

"POONGSAN CORPORATION IS PLANNING TO FURTHER IMPROVE BUSINESS MANAGEMENT TRANSPARENCY THROUGH IMPLEMENTATION OF THE ERP SYSTEM ... (WHICH) WILL HELP THE COMPANY SHARE MANAGEMENT INFORMATION... STRENGTHENING ITS BUSINESS PERFORMANCE WILL BECOME TRANSPARENT VIA REAL-TIME BUSINESS PROCESSING."

The Seoul Economic Daily – Dec. 19, 2001



numerous plant tours for institutional investors, and over 100 small-group meetings with industry analysts, securities brokers, and bank representatives.

Despite its strong operations and stability, Poongsan remains undervalued relative to its peers – primarily due to the uncertainty surrounding PMX, its U.S. affiliate. We believe that the U.S. economic recovery now gaining momentum, the rebound in raw material prices, and the successful restructuring of its debt with lower interest rates will help PMX meet its present challenges and start showing strong profitability. Although share price does not reflect these prospects yet, the Company has confidence in its stock value in the longer term.

Operating Income

In 2001, the Company's operating income increased by W18,988 million, or 13.3 percent, to W162,267 million from W143,279 million in 2000. Thanks to continuous efforts to lower debt, interest costs decreased by W10,700 million or 25.3 percent from W42,314 million in 2000 to W31,614 million in 2001 – enhancing financial stability. The ratio of operating

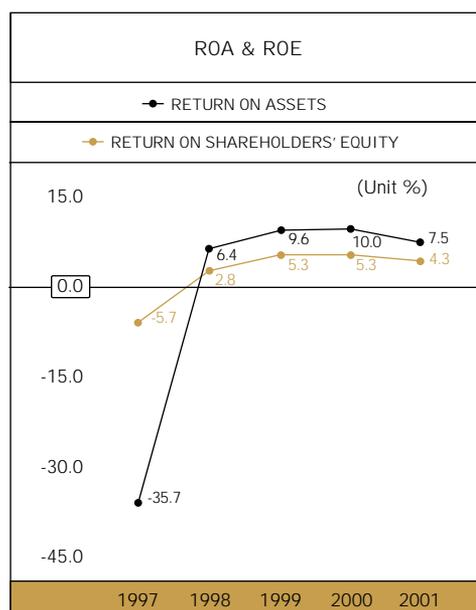
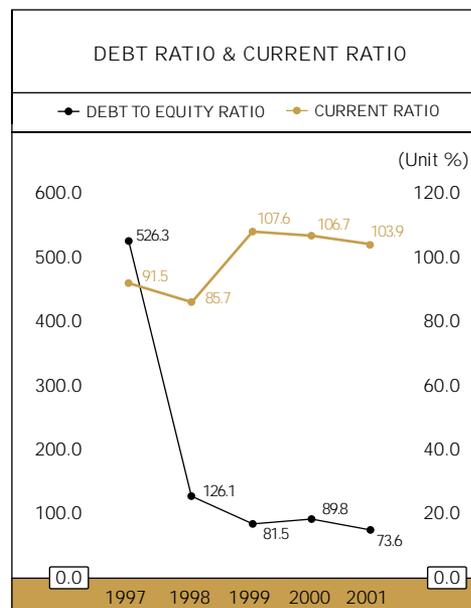
profit to revenue went up to 16.5 percent of sales, an improvement of 1.2 percent from 15.3 percent in 2000.

Operating Margin

	(Units: In Millions of Korean Won)			
	2001	2000	Change	
			Amount	(%)
Sales	985,211	938,995	46,216	4.9%
Operating Income	162,267	143,279	18,988	13.3%
Operating Margin	16.5%	15.3%	1.2%	

Net Income

Net income dropped W16,492 million, or 22.6 percent, from W72,978 million in 2000 to W56,486 million last year – reflecting a W27,105 million loss on valuation of equity amount. The main reason for the decrease in net income lies in the decline of sales of PMX. Influenced in part by the sluggish U.S. economy, the U.S. subsidiary slipped 33.7 percent compared to previous year, resulting in a W24,537 million deficit. This amount was reported as valuation loss of W33,554 million calculated based on corporate accounting standards, increasing non-operating expenses by W12,591 million over previous year. Since corporate



tax amounts do not include losses from applying the equity method to affiliated companies due to differences in corporate accounting standards and taxation criteria, the Company paid W37,421 million in corporate taxes for 2001 – an increase of W8,236 million from last year. Thus, net profit ratio, which represents the ratio of sales versus net income for the year, declined from 7.8 percent in 2000 to 5.8 percent in 2001.

FINANCIAL POSITION

Assets

The Company's total assets as of December 31, 2001, amounted to W1,300,140 million – down W84,654 million, or 6.1 percent, from W1,384,794 million the previous year. However, aggressive measures such as redemption of W81,601 million of debt last year have increased capital and decreased liabilities – enabling the Company to maintain a very positive asset position.

Current assets were posted at W368,825 million, down W58,795 million or 13.7 percent from 2000. The decrease is the result of the redemption of liabilities, lowering current asset amount by W34,668 million over previous year and the decline

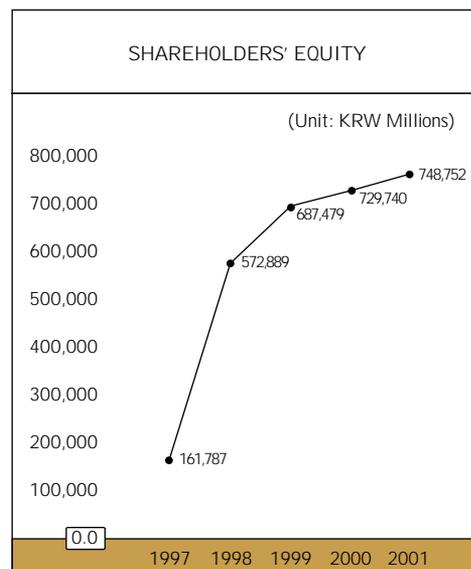
in inventories, particularly in works in process and finished goods, by W24,127 million thanks to efficient sales activities.

Fixed assets were posted at W931,315 million, down W25,859 million or 2.7 percent from W957,174 million as of the end of 2000. The decrease is due to the drop in investment in securities by W31,167 million over the previous year caused by the deficit created by PMX, a company applicable for equity law.

Liabilities

Total liabilities decreased W103,666 million, or 15.8 percent, to W551,388 million at the end of 2001 from W655,054 million at the end of 2000. Both current and long-term liabilities decreased as of December 31, 2001, as well. Current liabilities dropped W45,839 million, or 11.4 percent, to W355,091 – while long-term liabilities sank W57,827 million, or 22.8 percent, to W196,297 million.

Short-term borrowings decreased by W86,575 million to W154,654 million, comprising 43.6 percent of total current liabilities in 2001. Long-term borrowings, which were 34.0 percent of total long-term liabilities, also decreased by W40,790 million from 2000 to W66,766 million in 2001.



The debt to equity ratio, which compares total liabilities against total shareholders' equity, slipped by 16.2 percent over previous year at the end of 2001 – coming in at 73.6 percent and greatly improving the Company's fundamental financial strength. The drop in the interest costs derived through this aggressive debt reduction program contributed to profit growth. The Company has also been making significant strides to lower the interest paid on its remaining debt by refinancing to take fuller advantage of historically low interest rates. Such efforts are expected to significantly contribute to Poongsan's long-term profitability prospects.

Shareholders' Equity

Shareholders' equity decreased W22,106 million when the Company bought back 500,000 shares in 2001 to manage adequate stock price, but shareholders' equity was posted at W748,752 million – up W19,012 million or 2.6 percent over previous year – due to reinvested earnings of W39,482 million carried forward that increased equity retained by the Company for reinvestment purposes. The ratio of shareholders' equity to total assets increased by 4.9 percent, from 52.7 percent at the 2000 year-end to 57.6 percent for 2001 year-end.

"SAMSUNG ELECTRONICS INSISTS ON USING ACR TUBES ONLY FROM POONGSAN BECAUSE OF THE COMPANY'S INNOVATIVE PRODUCT DEVELOPMENT PROCESS, RIGOROUS QUALITY CONTROL SYSTEM AND TIMELY DELIVERY."

BaekYoun, Ph.D. / Samsung Electronics Co., Ltd. / Principal Engineer

"THE COMPANY SUCCEEDED IN BECOMING ONE OF THE WORLD'S BEST MANUFACTURERS BY FOCUSING ON WROUGHT COPPER & COPPER ALLOY PRODUCT BUSINESS."

The Chosun Ilbo – Dec. 5, 2000

"...THE COMPANY'S TRANSPARENT MANAGEMENT INFORMATION AND SOUND CORPORATE STRUCTURE ARE TRUSTWORTHY..."

EunYoung Lee / LG Investment & Securities Co., Ltd. / Analyst

BALANCE SHEETS

Exchange Rate: W1,326.10=US\$1 (End of 2001)
Exchange Rate: W1,259.70=US\$1 (End of 2000)

Millions of Korean Won

Conversion into Thousands
of United States Dollars

	2001	2000	2001	2000
<i>Current Assets</i>				
Cash and Short-term financial instruments	8,963	24,615	6,759	19,540
Trade receivables	133,796	147,802	100,894	117,331
Inventories	190,180	214,307	143,413	170,125
Other current assets	35,886	40,896	27,061	32,465
<i>Total Current Assets</i>	<i>368,825</i>	<i>427,620</i>	<i>278,127</i>	<i>339,461</i>
<i>Non-Current Assets</i>				
Investments	263,490	301,280	198,695	239,168
Tangible and Intangible assets	667,825	655,894	503,601	520,675
Land	353,426	352,937	266,515	280,175
Buildings	137,885	139,703	103,978	110,902
Structures	26,186	25,780	19,747	20,465
Machinery	103,747	93,386	78,235	74,134
Others	46,581	44,088	35,126	34,999
<i>Total Non-Current Assets</i>	<i>931,315</i>	<i>957,174</i>	<i>702,296</i>	<i>759,843</i>
<i>Total Assets</i>	<i>1,300,140</i>	<i>1,384,794</i>	<i>980,423</i>	<i>1,099,304</i>
<i>Current Liabilities</i>				
Trade payables	22,974	32,191	17,324	25,555
Short-term borrowings	154,654	241,229	116,623	191,497
Non-trade payables	6,620	20,139	4,992	15,987
Current portion of long-term liabilities	102,424	46,056	77,237	36,561
Other current liabilities	68,419	61,315	51,594	48,674
<i>Total Current Liabilities</i>	<i>355,091</i>	<i>400,930</i>	<i>267,770</i>	<i>318,274</i>
<i>Long-Term Liabilities</i>				
Bonds payable	39,233	48,426	29,585	38,442
Long-term borrowings	66,766	107,556	50,348	85,382
Provision for severance benefits	90,298	98,142	68,093	77,909
<i>Total Long-Term Liabilities</i>	<i>196,297</i>	<i>254,124</i>	<i>148,026</i>	<i>201,733</i>
<i>Total Liabilities</i>	<i>551,388</i>	<i>655,054</i>	<i>415,796</i>	<i>520,007</i>
<i>Stockholders' Equity</i>				
Capital stock	166,000	166,000	125,179	131,778
Additional paid-in and other capital	491,284	490,293	370,473	389,214
Retained earnings	95,966	54,225	72,367	43,046
Capital adjustment	(4,498)	19,222	(3,392)	15,259
<i>Total Stockholders' Equity</i>	<i>748,752</i>	<i>729,740</i>	<i>564,627</i>	<i>579,297</i>
<i>Total Liabilities And Stockholders' Equity</i>	<i>1,300,140</i>	<i>1,384,794</i>	<i>980,423</i>	<i>1,099,304</i>

NOTE: These financial statements are made and reported based on Korean GAAP which was revised in 2001

STATEMENTS OF INCOME

	Millions of Korean Won		Conversion into Thousands of United States Dollars	
	2001	2000	2001	2000
<i>Sales</i>	985,211	938,995	742,939	745,412
<i>Cost of Goods Sold</i>	778,225	753,921	586,852	598,492
<i>Gross Profit</i>	206,986	185,074	156,087	146,920
<i>Selling and Administrative Expenses</i>	44,719	41,795	33,722	33,179
<i>Operating Income</i>	162,267	143,279	122,365	113,741
<i>Non-Operating Revenues</i>	22,289	36,942	16,808	29,326
Interest revenues	5,954	8,689	4,490	6,898
Gains on foreign currency transaction and translation	6,751	12,088	5,091	9,596
Equity income on investments	–	6,881	–	5,462
Others	9,584	9,284	7,227	7,370
<i>Non-Operating Expenses</i>	90,649	78,058	68,358	61,966
Interest expenses	31,614	42,314	23,840	33,591
Losses on foreign currency transaction and translation	15,680	29,684	11,824	23,564
Equity losses on investments	27,105	–	20,440	–
Others	16,250	6,060	12,254	4,811
<i>Income Before Income Tax Expenses</i>	93,907	102,163	70,815	81,101
<i>Income Tax Expenses</i>	37,421	29,185	28,219	23,168
<i>Net Income</i>	56,486	72,978	42,596	57,933

NOTE: These financial statements are made and reported based on Korean GAAP which was revised in 2001

STATEMENTS OF CASH FLOWS

	Millions of Korean Won		Conversion into Thousands of United States Dollars	
	2001	2000	2001	2000
<i>I. Cash Flows from Operating Activities</i>	162,412	97,390	122,474	77,311
1. Net income	56,486	72,978	42,596	57,933
2. Addition of expenses not involving cash outflows	109,760	99,886	82,769	79,293
3. Deduction of revenues not involving cash inflows	(5,006)	(8,476)	(3,775)	(6,729)
4. Changes in assets and liabilities resulting from operations	1,172	(66,998)	884	(53,186)
<i>II. Cash Flows from Investing Activities</i>	(36,446)	(141,126)	(27,484)	(112,032)
1. Cash inflows from investing activities	47,248	49,717	35,629	39,467
2. Cash outflows for investing activities	(83,694)	(190,843)	(63,113)	(151,499)
<i>III. Cash Flows from Financing Activities</i>	(129,131)	44,453	(97,376)	35,289
1. Cash inflows from financing activities	727,534	735,183	548,627	583,618
2. Cash outflows for financing activities	(856,665)	(690,730)	(646,003)	(548,329)
<i>IV. Increase in Cash (I + II + III)</i>	(3,165)	717	(2,386)	568
<i>V. Cash at Beginning of the Year</i>	4,371	3,654	3,296	2,901
<i>VI. Cash at End of Year</i>	1,206	4,371	909	3,469

NOTE: These financial statements are made and reported based on Korean GAAP which was revised in 2001

BUSINESS ACTIVITIES

FABRICATED NONFERROUS METAL DIVISION

- Copper and copper alloys (sheets & strips, pipes & tubes, bars & wires)
- Welded titanium tubes, stainless steel strips
- Coin blanks, precious metal coin blanks, cartridge case cups, copper roofing tiles
- Precision forging products

DEFENSE PRODUCTS DIVISION

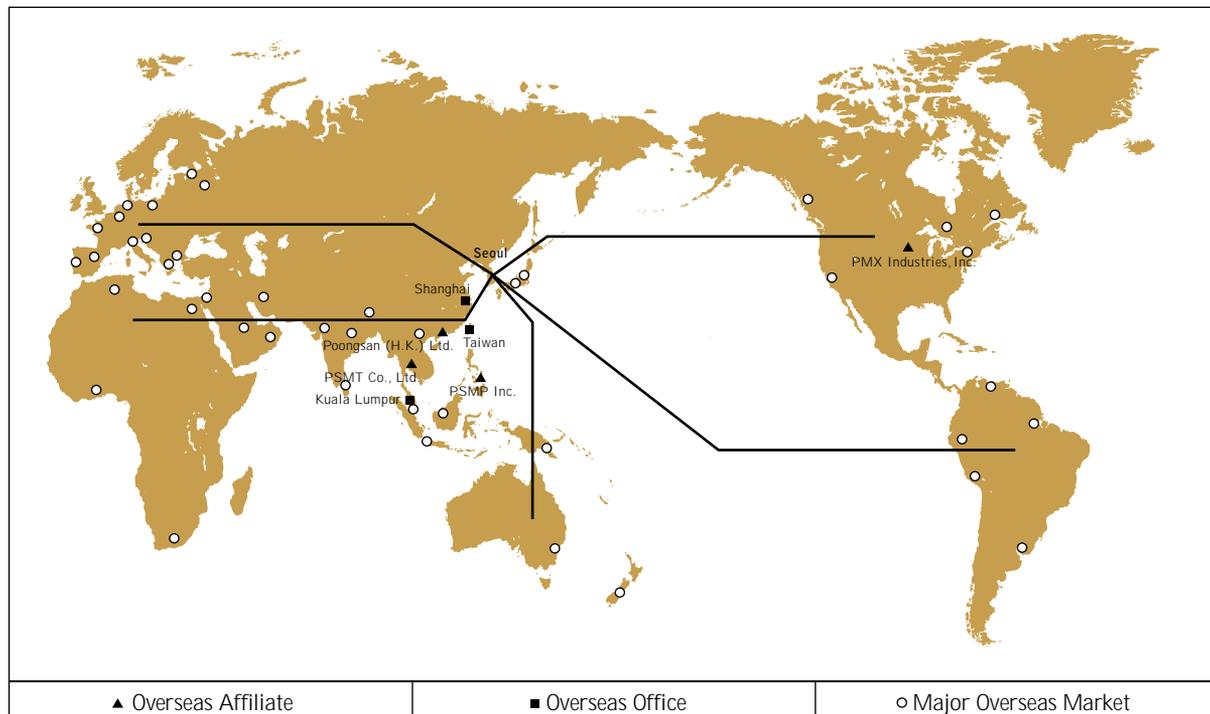
- Military ammunition for small arms, antiaircraft guns, naval guns, mortars, tank guns and artillery weapons
- Sporting ammunition
- Semi-finished products for ammunition
- Propellants

STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

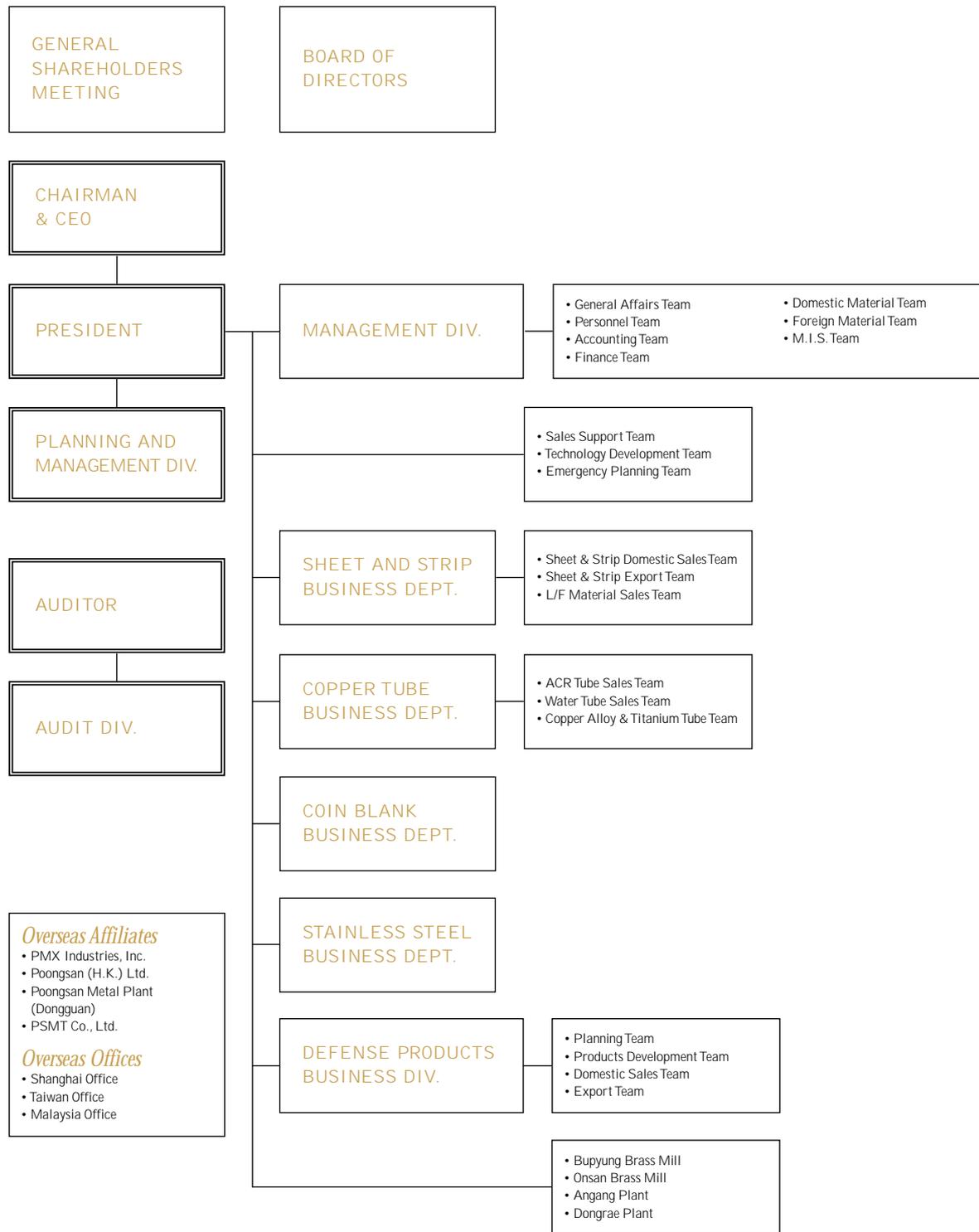
	Millions of Korean Won		Conversion into Thousands of United States Dollars	
	2001	2000	2001	2000
<i>Retained Earnings Before Appropriations</i>	60,099	45,043	45,321	35,757
Unappropriated retained earnings	185	15	140	12
Cumulative effects of accounting change	-	▲27,950	-	▲22,188
Change effects of equity method	3,428	-	2,585	-
Net income for the year	56,486	72,978	42,596	57,933
<i>Transfer of Retained Earnings</i>	6,000	-	4,525	-
Transfer of research and personnel development	6,000	-	4,525	-
<i>Appropriations of Retained Earnings</i>	26,617	44,858	20,071	35,609
Legal reserve	1,818	1,974	1,371	1,567
Reserve for business stabilization	1,808	643	1,363	510
Reserve for research and personnel development	-	10,000	-	7,938
Loss on sale of treasury stocks	-	507	-	402
Reserve for loss on sale of treasury stocks	4,817	-	3,632	-
Dividends	18,174	19,734	13,705	15,666
(Cash dividends)	(18,174)	(19,734)	(13,705)	(15,666)
Voluntary reserves	-	12,000	-	9,526
<i>Unappropriated Retained Earnings to be Carried Over to Subsequent Year</i>	39,482	185	29,775	148

NOTE: These financial statements are made and reported based on Korean GAAP which was revised in 2001

GLOBAL NETWORK



ORGANIZATIONAL CHART



Chairman & CEO: Jin Ryu

President: Moon Won Lee

President: Sang Jun Kim (Defense Division)

Executive Vice President: Byung Min Suh (Head Office)

Auditor: Young Han Ryu

Outside Directors: Ki Moon Kim, Myung Soo Won

Plant Managers: In Dal Kim (Bupyung), Han Myung Choi (Onsan), Gab Jung Kim (Angang), Kyu Hong Rhee (Dongrae)

OVERSEAS AND DOMESTIC NETWORK

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Fax: 852-2-730-7396

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Fax: 86-769-5509-743

PSMT Co., Ltd.

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Fax: 82-32-540-7400

Onsan Brass Mill

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Fax: 82-52-231-9400

Angang Plant

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Fax: 82-54-760-6400

Dongrae Plant

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Head Office/Dongrae Plant

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Poongsan Industrial Corp.

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57, Sungju-dong, Changwon, Kyungnam
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Seoul Office

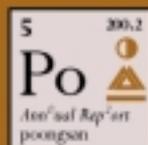
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